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MEANING OF CERTAIN REFERENCES

Unless otherwise noted or the context otherwise indicates, all references in this Annual Information Form (the “Annual Information Form”) to the “Company”, “Roots”, “we”, “us” or “our” refer to Roots Corporation together with our subsidiaries, on a consolidated basis.

“CAGR” refers to compound annual growth rate.

“Fiscal 2014” refers to the 52-week period ended January 31, 2015 of Roots Canada Ltd.

“Fiscal 2015” refers to the combined Successor 2015 Period and Predecessor 2015 Period, as further described below.


“Fiscal 2017” refers to the 53-week period ended February 3, 2018.

“Fiscal 2018” refers to the 52-week period ending February 2, 2019.


On October 14, 2015, Searchlight Capital II PV, L.P. incorporated Roots Corporation under the laws of Canada and a subsidiary, Roots USA Corporation, under the laws of the State of Delaware. Pursuant to a purchase and sale agreement dated October 21, 2015, Roots and its subsidiaries acquired substantially all of the assets of Roots Canada Ltd., Roots U.S.A., Inc., Roots America L.P. and all of the issued and outstanding shares of Roots International ULC, effective December 1, 2015 (the “Acquisition”). Accordingly, the financial information presented in this Annual Information Form for Fiscal 2015 reflects the periods both prior to and subsequent to the Acquisition. The financial information in respect of Fiscal 2015 in this Annual Information Form is comprised of (i) the predecessor period from February 1, 2015 through November 30, 2015, which we refer to as the “Predecessor 2015 Period”, and (ii) the successor period from October 14, 2015 (date of incorporation) through January 30, 2016, which we refer to as the “Successor 2015 Period”. Roots Corporation had no financial activity prior to December 1, 2015 (the date of the Acquisition) and the financial information presented in respect of periods prior to December 1, 2015 reflects the operations under the ownership structure of the entity formerly named “Roots Canada Ltd.”

Unless otherwise specified or the context otherwise requires, all information provided in this Annual Information Form is given as at February 3, 2018. All references to “$”, “CAD$” or “dollars” are to Canadian dollars and references to “U.S.$” or “U.S. dollars” are to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated. Certain totals, subtotals and percentages throughout this Annual Information Form may not reconcile due to rounding.

This Annual Information Form contains certain trademarks, which are protected under applicable intellectual property laws and are our property. Solely for convenience, our trademarks and trade names referred to in this Annual Information Form may appear without the ® or TM symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

NON-IFRS MEASURES INCLUDING INDUSTRY METRICS

This Annual Information Form makes reference to certain non-IFRS measures including certain metrics specific to the industry in which we operate. These measures are not recognized measures under International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”), do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of
operations from management’s perspective. Accordingly, these measures are not intended to represent, and should not be considered as alternatives to, net income or other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as a measure of liquidity. In addition to our results determined in accordance with IFRS, we use non-IFRS measures including “EBITDA”, “Adjusted EBITDA”, “Adjusted Net Income” and “Adjusted Net Income per Share” each as defined below. This Annual Information Form also makes reference to “comparable sales growth”, “e-commerce penetration” and “system-wide sales”, commonly used metrics in our industry but that may be calculated differently compared to other companies. We believe these non-IFRS measures and industry metrics provide useful information to both management and investors in measuring our financial performance and condition and highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. Management also uses non-IFRS measures to exclude the impact of certain expenses and income that management does not believe reflect the Company’s underlying operating performance and that make comparisons of underlying financial performance between periods difficult. Management also uses non-IFRS measures to measure our core financial and operating performance for business planning purposes and as a component in the determination of incentive compensation for salaried employees. The Company may exclude additional items, from time to time, if it believes doing so would result in a more effective analysis of our underlying operating performance.

See “Reconciliation of Non-IFRS Measures” of our Management’s Discussion and Analysis (”MD&A”) for the fiscal year ended February 3, 2018 for a reconciliation of certain of the foregoing non-IFRS measures to their most directly comparable measures calculated in accordance with IFRS. A copy of the MD&A can be accessed under the Company’s profile on SEDAR at www.sedar.com.

“EBITDA” is defined as net income before interest expense, income taxes expense (recovery), and depreciation and amortization.

“Adjusted EBITDA” is defined as EBITDA, adjusted for the impact of certain income and expenses that are non-recurring, infrequent, or unusual in nature and would make comparisons of underlying financial performance between periods difficult. We believe that Adjusted EBITDA is useful, to both management and investors, in assessing the underlying performance of our ongoing operations and our ability to generate cash flows to fund our cash requirement.

“Adjusted Net Income” is defined as net income, adjusted for the impact of certain income and expenses that are non-recurring, infrequent, or unusual in nature, and would make comparisons of underlying financial performance between periods difficult, net of related tax effects. We believe that Adjusted Net Income is useful, to both management and investors, in assessing the underlying performance of our ongoing operations.

“Adjusted Net Income per Share” is defined as Adjusted Net Income, divided by the weighted average Shares outstanding during the periods presented. We believe that Adjusted Net Income per Share is useful, to both management and investors, in assessing the underlying performance of our ongoing operations on a per share basis.

“comparable sales growth” is a retail industry metric used to compare the percentage change in sales derived from mature stores and e-commerce, in a certain period, compared to the sales from the same stores and e-commerce, in the same period of the prior year. We believe comparable sales growth helps explain our sales growth in established stores and e-commerce, which may not otherwise be apparent when relying solely on year-over-year sales comparisons. Comparable sales growth is calculated based on sales (net of a provision for returns) from stores that have been opened for at least 52 weeks in our direct-to-consumer (“DTC”) segment, including e-commerce sales (net of a provision for returns) in our DTC segment, and excludes sales from stores during periods where the store was undergoing renovation. Comparable sales growth also excludes the impact of foreign currency fluctuations as it is calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1 in all reporting periods. Our comparable sales growth may be calculated differently compared to other companies. Sales during the 53rd week of Fiscal 2017 were compared to sales during the 52nd week of Fiscal 2016.
“e-commerce penetration” is a retail industry metric used to compare the percentage of sales generated from e-commerce, in a certain period, in relation to sales from our entire DTC operating segment during the same period. We believe e-commerce penetration helps explain our sales growth derived specifically through e-commerce sales, which may not otherwise be apparent when relying solely on year-over-year sales comparisons. We calculate e-commerce penetration by dividing e-commerce sales by our sales in the entire DTC operating segment.

“system-wide sales” is a retail industry metric that is calculated as the sum of total sales generated on the sale of Roots-branded products to end-consumers at retail value, directly through our DTC operating segment and through the subsequent sale of Roots-branded products to end-consumers by our international partners, licensees, and wholesale customers in our Partners and Other operating segment. U.S. dollar denominated sales are converted to Canadian dollars using the Bank of Canada average exchange rate for the applicable time period.

FORWARD-LOOKING INFORMATION

This Annual Information Form contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our business, financial position, results of operations, business strategy, growth plans and strategies, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

Discussions containing forward-looking information may be found, among other places, under “Our Business”, “Dividend Policy”, and “Risk Factors”.

Forward-looking information in this Annual Information Form includes, among other things, statements relating to:

- expectations regarding our growth rates and growth plans and strategies;
- expectations regarding our sales, expenses, EBITDA, Adjusted EBITDA, Adjusted Net Income, comparable sales growth, e-commerce penetration, capital expenditures, operations, net leverage ratio, and use of future cash flow;
- our business plans and strategies;
- expectations regarding geographic expansions and international partnerships;
- expectations regarding new store openings and the renovation and expansion of existing stores;
- expectations regarding the composition of our product offering;
- our competitive position in our industry;
- the market price for the Shares; and
- beliefs and intentions regarding the ownership of material trademarks and domain names used in connection with the design, production, marketing, distribution and sale of our products.
This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the expansion and enhancement of our corporate retail and partner-operated store networks; our ability to drive comparable sales growth and growth in Adjusted EBITDA and Adjusted Net Income; our ability to maintain, enhance, and grow our appeal within our addressable market; our ability to drive ongoing development and innovation of our brand and product categories; our ability to continue directly sourcing from our existing suppliers and manufacturers; our ability to expand our international presence; our ability to retain key personnel; our ability to maintain and expand distribution capabilities; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors underlying forward-looking information and management’s expectations.

The forward-looking information in this Annual Information Form is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements were made. It is also subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including the following risk factors described in greater detail under the heading “Risk Factors”:

- changes in the general economic conditions and consumer spending in the regions in which we operate;
- inability to protect and enhance our brand;
- inability to anticipate and respond to constantly changing consumer demands and fashion trends;
- our highly competitive industry and the size and resources of some of our competitors;
- fluctuations in the value of the Canadian dollar in relation to the U.S. dollar and other currencies and associated hedging risk;
- risks associated with leasing retail space;
- inability to successfully open and operate new stores in Canada and the United States;
- failure to reduce operating expenses in a timely manner;
- lower profitability due to increasing product costs and decreasing selling prices;
- inability to obtain merchandise on a timely basis at competitive costs from our suppliers;
- actions taken by our suppliers and manufacturers or activists and protestors;
- slower profitability of new stores;
- dependence on international operating partners;
- failure to identify, recruit and contract with qualified international operating partners;
- lower customer awareness of our brand in new target markets and our unfamiliarity with such markets;
- geopolitical risks and challenges of operating in new markets;
- inability to successfully manage and grow our e-commerce business;
- our need for significant capital to fund our expanding business;
• material disruptions in or security breach affecting our information technology systems and e-commerce business;
• risks associated with industry consolidation;
• loss of members of our management team or other key personnel or an inability to attract new management team members or key personnel;
• disruptions to the operations at our head office location;
• inability to attract new customers;
• failure to adequately connect with our customer base;
• dependence on a limited number of distribution facilities;
• seasonality of sales and inventory purchases;
• inability to protect trademarks or other intellectual property rights and the potential infringement of trademarks or other intellectual property rights of third parties;
• inability to attract, motivate and retain quality sales staff;
• reliance on third party transportation providers;
• risks associated with upgrading or replacing of core information technology systems;
• union attempts to organize our employees and increased labour costs;
• inability to grow sales or meet other financial targets;
• laws and regulations, including labour and employment, consumer protection, advertising, environmental, customs, taxes and other laws that regulate retailers;
• additional taxes, which could affect our operating results;
• insurance-related risks;
• payment-related risks;
• risks related to forward-looking information contained in this Annual Information Form;
• risks related to natural disasters and unusual weather;
• claims made against us, which may result in litigation;
• insolvency risks with parties with whom we do business;
• changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters;
• financing restrictions on current and future operations;
• risks related to systems of internal controls over financial reporting;
• inability to manage our operations at our current size and successful execution of our growth strategies;
• bankruptcies of other retailers and licensees;
• volatility in the market price for Shares;
• significant influence of Searchlight (as defined herein);
• future sales of our securities by existing Shareholders (as defined herein) causing the market price for Shares to decline;
• no cash dividends for the foreseeable future;
• risks related to changes in tax laws;
• any issuance of preferred shares may hinder another person’s ability to acquire us; and
• our trading price and volume could decline if analysts publish inaccurate or unfavourable research about us or our business.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in “Risk Factors” should be considered carefully by readers.

Although we have attempted to identify important risk factors that could cause actual results or future events to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only to opinions, estimates and assumptions as of the date made. The forward-looking information contained in this Annual Information Form represents our expectations as of the date of this Annual Information Form (or as of the date they are otherwise stated to be made), and are subject to change after such date. We disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

All of the forward-looking information contained in this Annual Information Form is expressly qualified by the foregoing cautionary statements.

MARKET AND INDUSTRY DATA

Market and industry data presented throughout this Annual Information Form was obtained from third party sources, industry reports and publications, websites and other publicly available information, including Canadian Business, as well as industry and other data prepared by us or on our behalf on the basis of our knowledge of the North American and international retail markets and economies (including our opinions, estimates and assumptions relating to the North American and international retail markets and economies based on that knowledge). Certain statistical information and market research contained in this Annual Information Form, such as the results of consumer and brand awareness surveys, are based on surveys or consumer studies conducted by independent third parties at our request, for which we pay customary fees. We believe that the market and economic data presented throughout this Annual Information Form is accurate and, with respect to data prepared by us or on our behalf, that our opinions, estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data presented throughout this Annual Information Form are not guaranteed and we do not make any representation as to the accuracy of such data. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although we believe it to be reliable, we have not independently verified any of the data from third party sources referred to in this Annual Information Form, analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and economic data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey.
CORPORATE STRUCTURE

Incorporation and Head Office

On October 14, 2015, Searchlight Capital Partners, L.P. ("Searchlight") incorporated Roots Corporation under the Canada Business Corporations Act (the "CBCA") and its subsidiary, Roots USA Corporation, under the laws of the State of Delaware. Pursuant to a purchase and sale agreement dated October 21, 2015, Roots and its subsidiaries acquired substantially all of the assets of Roots Canada Ltd., Roots U.S.A., Inc., Roots America L.P., entities controlled by our founders Michael Budman and Don Green (the "Founders"), and all of the issued and outstanding shares of Roots International ULC, effective December 1, 2015. The Company’s head and registered office is located at 1400 Castlefield Avenue, Toronto, Ontario, M6B 4C4.

Intercorporate Relationships

The following chart identifies the principal legal entities through which we conduct our business, their applicable governing corporate jurisdictions and the percentage of their voting securities which are beneficially owned, or controlled or directed, directly or indirectly, by Roots:

Note:
(1) Dormant entity.

OUR BUSINESS

OUR STORY

Established in 1973, the Roots brand has stood the test of time. Inspired by the rugged beauty of Algonquin Park, the Founders set out to create a brand that captures the essence of the Canadian outdoors. From our first store in Toronto and the launch of our negative heel shoe, we have become an iconic lifestyle brand with a rich Canadian heritage and portfolio of premium apparel, leather goods, accessories and footwear. While the world around us has changed, we have stayed true to the guiding principles of our brand. We believe that our self-confidence, authenticity, quality and unwavering integrity are more relevant today than ever before.

While our original inspiration was the great Canadian outdoors, today we are an inclusive lifestyle brand for those who want to enjoy the moment and embrace the spirit of the open air. Our products are worn by a broad cross-section of global consumers, including young professionals, students, families, athletes and entertainment icons. For nearly five decades, people have been drawn to the timeless style, comfort, functionality and versatility of our products and the stories and experiences that have shaped our brand. Canada will always be at the heart and soul of our business, but our guiding principles and premium products that this country has inspired transcend borders.
Our design and product development are driven by global consumer insights and supported by our heritage, our flexible sourcing network, our proven distribution footprint, and our Canadian leather manufacturing facility. We deliver products to our customers through our store network, online platform and international partnerships. As of February 3, 2018, our integrated omni-channel footprint included 116 corporate retail stores in Canada, three corporate retail stores in the United States, 110 partner-operated stores in Taiwan, 32 partner-operated stores in China and a global e-commerce platform that shipped to more than 50 countries during our most recently completed fiscal year.

On October 25, 2017, we successfully closed our initial public offering (the “IPO”) of our common shares (the “Shares”) at a price of $12.00 per Share through a secondary sale of shares by our principal shareholders, Searchlight and the Founders pursuant to a (final) long-form prospectus dated October 18, 2017 filed in each of the provinces and territories of Canada (the “IPO Prospectus”). Our principal shareholders sold 16,667,000 Shares under the IPO for total gross proceeds of approximately $200 million. The Company did not receive any of the proceeds from the IPO. The Shares are listed for trading on the Toronto Stock Exchange (“TSX”) under the symbol “ROOT”.

DEVELOPMENT OF OUR BUSINESS

The power of our brand and business model is reflected in our strong operational and financial performance. In Fiscal 2017, we generated sales of approximately $326.1 million, which have grown at a CAGR of approximately 14% from Fiscal 2014 to Fiscal 2017. In Fiscal 2017, we achieved comparable sales growth of approximately 12.1% over the previous fiscal year, recognized net income of approximately $17.5 million, Adjusted Net Income of approximately $29.1 million, and Adjusted EBITDA of approximately $52.6 million. A summary of our sales, Adjusted EBITDA, net income and Adjusted Net Income for Fiscal 2014, Fiscal 2015, Fiscal 2016 and Fiscal 2017 is set out below.

Retail stores

During Fiscal 2017, we continued to execute on our strategy to grow our store network and optimize our existing retail stores. The following table summarizes the changes to our corporate retail store count in North America in Fiscal 2017 compared to Fiscal 2016 and Fiscal 2015.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number of stores, beginning of period</th>
<th>New stores</th>
<th>Closed stores</th>
<th>Number of stores, end of period</th>
<th>Stores renovated or relocated</th>
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<tbody>
<tr>
<td>Fiscal 2017</td>
<td>Q1 117 Q2 118 Q3 120 Q4 120 Total 117</td>
<td>2 4 - 2 8</td>
<td>1 2 - 3 6</td>
<td>118 120 120 119 Total 119</td>
<td>1 3 1 5 Total 8</td>
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<tr>
<td>Fiscal 2016</td>
<td>114</td>
<td>5</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal 2015</td>
<td>112</td>
<td></td>
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During Fiscal 2017, we opened the following corporate retail stores:

- March 2017: opened at Fairview Mall in Toronto, Ontario;
- April 2017: opened at Market Mall in Calgary, Alberta;
- May 2017: opened a Winnipeg Outlet location in Winnipeg, Manitoba;
- May 2017: opened a Tanger Outlets location in Ottawa, Ontario;
- June 2017: opened at Fairview Park Mall in Kitchener, Ontario;
- July 2017: opened a Fairmont Chateau Lake Louise location in Lake Louise, Alberta;
- November 2017: opened an enhanced experience store, which includes a selection of customizable leather bags and awards jackets, as well as a heritage area, customer lounge and many other features that add to the in-store shopping experience, located at Pacific Centre Mall in Vancouver, British Columbia; and
- February 1, 2018: opened at McAllister Place in Saint John, New Brunswick.

As of the end of Fiscal 2017, we had signed four leases in the Boston and Washington D.C. areas. All four retail store locations are slated to open in Fiscal 2018, starting with our two locations in the Greater Boston area which are scheduled to open in June 2018.

During Fiscal 2017, we completed the expansion and/or relocation of four existing corporate retail stores:

- April 2017: relocated and opened our Boulevard Leduc store in Brossard, Quebec;
- August 2017: relocated and expanded our enhanced experience store at Yorkdale Mall in Toronto, Ontario;
- October 2017: relocated and expanded our Lakeshore store in Oakville, Ontario; and

During Fiscal 2017, we completed the renovation of one existing corporate retail store:

- September 2017: completed renovations to our Woodside store in Markham, Ontario.

During Fiscal 2017, we closed a total of six corporate retail stores to better optimize our overall real estate portfolio.
**E-commerce site**

In Fiscal 2017, we rolled out our new storefront e-commerce site, introducing various new features and functionality through scheduled phased releases. During the first phases, some of the new features and functionality we introduced included a new visual design improved mobile functionality and consumer-facing enhancements that simplify the online ordering process. We completed our third phase rollout in March 2018, which included increased personalization capabilities. We expect to complete our final phase by mid-Fiscal 2018.

**International**

We continue to execute on our strategy to grow internationally. During Fiscal 2017, our international partner opened eight new stores in China, ending the year with 110 stores in Taiwan and 32 stores in China.

**OUR GUIDING PRINCIPLES**

Roots began with a simple idea – to translate the affinity for the Canadian outdoors into an enduring lifestyle brand. From our first store in Toronto to the global stage, we have never lost sight of what we stand for. The following principles are foundational to our brand discipline and sustainability:

- **Self-confidence:** we proudly emanate a grounded sense of confidence that is uniquely Canadian;
- **Authenticity:** we know who we are, where we are from and what we stand for;
- **Quality:** we focus on delivering to our customers a consistent experience that they know and trust; and
- **Integrity:** we act honestly and with a good heart in the way we treat our partners and in how we craft premium quality products.

**OUR COMPETITIVE STRENGTHS**

We view our heritage and our guiding principles as the foundation of our business. Our brand is supported by first-rate operations and is well-diversified across product categories, seasons, channels, geographies and demographics. We believe the following strengths differentiate us within our industry and serve as the central pillars of our sustained success.

**Iconic Canadian brand with rich heritage.**

Through an unwavering commitment to our guiding principles and a lasting affinity for our products, we have helped define Canadian style for nearly five decades, while successfully exporting our heritage globally. Roots has achieved 99% aided brand awareness in our home market primarily through word-of-mouth marketing and decades of unpaid celebrity and professional athlete affirmation. As a result, Roots has been named as one of the top 10 brands in Canada by Canadian Business in 2016 and 2017 and is the only lifestyle apparel brand to receive this distinction. While Roots is synonymous with Canada, the reach of our brand is truly international. In Fiscal 2017, our products were sold in more than 50 countries worldwide and approximately 27% of our system-wide sales were generated outside of Canada.

**Diversified product portfolio with enduring icons.**

Our customers associate our products with style, comfort, functionality and versatility. With 45 years of product leadership, our product range is diversified across seasons and comprised of apparel and accessories for men, women and children, as well as leather goods and footwear. From our world-famous sweats to our classic varsity jackets, artisan bags and boots, we have been at the forefront of Canadian style for generations. Serving as the foundation of our distinct identity, many of our iconic pieces have been in our assortment for decades. Our “enduring icons” product offering remains a favourite among consumers today and represented approximately 19% of our sales in Fiscal 2017. We leverage this heritage, while
being guided by consumer insights and global market trends, to inspire our perennial favourites (which are items that are customers love, and that we bring back and update each year) and introduce seasonal excitement throughout our product offering.

**Broad demographic appeal with strong loyalty.**

Our products transcend generations. From summer camps and dorm rooms to first apartments and family vacations, we have helped shape the memories of our consumers from coast-to-coast and abroad. We believe people are inspired by our passion for the open air, with an open and positive attitude toward the world, whether they have just discovered Roots for the first time or have known us for many years. In an era of rapid change, when many brands are searching for relevance, we believe our guiding principles and product values continue to resonate with our consumers. According to a survey conducted on our behalf, more than half of our Canadian customers have been buying our products for over ten years. By staying true to our heritage, we attract a loyal following of independent and creative young professionals while also appealing to adventurous students and ageless generations who have grown up with our brand.

**Connective omni-channel experience.**

We provide our customers with an elevated brand experience in our stores and online. In Fiscal 2017, our corporate retail stores had more than 21 million visitors across our network. Capturing the essence of the open air, our retail stores immerse shoppers in our heritage and inspire them to discover our products through exceptional in-store service and visual merchandising. We were among the first Canadian brands to launch an online storefront in 1999 and, today, our e-commerce platform seamlessly integrates with our retail stores. We serve our customers with a holistic set of options for checkout, delivery and returns, while offering them a consistent experience regardless of where and how they prefer to shop. The power of our integrated footprint is reflected in our strong operating performance, with average comparable sales growth of 12.7% from Fiscal 2014 to Fiscal 2017.

**Experienced and passionate management team.**

Led by our President and Chief Executive Officer, Jim Gabel, Chief Financial Officer, Jim Rudyk, and Chief Merchandising Officer, Priscilla Shum, we have strategically assembled an exceptional management team with a complementary mix of retail, footwear, apparel, e-commerce, operational, sourcing and real estate expertise developed through years of experience at leading companies including adidas, Reebok, Wolverine World Wide, Guess, Holt Renfrew, Joe Fresh, Hanes brands and Shred-it. To support our continued growth, we have made significant investments in systems, processes, infrastructure and people. Our management team is united by a deep passion for the heritage of Roots and a close connection to the guiding principles of the Founders, who remain important ambassadors of our brand.

**OUR FUTURE GROWTH**

While the stories that define Roots have been told for nearly five decades and are shaped by global experiences, we have many more places to go and people to inspire. We have successfully grown our sales at a CAGR of approximately 14% from Fiscal 2014 to Fiscal 2017, while making long-term investments in our human capital and infrastructure. We have a highly strategic and thoughtful approach to growth that is focused on profitability over the long-term. See “Forward-Looking Information” and “Risk Factors” in this Annual Information Form and the discussion under “Financial Outlook” in our MD&A for the fiscal year ended February 3, 2018.

With the right capabilities in place and strong momentum in our operating performance, we believe an opportunity exists to accelerate our growth trajectory and profitability through the following initiatives:
**Leverage operational investments**

Since the Acquisition, we have implemented a number of transformational initiatives which are designed to strengthen and drive efficiencies across our business. We are already realizing operational improvements resulting from these initiatives and intend to continue leveraging these investments to accelerate sales growth and realize higher margins.

- **Leadership.** We have made significant new hires to enhance our executive team across senior leadership, finance, merchandising, operations, sourcing, real estate and legal functions. United by a shared passion for Roots, our well-aligned management team brings proven functional expertise and operational experience to Roots. We have also established a strong performance culture by implementing best practices across the organization to recruit, manage, develop and reward our employees while ensuring closer collaboration across functions.

- **Merchandising.** Led by our seasoned Chief Merchandising Officer, we have developed a consumer-focused merchandising strategy focused on bringing exceptional products to our customers, increasing productivity, improving buying and planning as well as bringing the right products to the right stores. We are building a single global product range that is coordinated across collections and categories, which we refer to as our United Brand Range (“UBR”). Our UBR and a defined go-to-market calendar enable us to design and develop a simplified and scalable product assortment while remaining nimble and close to the market and consumer preferences. Our new globally-informed product set is designed to reduce the number of stock keeping units (“SKUs”) and to be consistent in presentation across all channels, which will help strengthen our brand positioning and customer experience. We believe that these efforts also set the stage for accelerated global growth, improved operating efficiencies, consolidation of our supplier base, lower sourcing costs, optimized pricing, higher product margins and better inventory management.

- **Store productivity.** We have made significant investments in our stores and people while adopting a more analytical, data-driven approach to store portfolio optimization. We have developed an enhanced store layout that can easily be implemented to better reflect our heritage, showcase our products and further integrate our omni-channel capabilities. In Fiscal 2015, Fiscal 2016 and Fiscal 2017, we renovated, relocated or expanded 15 stores at a total investment of approximately $9.9 million, resulting in sales growth of approximately 26% at those stores. As a result of this experience, we intend to continue evaluating opportunities to enhance unit economics across our store portfolio.

- **E-commerce.** We have a long history of leveraging our online platform to support our retail network, while generating strong e-commerce growth. Our e-commerce sales have grown at a CAGR of approximately 38% from Fiscal 2015 to Fiscal 2017 and we have recently invested in improving our online storefront, enhancing mobile shopping capabilities and streamlining integration with our retail stores. We believe these investments will result in better product discovery, insights and new market activations. This will help drive traffic and conversion across our omni-channel platform and support increased e-commerce penetration.

**Pursue continued growth in Canada**

We expect that the majority of our expected sales growth in the near term will be driven by our core Canadian business due to our significant brand power, operational upside from investments we have already made, omni-channel optimization and whitespace opportunities.

- **Expand our omni-channel productivity.** We aim to continue driving comparable sales growth and profitability through the following initiatives:
• **Amplifying our brand communication**: We believe that substantially increasing our marketing investment will give us additional opportunities to further build and leverage our exceptional brand awareness in Canada. We intend to strategically invest in a wide range of integrated marketing initiatives, including amplified storytelling, enhanced visual product marketing and an elevated in-store experience.

• **Leveraging our United Brand Range**: We believe that going to market with a focused, high-impact single global brand range, simplified pricing tiers and coordinated collections will strengthen the relevance of our offering and help drive frequency of customer visits and purchases as well as increase units per transaction and average order value. As part of our UBR initiative, we intend to optimize our supply chain and inventory management through the elimination of duplicative and low-impact SKUs and the addition of SKUs in areas that represent growth opportunities for us. We believe that, through this consolidation of SKUs and more effectively utilizing our omni-channel network across Canada, we will drive sales growth, realize higher margins and deliver improved profitability.

• **Optimizing our stores**: We intend to continue implementing our proven playbook and updated retail concept to improve operating results at our stores. In Fiscal 2015, Fiscal 2016 and Fiscal 2017, we renovated, relocated or expanded 15 stores at a total investment of approximately $9.9 million. We have identified between 26 and 30 existing stores for renovation or expansion by the end of Fiscal 2019 where we see an opportunity to achieve meaningful improvement in store productivity and capitalize on greater selling opportunities. On average, we expect a payback period of less than three years for renovations and expansions.

• **Enhancing our e-commerce platform**: We are continuously optimizing the digital experience of our proven e-commerce platform. In Fiscal 2017, we rolled out the first phases of our new storefront e-commerce site, with the third phase released in March 2018 and the final phase expected to be completed by mid-Fiscal 2018. Our new online storefront is designed to further integrate our omni-channel platform, gain additional operational efficiencies and improve our customer experience, which, in turn, is expected to drive higher margins and sales. Our enhanced online storefront includes more than 40 consumer-facing enhancements such as personalized style widgets, enhanced opportunities for branded content and product education, animations, artificial intelligence and pre-selector options to simplify the order process, accelerated pages for mobile use and enhanced security features.

• **Grow our store network**: We intend to grow our retail presence coast-to-coast in premium street and top-tier mall locations as well as tourism gateways. We deploy a disciplined analytical approach to identifying new locations. Working with a third-party consultant, we identified a meaningful number of potential new locations across Canada that could meet our criteria and have selectively focused on what we believe to be the best opportunities. We also anticipate select store closures in the ordinary course of business, including through real estate portfolio optimization and finding more attractive lease opportunities. We are targeting an average size of 2,750 to 3,250 square feet for new stores in Canada with capital expenditures of approximately $171 per square foot. We anticipate a payback period on our investment of less than two years. In Fiscal 2017, we opened eight locations. We expect to open four to five new stores in Fiscal 2018 and three to four new stores in Fiscal 2019.

**Strategically expand footprint in the United States**

Historically, Roots has opportunistically responded to organic demand in the United States. We currently operate three retail stores in the United States and an e-commerce platform which had sales in every state in Fiscal 2017. Our e-commerce sales in the United States have been strong relative to our limited marketing investment, and we believe this market represents an attractive long-term opportunity for us.
lasting halo effect from investments relating to the 2002 Winter Olympics in Salt Lake City, Utah, and
Canada’s proximity to the United States have created a solid base of consumer awareness for the Roots
brand.

We intend to take an integrated, omni-channel approach to further develop our presence in specific regions
within the United States led by our established e-commerce presence and supported by targeted new store
openings. We engaged a third-party consultant to analyze our e-commerce data and conduct external
market research to prioritize key markets within the United States where we believe our guiding principles
and products resonate most strongly with local consumers.

We expect our near-term expansion to be in the Northeast and Midwest regions. In Fiscal 2017, we signed
leases in four U.S. locations that we plan to open in Fiscal 2018, starting with Boston and Washington D.C.
Work has commenced on two stores in the Greater Boston area, and we expect both stores to open in June
2018. We are also evaluating opening stores in Detroit, Philadelphia and Chicago. Prior to entering a
specific market, we intend to conduct targeted upfront seeding, as well as strategic digital marketing and
customer activations on our website, to support our targeted retail rollout in proven high-traffic locations.
We are targeting an average size of 3,250 to 3,750 square feet for new stores in the United States with
capital expenditures of approximately $371 per square foot. We anticipate a payback period on our
investment in the United States of less than three years. This payback period is longer than our Canadian
benchmark due to our earlier stage of development in the United States. We are targeting between 10 and
14 new stores in the U.S. by the end of Fiscal 2019, opening five to seven new stores in each of Fiscal

Grow International Markets

As evidenced by the scale of our business outside of North America, we believe our premium brand
positions us well to develop new international markets. We intend to fully-leverage our single global brand
range that we are establishing through our United Brand Range initiative (UBR), to address seasonal
differences in new geographies, as we thoughtfully and selectively pursue longer-term opportunities in high-
potential markets abroad.

- **Taiwan and China.** Through a close long-term relationship with a leading regional retail operator,
  we have successfully grown our presence in Taiwan and China over the past 22 years. As at
  February 3, 2018, our partner operates 110 stores in Taiwan, 32 stores in China and an e-
  commerce platform which, in aggregate, contributed approximately $109 million to system-wide
  sales for us in Fiscal 2017. Our partner stores are designed to replicate the inspiration of our
  Canadian locations, exporting our iconic brand and connective retail experience to these
  markets, tailored to regional preferences. Through our partnership and a more focused effort on
  joint marketing initiatives, we aim to increase penetration in both markets, with a focus on a
  regional rollout across Northern and Southern China. In collaboration with our international
  partner, we are on pace to achieve our target of opening 20 to 25 new partner-operated stores
  in these regions by the end of Fiscal 2019.

- **Rest of World.** Building on the global affinity for our brand and learnings from our successes in
  Taiwan and China, we plan to work with our current partner to establish a presence in Singapore,
  Malaysia and Hong Kong within the next two fiscal years. Over the longer term, we are also
  evaluating partnerships in 12 additional international markets which have been prioritized
  according to the results of our comprehensive market assessment. We are focused on countries
  with large addressable markets, aligned cultural values, a strong connection to the open air and
  well-developed retail infrastructure. We are also developing a comprehensive go-to-market
  toolkit, which includes marketing strategies, assortment planning and store design, to attract and
  support strong operating partners with established infrastructure and retail expertise to help us
  develop these new markets.
Deepen our offering in leather and footwear

We believe that leather and footwear are complementary products to our core offering and relevant incremental purchases for our customers. We also expect that the higher price points in these categories will help to drive higher average sales per transaction and anticipate that these categories will be accretive to margins. These two categories represented approximately 13% of our direct-to-consumer (DTC) sales in Fiscal 2017 and we intend to incrementally accelerate their growth in close alignment with our heritage and commitment to product leadership. We have strengthened our supply chain as well as our design and product development expertise to further develop these categories through the following initiatives:

- **Elevate leather goods.** Handcrafted quality leather goods are a part of our DNA. We intend to lead with our made-in-Canada leather products to further differentiate our brand. We plan to accelerate growth in our leather offering by combining our longstanding genuine leather credentials with a focus on modernizing the range of our leather bags, accessories and jackets. In addition, we are enhancing Roots’ leather customization and personalization program by equipping a select number of stores with on-site leather experts and customization technology to enhance the shopping experience of our customers.

- **Expand footwear.** Roots was established in 1973 with the negative heel shoe and subsequently launched additional iconic footwear styles, including the Tuff Boot and Shorty Boot. We believe that footwear is under-represented within our current product portfolio and is a highly complementary category to our current apparel, leather goods and accessories offering. Building on our rich heritage, we plan to expand footwear into a cornerstone product category. To support this initiative, we now have leadership at all levels of our organization, including our President and Chief Executive Officer, Jim Gabel, with significant footwear experience from a wide range of leading brands including adidas, Reebok, Saucony, Merrell and Mizuno. We have also engaged a leading manufacturing partner to expand our footwear capacity, improve margins and expedite seasonal introductions. We expect to launch our new footwear collection in the third quarter of Fiscal 2018. For our new collection, we have edited out low-performing styles and are adding new styles that will leverage our heritage and genuine leather credentials. Our footwear product identity will align with our overall brand, offering utility, versatility, comfort and style.

OUR PRODUCTS

Values

With decades of experience and continuous feedback, we have a deep understanding of what customers love about our products. With quality always at the forefront, we develop each of our products with the following values:

- **Style**
  - Premium designs with a focus on timeless style

- **Comfort**
  - Irresistibly soft materials and a range of fits, creating comfort people want to live in

- **Functionality**
  - Inspired by small, impactful functional details and utility

- **Versatility**
  - Outfits that can go anywhere and everywhere
**Product Architecture and Offering**

Our product line is comprised of premium apparel, leather, accessories and footwear for men, women and children. This product offering is structured around an architecture which includes three categories – enduring icons, perennial favourites and seasonal excitement. This architecture helps us to reinforce our heritage while evolving our offering and cultivating a sense of newness for our customers. Our enduring icons represent styles that define our brand and serve as the inspiration for the rest of our offering. Perennial favourites, loved by our customers, are brought back each year in refreshed styles and colours. Seasonal excitement pieces represent new products that we introduce each year to inspire our customers and continuously evolve our offering.

**Coordinated Collections**

The implementation of UBR has enhanced our ability to build a single global product range, improve inventory management as well as create coordinated collections across our diversified categories. With a more focused product offering, we are increasing the depth of our purchases, improving the scalability and effectiveness of product marketing and in-store visual merchandising.

While we have a consistent go-to-market strategy, we utilize four distinct merchandising themes for each of our stores – Comfort, Canadiana, Open Air and Experience. We use these four themes to thoughtfully cater to local market demographics, depending on whether our stores are located in urban centers, student towns or targeted tourism gateways. With this approach, we are able to curate our offering to the specifics of each local market and customer profile in order to maximize store sales and profitability.
Enhancing Leather and Footwear

We have invested in our capabilities and personnel to strategically elevate our leather goods and footwear offering. We believe these categories serve as complementary purchases for our customers which complete our head-to-toe look and increase our average sales per transaction.

We believe that a meaningful growth opportunity exists to elevate our leather goods offering as we modernize and refresh our product range. We have invested in new technologies at our leather factory in Toronto and launched an apprentice program to recruit and develop skilled craftspeople for additional capacity. Going forward, we intend to hire new leather category leadership as well as engage design consultants and handbag developers to further enhance and expand our leather bag styles. Additionally, we intend to enhance our leather customization program to further elevate the in-store leather experience for our customers.

We have strategically hired individuals at all levels of our organization with extensive footwear backgrounds to execute on our growth strategy within this category. This team brings exceptional experience from a diverse range of renowned brands, including adidas, Reebok, Saucony, Merrell and Mizuno. Under this new leadership, we are currently onboarding a premier footwear manufacturer. We have also increased our emphasis on footwear distribution within our renovated stores and online storefront, to focus on elevated footwear merchandising and increased footwear sales.

SOURCING AND MANUFACTURING

Supply Chain

In addition to procuring finished products from third party manufacturers, we operate our own leather factory. Currently, we have arrangements with approximately 100 ongoing third-party suppliers and manufacturers in North America, Europe and Asia that supply raw materials and finished products to us. This represents a reduction of over 30% since Fiscal 2016. In Fiscal 2017, our top ten suppliers, outside of our own leather factory, accounted for approximately 68% of our total inventory purchases. The tenure of our relationship with our top ten suppliers and manufacturers averages over ten years. As craftsmen with real leather credentials, we know what it takes to create best-in-class products and we hold our suppliers to stringent quality, health and environmental standards. Our supplier guidelines seek to ensure ethical sourcing of raw materials and finished goods. We undertake third-party compliance audits to ensure these standards are met and materials testing to ensure consumer safety.

We have recently committed to significant investments across our supply chain organization. We have strengthened our sourcing group with the addition of seasoned team members with global experience. This team is applying a rigorous analytical approach by using a defined global sourcing matrix that considers
category, production management and costing processes to improve our sourcing operations and minimize product purchasing costs. Our UBR strategy, implemented in the first half of 2017 and being rolled out in accordance with our defined go-to-market calendar, will allow for deeper product runs and supplier reductions to help drive margin expansion as we continue to grow our sales.

**Leather Manufacturing**

Original leather goods have been at the heart of Roots since our inception. We employ 195 leather artisans at our Toronto-based leather factory and design all of our products in-house. In keeping with our heritage and craftsmanship tradition, a majority of our leather products are made in our factory in Toronto, Canada using premium Italian leather. Our leather manufacturing facility is leased to us by entities controlled by the Founders and certain of their family members.

**PRODUCT DEVELOPMENT AND MERCHANDISING**

**Organization**

In April 2016, we hired a Chief Merchandising Officer, with over 25 years of retail merchandising experience, and have further strengthened our design and merchandising group with the addition of other significantly experienced team members. Throughout Fiscal 2017, we worked to complete the merchandising team’s new structure, adding in senior team leaders and implementing improved working processes to better position the Company to scale profitably in Canada and internationally. The changes we have made are facilitating our transition to a centralized merchandising model and, through our UBR initiative, we are establishing a single global brand range. Our new structure utilizes global consumer insights in the design and development of our products to fulfill identified consumer demand and reflects the specific feedback of other departments including marketing, buying, sourcing, planning and distribution. By maintaining an ongoing dialogue with stakeholders, we are able to stay closer to the market and more effectively execute our planning, sourcing, production, buying, marketing and merchandising initiatives.

**Productivity**

Our UBR initiative enables us to create a streamlined product offering. As part of our UBR initiative, we are currently in the process of reducing our total number of SKUs and we intend to achieve an approximate 40% SKU reduction by the end of Fiscal 2018 relative to Fiscal 2016, through the rationalization of low volume and duplicative styles. We have also simplified our product hierarchy and reduced the number of pricing tiers across our offering, enabling us to buy deeper into each style on better terms with our suppliers. We expect that streamlining assortments will allow us to manage our inventory more efficiently and offer greater availability of sizes and styles to our customers.

**DISTRIBUTION**

We distribute our products globally to more than 50 countries through two distribution channels: our integrated omni-channel platform and international partnerships. We utilize both channels to leverage local market knowledge for accelerated growth and a consistent customer experience across all of our geographies.

**Integrated Omni-Channel Platform**

Our integrated omni-channel footprint enables us to showcase the Roots brand and provide our customers with an elevated shopping experience regardless of where and how they prefer to shop. We are continuously evaluating our omni-channel capabilities and evolving these channels to improve customer experience, and have recently made significant investments to improve both our retail and online storefronts. Supported by our UBR initiative, we coordinate our in-store and online marketing campaigns, merchandise assortments, promotional calendars and distribution processes. Our corporate retail stores and e-commerce platforms are integrated, and the strength of our omni-channel strategy is reflected in
average annual spend which is approximately 2.0x higher for our customers who shop both in-store and online as compared to single-channel customers.

Our corporate retail stores offer a personalized, service-oriented shopping experience which emphasizes and reinforces our brand. We focus on opening corporate retail stores in a manner that maximizes sales productivity and elevates the customer experience, with a target payback in Canada of less than two years for new locations. Most of our retail stores are strategically located in urban centres within high-performing malls or in premium street locations to maximize foot traffic among our target demographics. We have a team of knowledgeable, motivated and passionate sales associates to deliver high quality service and convey our brand ethos to customers. Our average corporate retail store size is approximately 3,516 square feet.

We have a history of leadership in e-commerce, which is a key component of our connective retail platform and international market development strategy. Our integration allows us to provide our customers with a seamless shopping experience, while driving incremental sales. If merchandise is not stocked in a retail location most convenient for a customer, we source the item from other retail locations or our distribution centres and ship the order directly to the customer. We also offer the flexibility to pick up online orders in all of our corporate retail stores. Through these synergistic channel capabilities, we believe we are able to deliver a connective retail experience and enhance the productivity of both channels. Our e-commerce capabilities are also central to building brand awareness, seeding new regional markets and conducting customer activations ahead of retail store launches. To further amplify our digital customer connectivity as well as to drive traffic and conversion, we engaged a leading firm to redesign our website. We launched our updated website in October 2017. The new design enhances the customer experience through improved website functionality, enhanced mobile integration, product presentation, personalized virtual dressing rooms and expanded editorial content to increase customer engagement and site-visit frequency.

Existing omni-channel capabilities

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<tbody>
<tr>
<td><img src="image" alt="Store Locator" /></td>
<td>Find a store near you</td>
</tr>
<tr>
<td><img src="image" alt="Click and Collect" /></td>
<td>Order online and collect in-store</td>
</tr>
<tr>
<td><img src="image" alt="Order In-store" /></td>
<td>Order in-store and get delivery to your door</td>
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<tr>
<td><img src="image" alt="On your Mobile" /></td>
<td>Shop anywhere, anywhereatroots.com</td>
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<tr>
<td><img src="image" alt="In-store Inventory Display" /></td>
<td>Research product availability online before a store visit</td>
</tr>
</tbody>
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Omni-channel sales per customer are ~2.0x greater than sales from a single-channel customer

- **Canada:** Since the opening of our first store in Toronto in 1973, we have developed a strong nationwide retail network, with 116 retail stores as at February 3, 2018. We were among the first major Canadian brands to launch an e-commerce platform in 1999 and, today, our corporate retail stores are fully integrated with our online storefront. Going forward, we intend to accelerate growth and productivity in Canada through operational improvements, while selectively and incrementally expanding our store network. Working with a third-party consulting firm, we have identified a number of potential new locations across Canada that meet our criteria. However, we are selectively focusing on only the best opportunities.
United States: While our store presence in the United States is relatively small, we have a long history of organic interest in our brand and the right infrastructure and insights to effectively develop our footprint in the United States. We established presence in the United States in 1974 and, as at February 3, 2018, we operate three corporate retail stores and our e-commerce storefront in the United States, which had sales in all 50 states in Fiscal 2017. Our corporate retail stores in the United States are located in New York City, New York; Park City, Utah; and Birmingham, Michigan. Informed by existing demand and extensive local market research, we plan to take a more structured approach to our growth in the United States going forward, with a focus on high-potential markets in the Northeast and Midwest regions, more specifically Boston, Detroit, Philadelphia, Washington and Chicago.

International Partnerships

Our international partnership model allows us to accelerate our growth with local market expertise, capital-light expansion and broad regional reach. Our success in Canada has generated interest from premier retail operators, including our long-standing international operating partner in Taiwan and China, Branded Lifestyle (“BLS”), a subsidiary of the retailing division of the Fung Group and a sister company to Li & Fung. We generate wholesale sales from selling our products to BLS and royalty sales on BLS’ retail sales of those products. BLS sells our products to consumers through its Roots-branded stores and e-commerce platform. International operating partner stores are designed to replicate the aesthetics and experience of our corporate retail stores, exporting our iconic brand and connective retail experience to the local market. As at February 3, 2018, our partner operates 110 stores in Taiwan, 32 stores in China and an e-commerce platform which, together, represented approximately $109 million of total system-wide sales in Fiscal 2017. In addition to Taiwan and China, we have granted BLS the right to develop markets in Malaysia, Singapore and Hong Kong.

We intend to continue growing our presence in Taiwan and China and developing new international markets in partnership with BLS and with new international operating partners. To support BLS and to establish new relationships, we are developing a comprehensive go-to-market toolkit. This toolkit is designed to include a set of store formats, marketing assets and recommended product assortments, which will be brought to life at our recently-developed Brand Centre in Toronto.

MARKETING

As an iconic Canadian brand with a loyal customer base and a strong celebrity following, Roots has achieved 99% aided brand awareness in Canada while historically maintaining a marketing investment of less than 2% of sales. Our success has largely been driven by word-of-mouth marketing and unpaid support from celebrities and athletes. Since our Olympic debut at the 1976 Winter Games, we have partnered with Olympic teams of several countries including Canada, the United States, the United Kingdom and Jamaica. This involvement has helped us reach a global audience and reinforced our positioning as an iconic brand. For example, our Team Canada red poorboy cap and our Team USA blue beret received significant attention during the 1998 Winter Olympics in Nagano, Japan and the 2002 Winter Olympics in Salt Lake City.
City, Utah. In recent years, we have also partnered with film festivals, production companies, concert promoters and sports teams to create custom-made genuine leather products.

Building on the foundation of our organic brand power, we have also demonstrated our ability to execute integrated marketing campaigns, such as our Be Nice, Sweatstyle and Northern Light campaigns.

- **Be Nice:** Our Be Nice campaign, which we launched in April 2017, celebrated key moments and people in Canadian history, and raised funds for the Indigenous Youth Empowerment Program run by WE. We organized a series of in-store and online events, including the nice™ Fundraising Program, the Roots Search for Canada’s Nicest Person, the cross-Canada Roots Pop-Up Shop and the nice™ Roots Artspace.

- **Sweatstyle:** Our annual Sweatstyle print and video campaign for Fiscal 2017 featured four of Canada’s emerging artists: Daniela Andrade, Daniel Caeser, Ryland James and Jessie Reyez. In addition to a live rooftop show, we hosted and live-streamed a performance in a fully Roots-branded Toronto streetcar.

- **Northern Light:** In December, we launched our Northern Light campaign, an immersive holiday gift guide that merged fashion, live musical performances, art, technology and e-commerce to showcase our top holiday gift ideas. Northern Light began with an experiential event in Toronto in which hundreds of guests watched live and virtual models showcase our 2017 holiday season collection set. The fashion show was performed against a virtual backdrop inspired by Canada’s majestic landscapes. In addition, we streamed the event so viewers could watch from their homes. Throughout the duration of the show, guests in attendance and viewers at home were able to shop the collection using the “Roots Live” mobile app. We also released an interactive video catalogue, forming a digital holiday shopping hub.

Going forward, we plan to strategically increase our overall marketing spend from historical levels of less than 2% of sales (normalized spend of $4.7 million, or 1.7%, in Fiscal 2016) to a target of 4% of sales in Fiscal 2019 (expected to be between $16.4 million and $18 million) to support the execution of our growth strategies. This will allow us to amplify our brand messaging globally and generate product-based demand to engage and inspire customers, with a focus on the following initiatives:

- **Continue to build the Roots brand:** central brand marketing, targeted events and seasonal campaigns;

- **Increase product-specific marketing:** targeted support for existing iconic products and launching new high-potential styles or categories within leather and footwear;

- **Elevate the in-store experience:** enhance visual merchandising and support a brand-immersive retail experience that embraces the spirit of the open air;

- **Enhance purchase frequency:** engage and reward customers through an experience-based loyalty program which we have begun to launch; and

- **Support international growth:** support our international operating partners with a comprehensive go-to-market toolkit.

**COMPETITION**

The market for high-quality apparel, leather goods, accessories and footwear is highly fragmented. We compete directly against other manufacturers, wholesalers and direct retailers of apparel, leather goods, accessories and footwear. Due to our diversified array of product offerings, we compete both with global brands and smaller regional brands, including those that may specialize in a specific category. While we operate in a highly competitive market with fast-paced changes in industry dynamics, we believe there are
many factors that differentiate us from other manufacturers, wholesalers and retailers. We believe that we successfully compete on the basis of our strengths, including our powerful brand, rich heritage, diverse portfolio of enduring products and broad demographic appeal.

INFORMATION SYSTEMS

We continue to strategically invest in best-in-class information systems and technology infrastructure. We recently completed the implementation of a new point of sale system across our store network to further enhance our omni-channel operations and customer relationship management capabilities. We have implemented a new merchandise planning system and are implementing a new human resources information system to streamline recruitment at the store level and simplify training to align with our UBR merchandising strategy. We expect these upgrades and other investments to increase our efficiency and support our growth. We review our information systems annually and subsequently implement any strategic enhancements to ensure we best leverage our systems to support our current business and future growth.

EMPLOYEES

As of February 3, 2018, we had more than 2,450 employees (excluding seasonal employees), of which approximately 1,960 were employed in our stores, 253 were employed at our head office, 195 were employed at our Toronto-based leather factory and 47 were employed at our Toronto-based distribution facilities.

We hire seasonal associates for our stores, leather factory, distribution facility and customer care during peak seasons such as the holiday shopping season, which provides us with greater flexibility in our size of workforce and allows us to better address busier peak periods. None of our employees are currently covered by a collective bargaining agreement and we have had no labour-related work stoppages.

LEASED PROPERTIES

As of February 3, 2018, we have 116 stores in Canada and three stores in the United States, all of which are leased. We also maintain the following leased facilities for our corporate headquarters and to conduct our principal distribution and manufacturing activities:

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DISTRIBUTION CENTRES

Our current distribution network consists of (i) a 108,982 square foot distribution facility located in Toronto, Ontario, that is leased to us by entities controlled by the Founders and certain of their family members and is responsible for the management of inbound freight of goods from our global supplier base, the warehousing of our products prior to sale and the management of outbound freight of our products to our North American store base, as well as to our international operating partners and wholesale purchasers, and (ii) a third party distribution facility operated by our distribution partner, PFSweb, Inc. (“PFS”), that is utilized to fulfill orders in respect of our global e-commerce business (other than territories covered by BLS). PFS houses within their own distribution facility inventory allocated and shipped to PFS by us from our Toronto-based distribution facility. E-commerce orders are then packed and shipped by PFS from this inventory supply.

INTELLECTUAL PROPERTY

We believe we own the material trademarks used in connection with the design, production, marketing, distribution and sale of all our products in Canada, the United States, Taiwan, China and in the other countries in which our products are currently or intended to be either sold or manufactured. Our major
trademarks include Roots, Roots & Design (our beaver logo), Roots Athletics Canada, Roots Genuine Leather and Beaver Canoe and are registered in over 40 countries and regions including Canada, the United States, Taiwan, China, Hong Kong, Japan, Taiwan and Australia. On a global basis, we have over 350 trademarks, which are either registered or pending, three Canadian copyright registrations and 45 domain name registrations. We intend to continue to strategically register, both domestically and internationally, trademarks, copyrights and domain names that we use today and those we develop in the future. We are not currently aware of any material claims of infringement or challenges to our right to use any of our marks; however, we have a history of vigorously defending our trademarks and other intellectual property rights.

**RISK FACTORS**

The following factors could materially adversely affect us and should be considered when deciding whether to make an investment in us and the Shares. Other risks and uncertainties that we do not presently consider to be material, or of which we are not presently aware, may become important factors that affect our future financial condition or results of operations. The occurrence of any of the risks discussed below could materially adversely affect our business, prospects, financial condition, results of operations or cash flow, and consequently, the trading price of our Shares, could be materially and adversely affected. In all these cases, the trading price of the Shares could decline, and prospective investors could lose all or part of their investment.

**Risks Related to Our Business**

*General economic conditions in regions in which we operate, including lower levels of consumer spending, can affect consumer confidence and consumer purchases of discretionary items, including apparel, leather goods, accessories, footwear and related products, such as ours.*

Consumer purchases of discretionary retail items and specialty retail products, which include our apparel, leather goods, accessories and footwear, may be adversely affected by economic conditions such as employment levels, salary and wage levels, the availability of consumer credit, inflation, interest rates, tax rates, fuel prices and consumer confidence with respect to current and future economic conditions. Consumer purchases may decline during recessionary periods or at other times when unemployment is higher or disposable income is lower. These risks may be exacerbated for retailers like us that focus significantly on selling discretionary merchandise. We may not be able to maintain our recent rate of growth in sales or future growth targets if there is a decline in consumer spending. Consumer willingness to make discretionary purchases may decline, may stall or may be slow to increase due to national and regional economic conditions, including the current uncertainty and volatility in the global economy. Further or future slowdowns or disruptions in the regions in which our products are sold could adversely affect mall and shopping destination traffic and new mall and retail development and could materially and adversely affect us and our growth plans. In addition, a deterioration of economic conditions and future recessionary periods may impact the other risks faced by our business, including those risks we encounter as we attempt to execute on our growth plans.

*Our business depends on a strong brand image and, if we are not able to protect our brand, our business will be negatively impacted.*

We believe that our brand image and brand awareness have contributed significantly to the success of our business and that maintaining and enhancing our brand image and increasing brand awareness in new markets where we have limited or no brand recognition is important to expanding our customer base. Maintaining and enhancing our brand image and increasing brand awareness may require us to make investments in areas such as marketing, merchandising, store development, employee training and public relations, as well as other costs associated with opening new stores, engaging new international operating partners and expanding our e-commerce business. These investments may be substantial and may not ultimately be successful.
Our brand image and reputation may be impacted by actions taken by our employees, characteristics of our merchandise, marketing activities and negative commentary or reviews. Widespread use and access to social media campaigns and viral messaging or imagery could significantly broaden the scope and impact of any such events or circumstances. Because consumers value readily available information about retailers and their products, they may act on information conveyed through social media without further investigation and without regard to its accuracy. The harm to our brand may be immediate without affording us an opportunity for redress or correction, and there can be no assurance that we will respond in an appropriate or timely manner, which could materially adversely affect our business, financial condition and results of operations.

*The success of our business depends on our ability to evolve our product offerings by anticipating and responding in a timely manner to constantly changing consumer demands, tastes and fashion trends across multiple product lines, sales channels, geographies and demographics. If we are unable to anticipate and respond to these changes, it could have a material adverse effect on our business, financial condition and results of operations.*

Our target customers are subject to rapidly shifting fashion and seasonal trends, customer tastes and demands. Accordingly, our success depends on our ability to anticipate and forecast changes in fashion trends and consumer preferences and continuously manage and develop our product offering to respond to these consumer trends.

We design new merchandise, select and purchase raw materials, develop new retail concepts and continuously adjust the position of our brands and merchandise categories in an effort to meet our customers' demands. This includes our recently implemented consumer-focused merchandising model with UBR and the associated significant reduction in SKUs. We also manage our inventory through initial pricing and markdowns and by allocating, replenishing and transferring products across our network of stores and sales channels to optimize merchandise offerings.

To ensure adequate inventory supply, we must forecast inventory needs and place orders with our suppliers and manufacturers based on our estimates of future demand for particular products. Our ability to accurately forecast consumer demand for our products may be affected by many factors, including, among others: (i) an increase or decrease in consumer demand for our products or for products of our competitors; (ii) consumer acceptance of seasonal products; (iii) product introductions by competitors; (iv) competitor pricing and discounting strategies; and (v) unanticipated changes in general market conditions.

There can be no assurance that we will be able to continue to successfully carry out our demand-driven merchandise planning, buying and inventory strategies and stock our stores with the appropriate assortment of merchandise. To the extent our predictions differ from our customers' actual preferences, we may experience excess raw materials or inventory or a shortage of products available for sale in our stores or for delivery to consumers through our e-commerce channels, resulting in missed opportunities. Inventory levels in excess of consumer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which could negatively impact our gross profit margin. Although we have historically exercised a disciplined markdown strategy, excess inventories could compromise our ability to continue to do so and result in lower gross profit margins due to greater than anticipated discounts and markdowns that might be necessary to reduce inventory levels. Low inventory levels can adversely affect our ability to meet customer demand, which may lead to lost sales and diminished brand loyalty. Any sustained failure to anticipate, identify and respond to emerging trends in consumer preferences could have a material adverse effect on our business, financial condition and results of operations.

*We operate in several highly competitive related industries and the size and resources of some of our competitors may allow them to compete more effectively than we can, which could adversely impact our growth and market share.*

We face strong competition in the apparel, leather goods, accessories and footwear industries. We compete on the basis of a combination of factors, including the location of stores, the breadth, style, quality, price and availability of merchandise; the level of customer service; and brand recognition. We compete with a
diverse group of specialty apparel and footwear retailers, department stores, fast fashion retailers, athletic retailers and other manufacturers and retailers of branded apparel and accessories. Our expansion into markets served by our competitors and entry of new competitors or expansion of existing competitors into our markets could have an adverse effect on our business.

Many of our competitors are, and many of our potential competitors may be, larger and have access to greater financial, marketing and other resources. Therefore, these competitors may be able to devote greater resources to the marketing and sale of their products or adopt more aggressive pricing policies than we can. As a result, we may lose market share, which could reduce our sales and adversely affect our results of operations.

Our competitors may seek to emulate facets of our business strategy, in-store experience or merchandise offerings, which could result in a reduction of any competitive advantage that we might possess. As a result, our current and future competitors, especially those with greater financial, marketing or other resources, may be able to duplicate or improve upon some or all of the elements of our in-store experience or merchandise offerings that we believe are important in differentiating our customers’ shopping experience. If our competitors were to duplicate or improve upon some or all of the elements of our in-store experience or product offerings, our competitive position and our business could suffer. There can be no assurances that we will continue to be able to compete successfully against existing or future competitors.

**Fluctuations in the value of the Canadian dollar in relation to the U.S. dollar and other currencies may impact our financial condition and results of operations and may affect the comparability of our results between financial periods.**

We are exposed to market risks attributable to fluctuations in foreign currency exchange rates, primarily changes in the value of the Canadian dollar versus the U.S. dollar. Exchange rate fluctuations could have an adverse effect on our operating and financial results.

The majority of our sales are derived in Canadian dollars while the vast majority of our cost of goods sold is denominated in U.S. dollars, which has caused an increase in our cost of goods sold since the beginning of 2016 due to the weakening of the Canadian dollar against the U.S. dollar. We also generated sales of approximately U.S.$33 million in Fiscal 2017 from our existing United States stores, royalty and wholesale revenue from our partner in Asia and through e-commerce sales. In the future, we expect to continue to derive a significant portion of our sales in Canadian dollars and incur a significant portion of our cost of goods sold in U.S. dollars, and changes in exchange rates between the Canadian dollar and the U.S. dollar may have a significant, and potentially adverse, effect on our results of operations.

We use foreign currency forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada, but there can be no assurance that this strategy will prove to be successful. Currency hedging entails a risk of illiquidity through difficulties in exiting hedged positions and, to the extent the applicable foreign currency depreciates or appreciates (depending on the direction of the hedge) against the Canadian dollar, the use of hedges could result in losses greater than if the hedging had not been used. Also, hedging arrangements may have the effect of limiting or reducing the total returns to us if management’s expectations concerning future events or market conditions prove to be incorrect, in which case the costs associated with the hedging strategies may outweigh their benefits.

Our financial statements are presented in accordance with IFRS, and we report, and will continue to report, our results in Canadian dollars. Any change in the value of the U.S. dollar against the Canadian dollar during a given financial reporting period would result in a foreign currency loss or gain on the translation of U.S. dollar denominated sales and costs. Consequently, our reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses and may not be comparable from period to period.
We are subject to risks associated with leasing retail space and are subject to a number of long-term non-cancelable leases with substantial lease payments. Any failure to make these lease payments when due, or the inability to extend, renew or continue to lease space in key locations, would likely harm our business, profitability and results of operations.

We do not own any real estate. Instead, we lease all of our retail store locations (other than stores operated by our partner in Taiwan and China), as well as our head office, leather factory and distribution facility. In accordance with our growth strategy, we also intend to use our leasing model with respect to our expansion into the United States. Accordingly, we are subject to all of the risks associated with leasing, occupying and making tenant improvements to real property, including adverse demographic and competitive changes affecting the location of the property, changes in availability of and contractual terms for leasable retail space, credit risk in relation to tenant improvement allowances from landlords and potential liability for environmental conditions or personal injury claims.

The success of any store depends substantially upon its location. There can be no assurance that our current store locations will continue to be desirable in the future, or that we will be able to secure new desirable locations in the future on favourable terms or at all. Store locations, customer conversion and sales may be adversely affected by, among other things, social and economic conditions in a particular area, competition from nearby retailers selling similar merchandise, changes in co-tenants that negatively impact the desirability of our store locations, changing lifestyle choices of consumers in a particular market and the closing or decline in popularity of other businesses located near our store locations. Changes in areas around our store locations that result in reductions in customer foot traffic or otherwise render the locations unsuitable could cause our sales to be less than expected. If we cannot obtain desirable locations at reasonable costs, our cost structure will increase and our sales will be adversely affected. See also “– Bankruptcies by other retailers and licensees may negatively impact us”.

Our existing stores are leased from third parties, with typical lease commitments of ten years. Some of our lease agreements also have additional renewal options. However, there can be no assurances that we will be able to extend, renew or continue to lease our existing store locations, or identify and secure alternative suitable locations. In addition to fixed minimum lease payments, most of our store leases provide for additional rental payments based on a percentage of sales, or “percentage rent,” if sales at the respective stores exceed specified levels, as well as the payment of common area maintenance charges, real property insurance, real estate taxes and other charges. Many of our lease agreements have defined escalating rent provisions over the initial term and any extensions. Increases in our occupancy costs and difficulty in identifying economically suitable new store locations could have significant negative consequences, which include:

- requiring that a greater portion of our available cash be applied to pay our rental obligations, thus reducing cash available for other purposes and reducing our profitability;
- increasing our vulnerability to general adverse economic and industry conditions; and
- limiting our flexibility in planning for, or reacting to changes in, our business or in the industries in which we compete.

We depend on cash flow from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities to fund these expenses and sufficient funds are not otherwise available to us, we may not be able to service our lease expenses, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which could harm our business. Additional sites that we lease may be subject to long-term non-cancelable leases if we are unable to negotiate shorter terms. If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, if we are not able to enter into new leases or renew existing leases on terms acceptable to us, this could have an adverse effect on our results of operations and profitability.
Our operations at our leather factory and distribution facility could involve, from time to time, the handling of potentially hazardous or toxic substances. Pursuant to the terms of our leases in respect of these properties, we are generally not responsible for environmental liabilities that existed on these properties prior to the closing of the Acquisition. However, if a leak, spill or other environmental incident were to occur on one or more of these properties, or if our operations were to exacerbate any environmental or occupational health and safety matters that had existed prior to the closing of the Acquisition, we could be potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons or property. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to remediate properly such substances, could have an adverse effect on our business, financial condition and results of operations.

Our growth strategies depend in part upon our ability to successfully open and operate new stores in Canada and the United States in a timely and cost-effective manner and new stores may take longer to mature than anticipated.

Part of our growth strategy depends on continuing to successfully open and operate new stores within Canada and in the United States. This will require substantial capital investment, particularly in regions within the United States where we currently do not have stores and/or limited brand awareness. Our ability to successfully open and operate new stores depends on a number of factors that may be outside of our control, including, among others, our ability to:

- increase brand awareness in the United States;
- identify desirable store locations, primarily in malls, prime shopping destinations and street locations, which may be difficult and costly;
- negotiate acceptable lease terms, including favourable levels of tenant improvement allowances;
- maintain out-of-pocket build-out costs in line with our store economic model, including by managing construction costs at reasonable levels;
- hire, train and retain a growing workforce of store managers, sales associates and other personnel, including key management personnel;
- successfully integrate new stores into our existing control structure and operations, including our information technology systems;
- efficiently expand the operations of our distribution facilities to meet the needs of a growing store network;
- identify and satisfy the merchandise and other preferences of our customers in new geographic areas and markets; and
- address competitive, merchandising, marketing, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

To the extent that we open stores in markets where we already have existing stores, we may experience reduced sales at those existing stores.

There is no guarantee that newly opened stores will be received as well as, or achieve sales or profitability levels comparable to those of, our existing stores within our estimated time periods, or at all. If our stores fail to achieve, or are unable to sustain, acceptable sales and profitability levels, our business may be materially adversely affected and we may incur significant costs associated with closing or relocating stores. In addition, our current expansion plans are only estimates, and the actual number of stores that we open, the timeline on which we do so and the actual number of suitable locations for our new stores could differ significantly from these estimates. If we fail to successfully open and operate new stores and execute our growth plans, the price of our Shares could decline.
A failure to reduce operating expenses and labour costs in a timely manner in response to changes in our business could adversely affect our results of operations.

Our business and results of operations are sensitive to a number of factors, both within and outside our control. In the event of a sustained reduction in sales, for whatever reason, it may be necessary to implement an expense reduction plan. The successful implementation of an expense reduction plan, if and when deemed advisable by management, depends on many factors, including our ability to identify the need for such a plan in a timely manner, to effectively implement such a plan, as well as certain factors which are beyond our control, including economic conditions, labour market conditions and ability to maintain our management team to implement our plan, and any one of these factors or other unforeseen factors could have a material adverse effect on our ability to implement any targeted cost savings to stabilize our results of operations.

Our sales and profitability may decline as a result of increasing product costs and decreasing selling prices.

Our business is subject to significant pressure on costs and pricing caused by many factors, including intense competition, constrained sourcing capacity and related inflationary pressure, commodity prices, inflation, pressure from consumers to reduce the prices we charge for our products and changes in consumer demand. These factors may cause us to experience increased costs, reduce our prices to consumers or experience reduced sales in response to increased prices, any of which could cause our operating margin to decline if we are unable to offset these factors with reductions in operating costs or increases in prices and could have a material adverse effect on our financial condition, results of operations and cash flows.

In addition, fluctuations in the cost, availability and quality of the fabrics or other raw materials, particularly cotton, wool, silk, leather and synthetics used in our manufactured apparel, leather goods, accessories and footwear, could have a material adverse effect on cost of goods sold or our ability to meet customer demands. The prices of fabrics depend largely on the market prices of the raw materials used to produce them. The price and availability of the raw materials and, in turn, the fabrics used in our apparel, leather goods, accessories and footwear, may fluctuate significantly depending on many factors, including inflationary pressures, weather patterns, crop yields, labour costs, foreign currency exchange rates and changes in oil prices. Further, freight cost is impacted by changes in fuel prices. Fuel prices affect freight cost both on inbound freight from manufacturers to the distribution facilities and outbound freight from the distribution facilities to our stores, international operating partners and e-commerce customers. Increased fabric, material and transport costs increase our cost of goods sold and could impair our ability to meet production or purchasing requirements in a timely manner. An inability to mitigate these cost increases could lead us to attempt to pass on such cost increases to our customers through retail price increases on our merchandise, which could adversely affect our volume of sales. It could also lead to a change in our merchandise mix or inventory levels, which could result in a decrease in our profitability.

Our ability to obtain merchandise from our suppliers on a timely basis at competitive costs could suffer as a result of any deterioration or change in our supplier and manufacturer relationships or events that adversely affect our suppliers or manufacturers or cause disruptions in their businesses.

We, our suppliers and our manufacturers are affected by, among other things, increases in labour and fuel costs, labour disputes and disruptions, regulatory changes, political or economic instability or civil unrest, including terrorist activities, military and domestic disturbances and conflicts, natural disasters, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade. These factors are beyond our control, may adversely affect us and our suppliers or manufacturers or cause disruptions to their and our businesses and may impact our ability to source raw materials and finished merchandise and manufacture and deliver our merchandise on acceptable terms and within acceptable timelines, which could have a material adverse effect on our profitability and results of operations.
Most of our apparel products are currently manufactured outside of North America. Many countries in which our products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to us or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations.

We have a number of important supplier and manufacturer relationships that we believe provide us with a competitive advantage. We do not own any manufacturing facilities and, with the exception of our leather factory which we lease from entities controlled by the Founders and certain of their family members and which we operate ourselves, we do not operate any manufacturing facilities. Instead, we source fabrics, other materials and selected finished merchandise from third party suppliers and work with third party manufacturers to produce the majority of our merchandise. In Fiscal 2017, our top ten suppliers (outside of our own leather factory) accounted for approximately 68% of our total inventory purchases, with no single supplier accounting for more than 28% of our product costs. We do not have long-term contracts with our suppliers and manufacturers and we generally operate without any contractual assurances of continued supply. Any of our suppliers or manufacturers could discontinue their relationship with us, or cease to provide materials, merchandise or services on a satisfactory basis for a variety of reasons.

The benefits we currently experience from our vendor relationships may be adversely affected if our suppliers or manufacturers:

- choose to cease their relationship with us;
- raise the prices they charge us;
- change pricing terms to require us to pay earlier or upfront, including as a result of changes in the credit relationships that some of our suppliers or manufacturers have with their various lending institutions;
- sell merchandise to our competitors with similar or better pricing, many of whom already purchase merchandise in significantly greater volume and, in some cases, at lower prices than we do; or
- lengthen their lead times.

There can be no assurance that we will be able to obtain desired merchandise from our suppliers in sufficient quantities on acceptable terms or at all in the future, especially if we need significantly greater amounts of inventory in connection with the growth of our business. We may need to develop relationships with new suppliers and manufacturers as our current suppliers and manufacturers may be unable to supply us with and produce needed quantities and we may not be able to obtain the same terms from new suppliers and manufacturers. If we are unable to obtain suitable merchandise in sufficient quantities, at acceptable prices with adequate delivery times due to the loss of or a deterioration or change in our relationship with one or more of our key suppliers or manufacturers or events harmful to our suppliers or manufacturers occur, it may adversely affect our business and results of operations.

*Our brand image and reputation may be negatively impacted by actions taken by our suppliers and manufacturers or activists and protestors.*

The actions and business practices of our suppliers and manufacturers may negatively impact our brand. We source materials for our merchandise and our independent suppliers and manufacturers operate predominantly in China and Canada. Although our suppliers and manufacturers are subject to our supplier code of conduct and manufacturing standards, we annually perform, through third parties, factory and social compliance audits for compliance with local laws and global standards, and our sourcing management team conducts site visits to our key suppliers on at least an annual basis, we do not otherwise supervise or control our suppliers or manufacturers. Monitoring compliance by independent manufacturers is complicated by the fact that expectations of ethical business practices continually evolve, may be substantially more
demanding than applicable legal requirements and are driven in part by legal developments and by diverse
groups active in publicizing and organizing public responses to perceived ethical shortcomings. Accordingly, we cannot predict how such expectations might develop in the future and cannot be certain
that our guidelines would satisfy all parties who are active in monitoring and publicizing perceived shortcomings in labour and other business practices worldwide. Any failure by us, or by our suppliers or
manufacturers, to maintain customer service levels, merchandise quality and integrity, labour practices
generally accepted in North America or ethical and socially responsible operations could adversely affect
our brand image and reputation, which could materially adversely affect our business, financial condition
and results of operations.

Additionally, if we do not meet the transparency standards expected by parties active in promoting ethical
business practices, we may attract negative publicity, regardless of whether the actual labour and other
business practices adhered to by us and our suppliers and manufacturers satisfy substantive expectations
of ethical business practices. Any negative publicity about, or significant damage to, our brand or reputation
could negatively impact sales, reduce employee morale and productivity and diminish customer trust, any
of which could harm our business, financial condition and results of operations.

We have also occasionally received, and may in the future continue to receive, shipments of merchandise
that fail to comply with our specifications or that fail to conform to our quality control standards. We have
also received, and may in the future continue to receive, merchandise that either meets our specifications
but that is nonetheless unacceptable to us, or products that are unacceptable to certain of our customers
or to other members of the public. Under these circumstances, unless we are able to obtain replacement
products in a timely manner, we risk the loss of sales resulting from the inability to sell such merchandise
and related increased administrative and shipping costs. Additionally, if the unacceptability of our
merchandise is not discovered until after it is purchased or viewed by our customers or members of the
public, our customers or members of the public could form unfavourable opinions of our merchandise, we
could face a merchandise recall, our results of operations could suffer and our reputation and brand may
be harmed.

Finally, we may be the target of activists in the future. Our products include certain animal products,
including leather, which may draw the attention of animal welfare activists. In addition, protestors can disrupt
sales at our stores, or use social media or other campaigns to sway public opinion against our products. If
any such activists are successful at either of these tactics, our sales and results of operations may be
adversely affected.

**Our new stores, once opened, may not be profitable initially, and may adversely impact our business.**

Our new stores, once opened, may experience an initial ramp-up period during which they generate sales
and income below the levels we would otherwise expect. This is in part due to the time it takes to build a
loyal customer base in a new market, higher fixed costs relating to increased labour needs, other start-up
inefficiencies that are typical of new stores and cash build-out costs of new stores that may be higher than
our target cash build-out costs, development costs, additional store features, and budgets. It may also be
difficult for us to attract a customer base, or otherwise overcome the higher costs associated with new store
locations. New stores may not have results similar to existing stores or may not be profitable. If new stores
remain unprofitable for a prolonged period of time, we may decide to close these stores, which could have
a negative impact on our business and results of operations.

**A portion of our sales are and will be dependent on sales to, royalties from, and licensing with, our
existing and future international operating partners.**

Our Partners and Other operating segment is profitable because the operating expenses directly associated
with administering and monitoring an individual licensing or similar agreement with international operating
partners are low. Therefore, the loss of our current international operating partner or new partners, whether
due to the termination or expiration of the relationship, the cessation of a partners’ operations or otherwise
(including as a result of financial difficulties of the partner), without an equivalent replacement, or material changes to the terms of our agreements with partners, could impact our profitability.

While we generally have significant control over our international operating partners’ products and advertising, we rely on our partners for, among other things, operational and financial controls over their businesses. Our partners’ failure to successfully market our products, material changes to the terms of our agreements with any such partner, or our inability to replace our existing international operating partners could adversely affect our sales from reduced royalty revenue received and from reduced sales of our products. Risks are also associated with our partners’ ability to obtain capital, execute their business plans, manage their labour relations, manage their credit risk effectively and maintain relationships with their customers.

In addition, we rely on our partners to preserve the value of our brand. Although we attempt to protect our brand through, among other things, approval rights over packaging, merchandising, distribution, advertising and promotion of our products, we cannot assure you that we can control our partners’ use of our brands. The misuse of our brands by a partner could have an adverse effect on our business.

If we fail to identify, recruit and contract with new qualified international operating partners, our ability to open new licensed stores outside of North America and increase our sales may be affected.

Our growth strategy involves utilizing a licensing model with respect to store openings in new markets outside of Canada and the United States, similar to the licensing model currently utilized in respect of the Taiwan and China markets. The opening of additional stores in new markets outside of North America depends, in part, upon the availability of prospective partners who meet our criteria. We may not be able to identify, recruit or contract with suitable partners in our target markets on a timely basis or at all. In addition, our partners may not ultimately be able to access the financial or management resources that they need to open the stores contemplated by their agreements with us, or they may elect to cease store development for other reasons. If we are unable to recruit suitable international operating partners or if such partners are unable or unwilling to open new stores as planned, our growth may be slower than anticipated, or cease, which could adversely affect our ability to increase our sales.

Our long-term future growth depends, in part, on our expansion efforts outside Canada. As of February 3, 2018, we had 116 stores in Canada, three stores in the United States, 110 partner-operated stores in Taiwan and 32 partner-operated stores in China. As a primary component of our growth strategy, we intend to undertake a targeted expansion into the United States and other international markets where we have little or no operating experience or brand awareness. While we have significant experience and brand awareness in Canada, Taiwan, certain regions in the United States and certain regions in China, we have significantly lower brand awareness outside of these regions and our operating experience with respect to our existing stores (and licensed stores) may not be relevant or necessarily translate into similar results broadly in our target markets in the United States and elsewhere. In addition, any new markets that we enter in the future may have different competitive conditions, less familiarity with our brand and/or different consumer tastes and discretionary spending patterns. As a result, new stores in these markets may be less successful than stores in our existing markets. Accordingly, we cannot guarantee that we or our international operating partners will be able to penetrate or successfully operate in any market outside of Canada, Taiwan, certain regions in the United States and certain regions in China. In order to build greater brand awareness in these new markets, we and, outside of North America, our international operating partners, will need to make greater investments in store openings, advertising and promotional activity, with no guarantee of success, which could negatively impact the profitability of our operations in those markets.

We and our international operating partners may also find it more difficult in these new markets to hire, motivate and keep qualified employees who can project our vision, passion and culture. In addition, labour costs may be higher in international markets due to regulation or local market conditions, and new stores
could have higher construction and occupancy costs. International markets may also have a different regulatory environment and market practices than the regions in which we currently have stores, with which we and our international operating partners may have limited experience. These regulations and market practices could subject us and our international operating partners to significant additional expense or impact our ability to achieve compliance. In connection with any future expansion efforts outside of the regions in which we currently have stores, we would expect to encounter many obstacles that we do not currently face in our current regions, including cultural and linguistic differences, differences in regulatory environments and market practices, difficulties in keeping abreast of market, business and technical developments and local market customers’ tastes and preferences. Each of these factors may have an adverse impact on us and our international operating partners’ sales or profitability in those markets and could in turn adversely impact our sales and results of operations. If we do not successfully execute our plans to enter new markets, particularly in the broader United States, our business, financial condition and results of operations may be materially adversely affected.

Our expansion into new markets may expose us to certain geopolitical risks and challenges.

Our products were sold through our e-commerce platform to more than 50 countries worldwide in Fiscal 2017. Some of these countries have greater economic, political and social risks than Canada and the United States. Some of these risks include:

- costs associated with the use of foreign agents and contractors;
- the burden of complying with a wide variety of foreign laws;
- changes in laws and regulations governing our business in the region;
- changes in taxation policies dramatically increasing our tax costs;
- possible social, labour, political and economic instability;
- economic and legal sanctions; and
- non-compliance with applicable anti-corruption and bribery laws.

Any changes in regulations or shifts in political or economic conditions are beyond our control or influence and could cause a disruption in our ability to enter into or to operate in these foreign markets, which could have an adverse effect on our business, financial condition and results of operations.

Our growth strategy involves expansion of our e-commerce platform, which may present risks and challenges that we have not yet experienced and there can be no assurance that we will successfully manage and grow our e-commerce business, as planned.

Growing our e-commerce platform is essential to our growth strategy, as is expanding our product offerings available through this platform. If our e-commerce web-store design does not appeal to our customers, reliably function as designed, maintain the privacy of customer data, or if we are unable to consistently meet our brand promise to our customers, we may experience a loss of customer confidence or lost sales, or be exposed to fraudulent purchases, which could adversely affect our reputation and results of operations.

The usability of, and customer experience provided by, our online shopping platform is critical to the success and growth of our e-commerce business. Many of our competitors already have e-commerce businesses that are substantially larger and more developed than ours. In addition, e-commerce is a rapidly changing channel and many of our competitors update their e-commerce business on an ongoing basis to match consumer preferences. Any extended software disruption of our e-commerce business or a failure on our part to provide an attractive, effective, reliable, user-friendly e-commerce business that offers a wide assortment of merchandise with rapid delivery options to multiple countries and that continually meets the changing expectations of online customers, could place us at a competitive disadvantage, result in the loss of sales or harm our reputation with customers and could have a material adverse effect on our growth strategy, business and results of operations.
Our products were delivered through our e-commerce platform to more than 50 countries worldwide in Fiscal 2017. The growth of our e-commerce business is dependent on our ability to successfully manage international shipping of our merchandise and successfully manage the costs, difficulties and competitive pressures associated with international shipping. Other risks specific to our e-commerce business include diversion of sales from our stores, difficulty in recreating the in-store experience through direct channels and liability for online content. If we are unable to expand or update our e-commerce business commensurately with our competitors, manage international shipping and successfully respond to the risks inherent to e-commerce, our financial results and the growth of our e-commerce business may be negatively impacted, and the price of our Shares could decline.

The countries to which we currently ship our product, and new countries in which we intend to ship our product through our e-commerce channel, may impose different and evolving laws governing the operating and marketing of e-commerce websites, as well as the collection, storage and use of information on consumers interacting with those websites. We may incur additional costs and operational challenges in complying with these laws, and differences in these laws may cause us to operate our businesses differently in different territories. If so, we may incur additional costs which could negatively impact our financial condition and results of operations.

We will require significant capital to fund our expanding business, which may not be available to us on satisfactory terms or at all. While we plan to use cash from operations to fund our operations and execute our growth strategies, if we are unable to maintain sufficient levels of cash flow, we may not meet our growth expectations or we may require additional financing which could adversely affect our financial health and impose covenants that limit our business activities, as well as cause dilution to existing Shareholders.

We plan to continue our growth, including expanding our e-commerce business, opening new stores, entering into relationships with new international operating partners, and upgrading our information technology systems and other infrastructure as opportunities arise. Our plans to expand our store network, our e-commerce business and international operating partner relationships may not result in expected increases in our sales even though they increase our costs. Given that the growth initiatives that we intend to undertake will require significant capital investments over the near-to-medium-term, to the extent that we are unable to generate sales growth at expected levels, our operating cash flow may not be sufficient to fund our operations and execute our growth strategies, which could have an adverse effect on our business and results of operations.

We primarily depend on cash flow from operations and our Credit Facilities (as defined herein) to fund our business and growth plans. If our business does not generate sufficient cash flow from operations to fund these activities, and sufficient funds are not otherwise available to us from our Credit Facilities, we may need additional equity or debt financing. If such financing is not available to us, or is not available on satisfactory terms, our ability to operate and expand our business or respond to competitive pressures would be curtailed and we may need to delay, limit or eliminate expansion plans or operations or other elements of our growth strategies.

The issuance of additional Shares under any equity financing may have a dilutive effect on the interests of Shareholders. The number of Shares that we are authorized to issue is unlimited. We may, in our sole discretion, subject to applicable law and the rules of the TSX, issue additional Shares from time to time (including pursuant to any equity-based compensation plans), and the interests of Shareholders may be diluted as a result.

A material disruption in or security breach affecting our information technology systems or e-commerce business could significantly affect our business and lead to reduced sales, growth prospects and reputational damage.

The protection of customer, employee and company data is critical to us. We rely extensively on our computer systems to track inventory and customer data, manage our supply chain, record and process transactions, collect and summarize data and manage our business. While our systems are designed to
operate without interruption, we may experience interruptions to the availability of our computer systems from time to time. The failure of our computer systems to operate effectively, keep pace with our growing capacity requirements, smoothly transition to upgraded or replacement systems or integrate with new systems could adversely affect our business. In addition, our computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attacks, denial-of-service attacks, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by our employees. If our computer systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may suffer loss of critical data, compromise to the integrity or confidentiality of customer and employee information in our systems or networks, disruption to the systems or networks of third parties on which we rely, and interruptions or delays in our operations. A lack of relevant and reliable information that enables management to effectively manage our business could preclude us from optimizing our overall performance. Any significant loss of data or failure to maintain reliable data could have a material adverse effect on our business and results of operations. A disruption to our e-commerce business could reduce our e-commerce sales, increase our costs, diminish our growth prospects, expose us to litigation, decrease customer confidence and damage our brand, and a material interruption to any of our computer systems could adversely affect our business or results of operations and our reputation.

Experienced computer programmers and hackers, or even internal users, may be able to penetrate or create system disruptions or cause shutdowns of our network security or that of third party companies with which we have contracted to provide services. We generally collect and store customer information for marketing purposes and any compromise of customer information could subject us to customer or government litigation, which would harm our reputation and could adversely affect our business and growth. Moreover, we could incur significant expenses or disruptions of our operations in connection with system failures or data breaches. An increasing number of websites, including several large internet companies, have recently disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their sites. Because the techniques used to obtain unauthorized access, disable or degrade services or sabotage systems, change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, sophisticated hardware and operating system software and applications that we buy or license from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the security and operation of the systems. The costs to us to eliminate or alleviate security problems, viruses and bugs could be significant, and efforts to address these problems could result in interruptions, delays or cessation of service that may impede our sales, distribution or other critical functions.

In addition, many jurisdictions in which we operate have adopted breach of privacy and data security laws or regulations that require notification to consumers if the security of their personal information is breached, among other requirements. Governmental focus on data security may lead to additional legislative action, and the increased emphasis on information security may lead customers to request that we take additional measures to enhance security or restrict the manner in which we collect and use customer information to gather insights into customer behaviour and develop our marketing programs. As a result, we may have to modify our business systems and practices with the goal of further improving data security, which would result in increased expenditures and operating complexity. Any compromise of our security or accidental loss or theft of customer data in our possession could result in a violation of applicable privacy and other laws, significant legal and financial exposure and damage to our reputation, which could adversely impact our business, results of operations and the price of our Shares.

Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and legislative proposals addressing data privacy and security, as well as increased data protection obligations imposed on merchants by credit card issuers. As a result, we may become subject to more extensive requirements to protect the customer information that we process in connection with the purchase of our products, resulting in increased compliance costs.
Our business is subject to industry consolidation risk.

Consolidation is a trend that has recently affected retail and other industries over the past few years. Management believes that recent consolidation efforts within the industry have come about as a result of continued growth as well as the increased opportunities that the transition to e-commerce within the industry offers. Consolidation in the retail apparel industry would result in a reduction in the number and an increase in the size of companies that compete with Roots. If our competitors consolidate, or are consolidated by a global multi-channel organization, they will likely increase their market share, gain economies of scale that enhance their ability to compete with us or acquire additional expertise, products and technologies that could displace our product offerings or business model, which could have a material adverse effect on our business, financial condition and results of operations and could cause the price of our Shares to decline.

If we lose the services of members of our management team or other key personnel, or are unable to attract new team members who possess specialized market knowledge and technical skills, it could reduce our ability to compete and to manage our operations effectively.

Our management team consists of a core group of senior executive officers with a complementary mix of retail, footwear, apparel, e-commerce, operational and sourcing expertise developed through years of experience. The loss of the technical knowledge, management expertise and understanding of our operations of one or more members of our team could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any senior executive who leaves us and would need to spend time usually reserved for managing our business to search for, hire and train new members of management.

The loss of some or all of our management team or other key personnel, including our designers and managers of key functional areas, could negatively affect our ability to develop and pursue our growth strategy, which could adversely affect our business and financial condition. Any departures of key personnel could also be viewed in a negative light by investors and analysts, which could cause the price of our Shares to decline.

Additionally, the market for key personnel in our industries is highly competitive. As a result, we may not be able to attract and retain key personnel with the skills and expertise necessary to manage our business and pursue our growth strategy.

Many of our business functions are centralized at our head office location. Disruptions to the operations at this location could have an adverse effect on our business.

Our head office is located in Toronto, Ontario. We have centralized a large number of business functions at this location, including product and store design, customer support, marketing and retail management. Most of our senior management, our primary data centre and critical resources dedicated to merchandising, financial and administrative functions, are all located at our head office. If we were required to shut down the head office location for any reason, including fire, earthquake or other natural disaster or civil disruption, our management and our operations staff would need to find an alternative location, causing significant disruption and expense to our business and operations.

We recognize the need to enhance our disaster recovery, business continuity and document retention plans that would allow us to be operational despite unforeseen events impacting our head office, and intend to do so in the future. Without disaster recovery, business continuity and document retention plans, if we encounter difficulties or disasters at our head office, our critical systems, operations and information may not be restored in a timely manner, or at all, and may adversely impact our business operations.
If we fail to attract new customers, we may not be able to increase sales.

Our success depends, in part, on our ability to attract new customers, particularly, in accordance with our growth strategy, in the United States and internationally in markets in which we have limited stores and brand awareness. In order to expand our customer base in these new markets, we must appeal to and attract consumers who identify with our products, which may be more difficult outside of Canada. We have made significant investments in enhancing our brand and attracting new customers in the United States and internationally, and expect to continue to make significant investments to promote our products to current and new customers, including through our e-commerce platforms and retail store presence. Such campaigns can be expensive, time consuming and may not be successful in increasing sales. Further, as our brand becomes more widely known outside of Canada, we may not attract new customers at the rate we have in the past. If we are unable to attract new customers outside of the Canadian markets, we may not be able to increase our sales.

If we fail to adequately continue to connect with our customer base, our business may be adversely affected.

We focus on word-of-mouth and in-store marketing to capture the interest of our customers and entice them to our stores and website. We also use traditional advertising channels, such as newspapers, magazines, billboards, television and radio, which are used by some of our competitors. We have no assurance that our word-of-mouth and in-store marketing efforts will prove successful in new markets or continue to be successful in our existing markets. As we expand into new geographic markets, consumers in these markets may not be drawn to our brand image. We anticipate that, as our business expands into new markets and as the market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. In addition, while we currently intend to increase our annual marketing spend from approximately 2% to 4% of sales, there can be no assurances that the expected increase in marketing spend will necessarily result in increased sales for us.

We rely on social media, such as Facebook, Instagram and Twitter, to connect with our customer base. If our marketing efforts are not successful using social media, there may be no immediately available or cost effective alternative marketing channel for us to use to build or maintain brand awareness. If we are required to use traditional advertising channels more prominently in our overall marketing strategy, we will incur additional expense associated with the transition to and operation of a traditional advertising channel. As we execute our growth strategies, our ability to successfully increase brand awareness and expand our e-commerce business will be adversely impacted if we fail to connect with our target customers, which could adversely affect our business, results of operations and financial condition.

In addition, we aim to effectively leverage our celebrity and ambassador relationships to further promote our brand and products. In the event that one or more celebrities or ambassadors with which we have an existing arrangement no longer promotes our brand or is subject to negative publicity in the media, we may be required to spend time and resources cultivating new celebrity and ambassador relationships, and these new relationships might not be as successful as our existing relationships. If we are unable to effectively recruit celebrities and ambassadors with a meaningful following to promote our brand and products, our business and results of operations may be adversely affected.

We are dependent on a limited number of distribution facilities, one of which is operated by a third-party logistics provider, and a single leather factory. If one or more of our distribution facilities or our leather factory become inoperable, capacity is exceeded or if operations are disrupted, our business, financial condition and results of operations may be negatively affected.

We depend on the orderly operation of the receiving and distribution process, and manufacturing of our leather products, which relies on adherence to shipping schedules and effective management of distribution facilities, the leather factory and sufficiently planned capacity. Although we believe that our receiving and distribution processes and the manufacture of our leather products are efficient, and we have appropriate contingency plans, unforeseen disruptions in operations due to fire, severe weather conditions, natural disasters, or other catastrophic events, electronic or power interruptions, failure of software and hardware
or other system failures, labour disagreements or other shipping or manufacturing problems may result in delays in the manufacture or delivery of merchandise to our stores, international operating partners and e-commerce customers. Additionally, although we believe that the capacity of our leather factory and distribution facilities meets our current needs, we expect we will need to expand our manufacturing, receiving and distribution capacity in the future. Planning for expansion of our manufacturing and distribution capacity to meet future needs is currently underway. Any failure to expand our manufacturing and distribution capacity in a timely manner to keep pace with our growth could have an adverse effect on our business.

If we were to lose access to our leather factory, temporarily or permanently, potential difficulties or delays in sourcing a suitable alternative location that meets our specific capacity and manufacturing requirements in a timely fashion, or at all, may result in delays in the manufacture of our leather products. In addition, if we were unable to source a suitable alternative leather factory within Canada and were required to manufacture all leather products from outside of Canada, we would not be able to apply a “Made in Canada” designation on the leather products currently manufactured in our leather factory, which could have an adverse effect on our brand and sales of our leather products.

Although we maintain business interruption insurance and property insurance, we cannot provide any assurance that our insurance coverage will adequately protect us from the adverse effects that could result from significant disruptions to our distribution system or leather factory, such as the long-term loss of customers or an erosion of our brand, or that insurance proceeds will be paid to us in a timely manner, or at all. In addition, our distribution capacity depends on the timely performance of services by third parties, including the shipping of our products to and from our distribution facilities. If we encounter problems with our distribution system, our ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies may be harmed.

**Our sales and inventory purchases fluctuate on a seasonal basis, which could adversely affect our business and financial condition.**

Our business is highly seasonal, with a significantly higher proportion of sales and operating cash flows historically generated during the second half of the fiscal year, which includes the back-to-school and holiday selling seasons. We also have higher working capital requirements in the periods preceding the launch of new seasonal lines as we receive and pay for new inventory. We manage our working capital needs through cash flow from operations and our Credit Facilities, resulting generally in increased leverage during the first half of the fiscal year and during the period preceding the launch of new seasonal lines.

This seasonality in sales, cash flows and expenses may impact the comparability of our results of operations and could adversely affect our business and financial condition. Seasonal or cyclical variations in our business may become more pronounced over time and may harm our results of operations in the future.

Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things: the timing of new store openings; sales and profits contributed by new stores; increases or decreases in comparable sales growth; changes in our product mix; the timing of new advertising and brand or product introductions; and shifts in observed seasonal holiday schedules.

As a result of these seasonal and quarterly fluctuations, we believe that comparisons of our operating results between different quarters within a single fiscal year are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of our future performance.

Any future seasonal or quarterly fluctuations in our results of operations may not match the expectations of market analysts and investors. Disappointing quarterly results could cause the price of our Shares to decline. Seasonal or quarterly factors in our business and results of operations may also make it more difficult for market analysts and investors to assess the longer-term profitability and strength of our business at any particular point, which could lead to increased volatility in the price of our Shares. Increased volatility could cause the price of our Shares to suffer in comparison to less volatile investments.
We may be unable to protect our trademarks or other intellectual property rights, and may be subject to claims that we, or our suppliers, have infringed upon the trademarks or other intellectual property rights of third parties.

We believe that our trademarks are integral to our business and our success in building our brand image and customer loyalty. We rely on trademark registrations and common law trademark and copyright rights to protect the distinctiveness of our brand and have registered those trademarks that we believe are important to our business in many jurisdictions around the world. We have registered certain of our trademarks in many foreign countries to seek protection of our key trademarks and may seek to expand these registrations in the future. However, international protection of our brand image and the use of these marks may be unavailable or could be limited. In some cases, there may be trademark owners who have prior rights to our marks because the laws of certain foreign countries may not protect intellectual property rights to the same extent as do the laws of Canada. In other cases, there may be holders who have prior rights to similar marks. We are not aware of any infringement upon or challenges to our right to use any of our brand names or trademarks. Nevertheless, we cannot provide any assurances that our registrations will prevent imitation of our name, or our brand, or the infringement of our other intellectual property rights by others within Canada, the United States, China, Taiwan or elsewhere. Imitation of our brand in a manner that projects lesser quality or carries a negative connotation of our brand image could have an adverse effect on our business, financial condition and results of operations. Similarly, use of or negative publicity or events associated with our brand or trademarks in jurisdictions where our intellectual property rights are not protected may negatively affect our image and reputation in Canada, the United States, China, Taiwan or elsewhere. If we fail to enforce or maintain any of our intellectual property rights, we may be unable to capitalize on our efforts to maintain and, in new markets, increase our brand equity.

We currently own no patents or exclusive intellectual property rights in the fabrics or processes used for our merchandise. Any such intellectual property rights are owned or controlled by our suppliers and manufacturers and are generally not unique to us. We do not generally seek to patent our merchandise designs for the time, expense and degree of distinctiveness required to do so. Intellectual property protection for our merchandise is therefore limited. As a result, our current and future competitors may be able to manufacture and sell merchandise with fabrications, characteristics and styling similar to our merchandise. Because some of our competitors may have greater financial, distribution, marketing and other resources than we do, they may be able to manufacture and sell merchandise based on our designs, fabrics and manufacturing processes at lower prices than we can. If our competitors do sell similar merchandise to ours at lower prices, our sales and profitability could suffer.

Litigation may be necessary to protect and enforce our trademarks and other intellectual property rights, or to defend against claims brought by third parties. Furthermore, our internally designed merchandise or our marketing materials may, or may in the future, be claimed to violate intellectual property rights of third parties. We also purchase certain finished merchandise that may be subject to design copyrights, design patents or otherwise may incorporate protected intellectual property and we do not independently investigate whether the suppliers legally hold the intellectual property rights to the merchandise sold to us.

Although we cannot currently estimate the likely outcome of any intellectual property-related claims or lawsuits, any such litigation or claims brought by or against us could result in substantial costs and diversion of our resources, which could have an adverse effect on our business, financial condition and results of operations. If disputes arise in the future, we may not be able to successfully resolve these types of conflicts to our satisfaction.

If we are unable to attract, motivate and retain quality sales staff, we may not be able to maintain a consistently high level of customer service and grow or sustain our operations and, as a result our brand, business and financial results may be harmed.

Our business is dependent on our ability to attract, motivate and retain a sufficient number of store employees, including store managers, who understand and appreciate our customers, brand and corporate culture, and are able to adequately and effectively represent our culture and establish credibility with our customers. Many of these employees are in entry level or part-time positions with historically high rates of
turnover. There is also a high level of competition for experienced, qualified personnel in the retail industry and we compete for personnel with a variety of companies looking to hire for retail positions. Historically, we have prided ourselves on our commitment to employee growth and development and we focus on promoting from within our team. However, our growth plans may strain our ability to staff our new stores, particularly at the store manager level, which could have an adverse effect on our ability to maintain a cohesive and consistently strong team, which in turn could have an adverse impact on our business. If we are unable to attract, train and retain store personnel capable of consistently providing exceptional customer service, as demonstrated by their enthusiasm for our culture and brand, understanding of our customers and knowledge of the merchandise we offer, our ability to open new stores may be impaired, the performance of our existing and new stores may be materially adversely affected and our brand image and our ability to continue to implement our growth strategies may be negatively impacted.

We rely upon independent third-party transportation providers for substantially all of our merchandise shipments.

We currently rely upon independent third-party transportation providers for substantially all of our merchandise shipments, including shipments to our distribution facilities, all of our stores, our international operating partner and our e-commerce customers. Our use of outside delivery services for shipments is subject to risks, including increases in fuel prices, which would increase our shipping costs (freight and delivery), labour disruptions, inclement weather and shipment delays. If we change transportation providers, we could face logistical difficulties that could adversely impact deliveries and we may incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favourable as those received from the independent third-party transportation providers we currently use, which may also result in increased costs. In addition, we depend on multiple forms of transportation to distribute our products to, and receive raw materials from, international markets, including road, rail and port. As with all companies that are dependent on road, rail, port and other transportation methods for distribution purposes, strikes of certain operational groups of such transportation workers can disrupt our distribution system, thereby representing an ongoing risk to our business. Prolonged strike action can cause significant upheaval to our distribution operations.

Failure of our third-party transportation providers to deliver our merchandise in a timely manner may negatively impact our ability to optimize merchandise offerings, customer service levels, brand reputation and profitability.

We may upgrade or replace certain core information technology systems, including our distribution operation systems, which could disrupt our operations and adversely affect our financial results.

The implementation of new information technology systems, including our distribution operation systems, may cause delays or disruptions or may be used improperly, either of which might negatively impact our business, prospects, financial condition and results of operations.

The risks associated with information technology systems changes, as well as any failure of such systems to operate effectively, could adversely impact human capital management and the promptness and accuracy of our merchandise distribution, transaction processing and financial accounting and reporting capabilities. Internal controls over financial reporting, the efficiency of our operations and our ability to properly forecast earnings and cash requirements may be adversely affected, and we may be required to make significant additional capital expenditures to remediate any such failures or problems.

We believe that other companies have experienced significant delays and cost overruns in implementing similar system changes, and we may encounter problems as well. Our planned investments in maintenance capital expenditures and infrastructure are forward-looking information and are based on opinions, estimates and assumptions that may prove incorrect. Actual costs may vary materially from those forecasted by management. Additional, unforeseen costs in developing infrastructure, including e-commerce and distribution infrastructure and other information technology improvements may adversely impact our business operations. We may not be able to successfully implement these new systems or, if
implemented, we may still face unexpected disruptions in the future. Any resulting delays or disruptions could harm our business, prospects, financial condition and results of operations.

**Union attempts to organize our employees or increased labour costs could negatively affect our business.**

None of our employees are currently subject to collective bargaining agreements. As we continue to grow and enter different regions, unions may attempt to organize all or part of our employee base at certain stores, distribution facilities, the leather factory or within certain regions. Responding to such organization attempts may distract management and employees and may have a negative financial impact on individual stores, or on our business as a whole.

The maintenance of a productive and efficient labour environment and, in the event of unionization of these employees, the successful negotiation of a collective bargaining agreement, cannot be assured. Protracted and extensive work stoppages or labour disruptions, such as strikes or lockouts, could have a material adverse effect on our business, financial condition and results of operations.

A significant portion of our employees are subject to provincial or state laws governing such matters as minimum wage, working conditions and overtime. Changes in these laws in the markets in which we operate, particularly increases to minimum wage, could cause our operating expenses to increase. A significant increase in labour costs could have an adverse effect on our business, financial condition and results of operations.

**We may be unable to continue to grow sales levels or meet other financial targets, which could cause the price of our Shares to decline.**

Our success depends, in part, upon our ability to continue to grow comparable sales and achieve sales and other financial targets for our stores, international operating partners and e-commerce business. Various factors affect sales levels, including competition, consumer trends and preferences, the general economic and retail environment, our ability to efficiently source and distribute products, brand innovation and changes in our merchandising mix, the timing of release of new merchandise and promotional events, the success of marketing campaigns, prior period sales levels, inventory shrinkage, the timing and amount of markdowns, weather conditions and changes in the other tenants in the shopping centres or other locations in which our stores are located. These factors may cause our sales results to differ materially from prior periods and from expectations. Past sales and other financial results are not an indication of future results, and there can be no assurance that our sales levels will not decrease in the future. We have made and intend to continue to make significant capital investments to increase comparable sales growth by focusing on brand and product innovation and optimizing store layout, merchandise and product offerings and presentation. Failure to continue to grow comparable sales growth or failure to meet other financial targets or expectations could adversely affect our sales and the price of our Shares could decline.

**We are subject to numerous laws and regulations that could adversely affect our business.**

We are subject to numerous laws and regulations, including labour and employment, consumer protection, human rights, advertising, environmental, customs, taxes and other laws that regulate retailers generally or govern the importation, labeling, promotion, distribution and sale of merchandise and the operation of stores and other facilities in each of the jurisdictions in which our merchandise is distributed and sold. Although we have implemented procedures designed to ensure compliance with applicable laws and regulations, if our management, employees, suppliers, manufacturers or others fail to comply with any of these laws or regulations for any reason, we could become subject to enforcement actions or the imposition of significant penalties or claims, or suffer reputational harm, any of which could adversely affect our business. Additionally, although we undertake to monitor applicable laws, it is possible that changes may be implemented or new laws or regulations may be introduced without our knowledge, creating a greater risk of non-compliance. The adoption of new laws or regulations or requirements for public companies or changes in the interpretation of existing laws or regulations may result in increased compliance costs and could make the ordinary conduct of our business more expensive or require us to change the way we do
business. It is often difficult for us to plan and prepare for potential changes to applicable laws, and future actions or expenses related to any such changes may be material to us.

Certain of our marketing practices rely upon e-mail to communicate with consumers on our behalf. We may face risk if our use of e-mail is found to violate the applicable law. In addition, any failure by us to comply with privacy-related laws and regulations could result in proceedings which could potentially harm our business. In addition, as data privacy and marketing laws change, we may incur additional costs to ensure we remain in compliance with such laws. If applicable data privacy and marketing laws become more restrictive at the international, federal, provincial or state levels, our compliance costs may increase, our ability to effectively engage customers via personalized marketing may decrease, our investment in our e-commerce platform may not be fully realized, our opportunities for growth may be curtailed by our compliance burden and our potential reputational harm or liability for security breaches may increase.

*We may be subject to additional taxes, which may affect our operating results.*

We may be subject to assessments for additional taxes, including sales taxes, which may reduce our operating results. In accordance with current law, we pay, collect and/or remit taxes in those jurisdictions where we maintain a physical presence. In computing our tax obligations in these jurisdictions, we are required to take various tax accounting and reporting positions on matters that may not be entirely free from doubt and for which we have not received rulings from the governing authorities.

While we believe that we have appropriately remitted all taxes based on our interpretation of applicable law, it is possible that some taxing jurisdictions may attempt to assess additional taxes and penalties on us if the applicable authorities do not agree with our positions. A successful challenge by a tax authority, through asserting either an error in our calculation, or a change in the application of law or an interpretation of the law that differs from our own, may adversely affect our results of operations.

*We are subject to insurance-related risks.*

We maintain director and officer insurance, liability insurance, business interruption and property insurance and our insurance coverage includes deductibles, self-insured retentions, limits of liability and similar provisions. There is no guarantee, however, that our insurance coverage will be sufficient, or that insurance proceeds will be timely paid to us. In addition, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war or certain natural disasters. If we incur these losses and they are material, our business, operating results and financial condition may be adversely affected. Also, certain material events may result in sizable losses for the insurance industry and materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, we may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

*We are subject to payment-related risks.*

We accept payments using a variety of methods, including credit cards, debit cards and gift cards. For existing and future payment methods we offer to our customers, we may become subject to additional regulations and compliance requirements, as well as fraudulent activities. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time, raising our operating costs and lowering profitability. We rely on third party service providers for payment processing services, including the processing of credit and debit cards. Our business may be negatively affected if these third-party service providers become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, including data security and management rules, certification requirements and rules governing electronic funds transfers and if we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card issuing banks’ costs, subject to fines and higher transaction fees and/or lose our ability to accept credit and debit card payments from our customers and process electronic funds transfers or facilitate other types of payments, and our business and operating results may be adversely affected.
There are risks related to forward-looking information in this Annual Information Form.

The forward-looking information included in this Annual Information Form relating to, among other things, our future results, performance, achievements, prospects, targets, intentions or opportunities or the markets in which we operate (including, in particular, the information contained in “Our Business” and the other statements listed in “Forward-Looking Information”), is based on opinions, assumptions and estimates made by our management in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Our actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that our actual results in the future will be the same, in whole or in part, as those included in this Annual Information Form. See “Forward-Looking Information”.

Natural disasters and unusual weather could adversely affect our operations and financial results.

Extreme weather conditions in the areas in which our stores are located could adversely affect our business. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and thereby reduce our sales and profitability, as our business depends on high customer conversion. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions, which could adversely affect our ability to execute our strategy to effectively present seasonal inventory. Reduced sales from extreme or prolonged unseasonable weather conditions could adversely affect our business.

In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy one or more of our stores or warehouses located in the affected areas, thereby disrupting our business operations.

Furthermore, a significant portion of our business functions operate out of our headquarters in Toronto, Ontario. As a result, our business is vulnerable to disruptions due to local weather, economics and other factors.

There are claims made against us from time to time that can result in litigation that could distract management from our business activities and result in significant liability or damage to our brand.

As a growing company with expanding operations, we increasingly face the risk of litigation and other claims against us. Litigation and other claims may arise in the ordinary course of our business and include employee and customer claims, commercial disputes, landlord-tenant disputes, intellectual property issues, product-oriented allegations and personal injury claims. These claims can raise complex factual and legal issues that are subject to risks and uncertainties and could require significant management time. Most of our products are produced and supplied by third party manufacturers and suppliers and some of these products may expose us to various claims, including class action claims relating to merchandise that is subject to a product recall or liability claim. Litigation and other claims against us could result in unexpected expenses and liabilities, which could materially adversely affect our operations and our reputation.

Although we maintain liability insurance to mitigate potential claims, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.
Parties with whom we do business with may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to us.

We are party to contracts, transactions and business relationships with various third parties, pursuant to which such third parties have performance, payment and other obligations to us. If any of these third parties were to become subject to declines in their revenues, thereby negatively affecting our royalty or other payments from them, or become subject to bankruptcy, receivership or similar proceedings, our rights and benefits in relation to our contracts, transactions and business relationships with such third parties may be terminated, modified in a manner adverse to us, or otherwise impaired. We cannot make any assurances that we would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favourable as our existing contracts, transactions or business relationships, if at all. Any inability on our part to do so could have a material adverse effect on our business and results of operations.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our reported financial results or financial condition.

IFRS and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported financial performance or financial condition in accordance with generally accepted accounting principles.

The terms of our Credit Facilities, and any additional debt financing may, restrict our current and future operations, which could adversely affect our ability to manage our operations and respond to changes in our business.

We are currently indebted under our Credit Facilities and we may incur additional indebtedness under the Credit Facilities or otherwise in the future. We are exposed to changes in interest rates on our cash and cash equivalents, bank indebtedness and long-term debt. Debt issued at variable rates exposes us to cash flow interest rate risk. Debt issued at fixed rates exposes us to fair value interest rate risk. Our borrowings, current and future, will require interest payments and need to be repaid or refinanced, could require us to divert funds identified for other purposes to debt service and could create additional cash demands or impair our liquidity position and add financial risk for us. Diverting funds identified for other purposes for debt service may adversely affect our business and growth prospects. If we cannot generate sufficient cash flow from operations to service our debt, we may need to refinance our debt, dispose of assets, reduce or delay expenditures or issue equity to obtain necessary funds. We do not know whether we would be able to take any of these actions on a timely basis, on terms satisfactory to us, or at all.

Our Credit Agreement contains restrictive financial and other covenants which affect, among other things, the manner in which we may structure or operate our business. A failure by us to comply with our contractual obligations (including restrictive, financial and other covenants), or to pay our indebtedness and fixed costs under our current or future financing arrangements could result in a variety of material adverse consequences, including the acceleration of our indebtedness and the exercise of remedies by our creditors, and such defaults could trigger additional defaults under other agreements. In such a situation, it is unlikely that we would be able to repay the accelerated indebtedness or fulfill our obligations under certain contracts, or otherwise cover our fixed costs, and our future financial condition would be materially adversely affected.

Our degree of leverage could have a material adverse effect on our business and results of operations, including:

- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- restricting our flexibility and discretion to operate our business;
- limiting our ability to declare dividends on our securities;
- having to dedicate a portion of our cash flows from operations to the payment of interest on our existing indebtedness and not having such cash flows available for other purposes;
- exposing our business to debt capital market risks, including interest rate risk and refinancing risk at maturity;
- exposing us to increased interest expense on borrowings at variable rates;
- limiting our ability to adjust to changing market conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt;
- making us vulnerable to a downturn in general economic conditions; and
- making us unable to make expenditures that are important to our growth strategies.

A failure to maintain an effective system of internal controls over financial reporting could harm our financial performance, our ability to raise capital and our listing on the TSX.

We are responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of our inherent limitations and the fact that we are a new public company and are implementing new financial control and management systems, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may result in a decline in the price of our Shares and harm our ability to raise capital in the future.

If our management is unable to certify the effectiveness of our internal controls or if material weaknesses in our internal controls are identified, we may be subject to regulatory scrutiny and a loss of public confidence, which could harm our business and cause a decline in the price of our Shares. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause a decline in the price of our Shares and harm our ability to raise capital. Failure to accurately report our financial performance on a timely basis could also jeopardize our listing on the TSX or any other stock exchange on which our Shares may be listed. Delisting of our Shares on any exchange would reduce the liquidity of the market for our Shares, which would reduce the price of and increase the volatility of the price of our Shares.

A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results may be materially adversely affected, which could also cause investors to lose confidence in our reported financial information, which in turn could result in a reduction in the trading price of the Shares.
Our ability to manage our operations at our current size and successfully execute on our growth strategies is subject to numerous risks and uncertainties, and any failure to do so could have a negative impact on the price of our Shares.

The continued success of our growth strategies depends on, among other things, our ability to expand our store network, expand and reposition existing stores on a timely and profitable basis, grow our e-commerce business, drive sales growth through brand and product innovation, leverage our competitive advantages and increase our footprint internationally, as well as factors which are beyond our control, including general economic conditions and consumer confidence in future economic conditions. If we fail to execute any one or more of these initiatives or fail to fully realize the benefits expected to result from these initiatives, our results of operations and our ability to remain competitive may be materially adversely impacted, and the price of our Shares could decline. Our results to date are not an indication of future results, and there can be no assurance that these initiatives will generate increased sales or improve operating margins even if we are to successfully implement our growth strategies.

As we move forward, we expect our growth to bring new challenges and complexities that we have not faced before. Among other difficulties that we may encounter, this growth could place a strain on our existing infrastructure, including our manufacturing and distribution facilities, information technology systems, real estate requirements and employee base and may make it more difficult for us to adequately forecast expenditures. Our budgeting will become more complex, and we may also place increased burdens on our suppliers and manufacturers, as we will likely increase the size of our merchandise orders. The increased demands that our growth plans will place on our infrastructure and our management team may cause us to operate our business less efficiently, which could cause deterioration in our performance. Our growth may make it otherwise difficult for us to respond quickly to changing trends, consumer preferences and other factors. This could result in excess or deficient inventory, greater markdowns, loss of market share and decreased sales. We cannot anticipate all of the demands that our expanding operations will impose on our business, and our failure to appropriately address these demands could have an adverse effect on us.

In addition, we believe that an important contributor to our success has been our corporate culture, which we believe fosters innovation, teamwork, passion for our brand and designs and personalized customer service. As we continue to grow, we must effectively integrate, develop and motivate a growing number of new employees. As a result, we may find it difficult to maintain our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, continue to perform at current levels or execute on our growth strategies.

Bankruptcies by other retailers and licensees may negatively impact us.

A bankruptcy or ceasing of operations by one or more of our international or licensee partners or their major wholesale customers could result in failure to recover accounts receivable with respect to products that we have licensed to such partners and would result in the loss of a distribution partner. Furthermore, bankruptcies of certain mall co-tenants could reduce the level of foot traffic to our stores in that location, and therefore the number of purchases made at that store could be adversely affected. If any of these actions were to occur, it could have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, a competitor that is experiencing financial instability or entering into liquidation or bankruptcy proceedings may flood the market with competitively low pricing for their product, which could have a temporary impact on our ability to sell our competing products during this liquidation window, which could have an adverse effect on our business and results of operations during that period.
Risks Related to Ownership of Our Shares

The market price for Shares may be volatile.

The market price of our Shares may be subject to significant fluctuations. Some of the factors that may cause the market price of our Shares to fluctuate include:

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging and other derivative transactions in our Shares;
- litigation or regulatory action against us;
- investors’ general perception of us and the public’s reaction to our press releases, our other public announcements and our filings with Canadian securities regulators, including our financial statements;
- publication of research reports or news stories about us, our competitors or our industry;
- positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of our Shares by existing Shareholders;
- recruitment or departure of key personnel;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and
- the other risk factors described in this section of this Annual Information Form.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions’ respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Shares by those institutions, which could materially adversely affect the trading price of the Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of the Shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of our Shares. Consequently, the price of our Shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the price of our Shares regardless of our operating performance. In the past, following a significant decline in the market price of a company’s securities, there have been instances of securities class action litigation having been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs, our management’s attention and resources could be diverted and it could harm our business, results of operations and financial condition.
Searchlight continues to have significant influence over us, including control over decisions that require the approval of Shareholders, which could limit your ability to influence the outcome of matters submitted to Shareholders for a vote.

As of February 3, 2018, Searchlight beneficially owns, controls or directs, in the aggregate approximately 47.7% of our issued and outstanding Shares and has the right to nominate 40% of our board of directors (the “Board”). As long as Searchlight owns or controls a significant number of our outstanding Shares, they will have the ability to exercise substantial control over all corporate actions requiring shareholder approval, irrespective of how our other Shareholders may vote, including the election and removal of directors and the size of our Board, any amendments to our constating documents, or the approval of any merger, acquisition or other significant corporate transaction, including a sale of all or substantially all of our assets. See “Material Contracts – Investor Rights Agreement”.

In addition, Searchlight's interests may not align with the interests of our other Shareholders. Searchlight is in the business of making investments in companies and may acquire and hold, from time to time, interests in businesses that compete directly or indirectly with us. Searchlight may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

Future sales of our securities by existing Shareholders or by us could cause the market price for our Shares to decline.

Sales of a substantial number of our Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Shares intend to sell their Shares, could significantly reduce the market price of our Shares. We cannot predict the effect, if any, that future public sales of these securities or the availability of these securities for sale will have on the market price of our Shares. If the market price of our Shares was to drop as a result, this might impede our ability to raise additional capital and might cause remaining Shareholders to lose all or part of their investment.

Moreover, certain of our Shareholders will have certain rights under the Investor Rights Agreement to require us to file a prospectus covering their registrable securities or to include their registrable securities in prospectuses that we may file for ourselves or on behalf of other Shareholders.

Further, we cannot predict the size of future issuances of our Shares or the effect, if any, that future issuances and sales of our Shares will have on the market price of our Shares. Sales of substantial amounts of our Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for our Shares.

We do not expect to pay any cash dividends for the foreseeable future.

We currently expect to retain all available funds and future earnings, if any, for use in the operation and growth of our business and do not anticipate paying any cash dividends for the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board, subject to compliance with applicable law and any contractual provisions, including under the Credit Agreement and other agreements for indebtedness we may incur, that restrict or limit our ability to pay dividends, and will depend upon, among other factors, our results of operations, financial condition, earnings, capital requirements and other factors that our Board deems relevant. Accordingly, if you purchase our Shares, realization of a gain on your investment will depend on the appreciation of the price of our Shares, which may never occur. Investors seeking cash dividends in the foreseeable future should not purchase our Shares.

Tax law may change.

On July 18, 2017, the Minister of Finance (Canada) released for consultation a discussion paper seeking input on possible approaches to address certain tax advantages of investing passively through a corporation under the Income Tax Act (Canada) (the “Tax Act”). On October 18, 2017, the Government of
Canada announced its intention to move forward with a variation of these passive investment measures and is expected to introduce proposed amendments to the Tax Act in 2018.

*Any issuance of preferred shares could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Shares, which could depress the price of our Shares.*

Our Board has the authority to issue preferred shares and to determine the preferences, limitations and relative rights of preferred shares and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our Shareholders. Our preferred shares may be issued with liquidation, dividend and other rights superior to the rights of our Shares. The potential issuance of preferred shares may delay or prevent a change in control of us, discourage bids for our Shares at a premium over the market price and adversely affect the market price and other rights of the holders of our Shares.

*If securities or industry analysts cease to publish research or publish inaccurate or unfavourable research about us or our business, our trading price and our trading volume could decline.*

The trading market for our Shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If we obtain securities or industry analyst coverage and if one or more of the analysts who cover us downgrade our Shares or publish inaccurate or unfavourable research about our business, the trading price of our Shares may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Shares could decrease, which could cause the trading price and volume of our Shares to decline.

**DIVIDEND POLICY**

We intend to retain any future earnings to fund the development and growth of our business and do not currently anticipate paying dividends on the Shares. Any determination to pay dividends in the future will be at the discretion of our Board and will depend on many factors, including, among others, our financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that our Board may deem relevant.

**DESCRIPTION OF SHARE CAPITAL**

The following is a summary of the material attributes and characteristics of the Company’s authorized share capital. This summary is qualified in its entirety by reference to the terms and provisions of our articles of incorporation (“Articles”).

**Authorized Share Capital**

Our authorized share capital consists of (i) an unlimited number of Shares and (ii) an unlimited number of preferred shares, issuable in series. As at February 3, 2018, there were 41,980,500 Shares issued and outstanding and no preferred shares issued and outstanding.

In addition, as at such date we had 3,013,601 options issued and outstanding under our legacy option plans, which were established prior to the IPO and amended and restated upon closing of the IPO (the “Legacy Option Plans”), and 300,649 options issued and outstanding under our new omnibus incentive plan adopted upon closing of the IPO (the “Omnibus Plan”). All options are exercisable to acquire Shares. The Legacy Option Plans govern options granted prior to our IPO with no further awards to be granted. Contractual restrictions on transfer for 6 months following the IPO were entered into with respect to certain Shares issuable upon exercise of options granted under the Legacy Option Plans and the Omnibus Plan.
Common Shares

Rank

The Shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of our liquidation, dissolution or winding-up.

Dividend Rights

Holders of Shares (“Shareholders”) are entitled to receive dividends on a *pari passu* basis out of our assets legally available for the payment of dividends at such times and in such amount and form as our Board may from time to time determine, subject to any preferential rights of the holders of any outstanding preferred shares.

Voting Rights

Shareholders are entitled to one vote in respect of each Share held at meetings of Shareholders, as described below.

Meetings of Shareholders

Shareholders will be entitled to receive notice of any meeting of Shareholders and may attend and vote at such meetings. A quorum for the transaction of business at a meeting of Shareholders is present if Shareholders who, together, hold not less than 25% of the votes attaching to our outstanding Shares entitled to vote at the meeting are present in person or represented by proxy.

Pre-Emptive Rights

Certain Shareholders will be entitled to certain pre-emptive rights to subscribe for additional Shares provided for in the Investor Rights Agreement. Further information regarding the pre-emptive rights provided for in the Investor Rights Agreement is described under “Material Contracts – Investor Rights Agreement – Pre-Emptive Rights”.

Liquidation Rights

Upon our liquidation, dissolution or winding-up, whether voluntary or involuntary, the Shareholders, without preference or distinction, will be entitled to receive rateably all of our assets remaining after payment of all debts and other liabilities, subject to any preferential rights of the holders of any outstanding preferred shares.

Preferred Shares

The preferred shares may at any time and from time to time be issued in one or more series. Subject to the provisions of the CBCA and our Articles, our Board may, by resolution, from time to time before the issue thereof determine the maximum number of preferred shares of each series, create an identifying name for each series, attach special rights or restrictions to the preferred shares of each series including, without limitation, any right to receive dividends (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms or conditions of redemption or purchase, any conversion rights, any retraction rights, any rights on our liquidation, dissolution or winding-up and any sinking fund or other provisions, the whole to be subject to filing Articles of Amendment to create the series and to include the special rights or restrictions attached to the preferred shares of the series. Except as provided in any special rights or restrictions attaching to any series of preferred shares issued from time to time, the holders of preferred shares will not be entitled to receive notice of, attend or vote at any meeting of Shareholders.
Preferred shares of each series, if and when issued, will, with respect to the payment of dividends, rank pari passu with the preferred shares of every other series and be entitled to preference over the Shares and any other of our shares ranking junior to the preferred shares with respect to payment of dividends.

In the event of our liquidation, dissolution or winding-up, whether voluntary or involuntary, the holders of preferred shares will be entitled to preference with respect to distribution of our property or assets over the Shares and any other of our shares ranking junior to the preferred shares with respect to the repayment of capital paid up on and the payment of unpaid dividends accrued on the preferred shares. We currently anticipate that there will be no pre-emptive, subscription, redemption or conversion rights attaching to any series of preferred shares issued from time to time.

Advance Notice By-Laws

We have included certain advance notice provisions with respect to the election of our directors in our by-laws (the "Advance Notice Provisions"). The Advance Notice Provisions are intended to: (i) facilitate orderly and efficient annual general meetings or, where the need arises, special meetings of our Shareholders; (ii) ensure that all Shareholders receive adequate notice of Board nominations and sufficient information with respect to all nominees; and (iii) allow Shareholders to register an informed vote. Only persons who are nominated by Shareholders in accordance with the Advance Notice Provisions will be eligible for election as directors at any annual meeting of Shareholders, or at any special meeting of Shareholders if one of the purposes for which the special meeting was called was the election of directors.

Under the Advance Notice Provisions, a Shareholder wishing to nominate a director would be required to provide us notice, in the prescribed form, within the prescribed time periods. These time periods include, (i) in the case of an annual meeting of Shareholders (including annual and special meetings), not less than 30 days prior to the date of the annual meeting of Shareholders; provided, that if the first public announcement of the date of the annual meeting of Shareholders (the "Notice Date") is less than 50 days before the meeting date, not later than the close of business on the 10th day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of Shareholders called for any purpose which includes electing directors, not later than the close of business on the 15th day following the Notice Date, provided that, in either instance, if notice-and-access (as defined in National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer) is used for delivery of proxy related materials in respect of a meeting described above, and the Notice Date in respect of the meeting is not less than 50 days prior to the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the applicable meeting.

Forum Selection

We have adopted a forum selection by-law that will provide that, unless we consent in writing to the selection of an alternative forum, the Superior Court of Justice of the Province of Ontario, Canada and the appellate courts therefrom, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us; (iii) any action or proceeding asserting a claim arising pursuant to any provision of the CBCA or our Articles or by-laws; or (iv) any action or proceeding asserting a claim otherwise related to the relationships among us, our affiliates and their respective shareholders, directors and/or officers, but excluding claims related to our business or the business of such affiliates. Our forum selection by-law also provides that our security holders are deemed to have consented to personal jurisdiction in the Province of Ontario and to service of process on their counsel in any foreign action initiated in violation of our by-law.
MARKET FOR SECURITIES

Trading Price and Volume

The Shares are listed on the TSX and are traded under the symbol “ROOT”. The high and low reported trading price and volumes of Shares on the TSX from October 25, 2017, the date of closing of the IPO, to February 3, 2018 were as follows:

<table>
<thead>
<tr>
<th>Month</th>
<th>High</th>
<th>Low</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>February (1 to 2)</td>
<td>$11.96</td>
<td>$11.50</td>
<td>103,646</td>
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<tr>
<td>January</td>
<td>$12.28</td>
<td>$10.40</td>
<td>1,918,092</td>
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<tr>
<td><strong>2017</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>December</td>
<td>$11.34</td>
<td>$9.90</td>
<td>4,147,700</td>
</tr>
<tr>
<td>November</td>
<td>$10.15</td>
<td>$8.55</td>
<td>4,124,722</td>
</tr>
<tr>
<td>October (25 to 31)</td>
<td>$11.55</td>
<td>$9.00</td>
<td>7,281,564</td>
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</table>

DIRECTORS AND EXECUTIVE OFFICERS

The names and jurisdiction of residence of the directors and executive officers of the Company, their respective positions and offices held with the Company and their principal occupation for the last five or more years are shown below as at the date hereof. Directors are elected to serve until the next annual meeting or until their successors are elected or appointed, unless their office is earlier vacated.

<table>
<thead>
<tr>
<th>Name, Province or State and Country of Residence</th>
<th>Position/Title</th>
<th>Office Held Since</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erol Uzumeri, Ontario, Canada</td>
<td>Director, Chairman of the Board (1)(2)</td>
<td>December 2015</td>
<td>Founding Partner, Searchlight Capital Partners, L.P.</td>
</tr>
<tr>
<td>Eric Zinterhofer, New York, United States</td>
<td>Director</td>
<td>December 2015</td>
<td>Founding Partner, Searchlight Capital Partners, L.P.</td>
</tr>
<tr>
<td>Joel Teitelbaum, Quebec, Canada</td>
<td>Director (1)(3)</td>
<td>April 2017</td>
<td>Chief Executive Officer, iStore Inc.</td>
</tr>
<tr>
<td>Dale H. Lastman, Ontario, Canada</td>
<td>Lead Director (2)(3)</td>
<td>October 2017</td>
<td>Chair and Partner, Goodmans LLP</td>
</tr>
<tr>
<td>Gregory David, Ontario, Canada</td>
<td>Director (2)(3)</td>
<td>October 2017</td>
<td>Chief Executive Officer, GRI Capital Inc.</td>
</tr>
<tr>
<td>Richard P. Mavrinac, Ontario, Canada</td>
<td>Director (1)(3)</td>
<td>October 2017</td>
<td>Director</td>
</tr>
<tr>
<td>Jim Gabel, Ontario, Canada</td>
<td>Director, President and Chief Executive Officer</td>
<td>February 2016</td>
<td>President and Chief Executive Officer, Roots</td>
</tr>
<tr>
<td>Jim Rudyk, Ontario, Canada</td>
<td>Chief Financial Officer</td>
<td>January 2016</td>
<td>Chief Financial Officer, Roots</td>
</tr>
<tr>
<td>Priscilla Shum, Ontario, Canada</td>
<td>Chief Merchandising Officer</td>
<td>April 2016</td>
<td>Chief Merchandising Officer, Roots</td>
</tr>
<tr>
<td>Almira Cuizon, Ontario, Canada</td>
<td>Vice President, Retail Operations</td>
<td>December 2016</td>
<td>Vice President, Retail Operations, Roots</td>
</tr>
<tr>
<td>James Connell, Ontario, Canada</td>
<td>Vice President, e-Commerce and Marketing</td>
<td>February 2011</td>
<td>Vice President, e-Commerce and Marketing, Roots</td>
</tr>
</tbody>
</table>
Biographical Information Regarding the Directors and Executive Officers

**Erol Uzumeri** – Mr. Uzumeri is a Founding Partner of Searchlight Capital Partners, L.P., and is jointly responsible for overseeing the firm’s activities with the two other Founding Partners. Mr. Uzumeri has served on our Board since December 2015. Mr. Uzumeri is currently Chairman of the board of M&M Food Market. Prior to co-founding Searchlight in 2010, Mr. Uzumeri was the head of Private Equity for the Ontario Teachers’ Pension Plan. Mr. Uzumeri serves on the board of the Sick Kids Hospital Foundation. Mr. Uzumeri graduated from the University of Toronto, with a Bachelor of Science degree in Honours Industrial Engineering and received a Master of Science degree in Finance from the London Business School.

**Eric Zinterhofer** – Mr. Zinterhofer is a Founding Partner of Searchlight Capital Partners, L.P., and is jointly responsible for overseeing the firm’s activities with the two other Founding Partners. Mr. Zinterhofer has served on our Board since December 2015. Mr. Zinterhofer serves on the boards of One Sixty Over Ninety LLC, General Communications, Inc., Hemisphere Media Group, Inc., Liberty Cable Vision of Puerto Rico and TouchTunes Interactive Networks, Inc. In addition, Mr. Zinterhofer currently serves on the board of Charter Communications, Inc. as Lead Independent Director. Prior to co-founding Searchlight in 2010, Mr. Zinterhofer was a senior partner at Apollo Management, L.P. in New York. Mr. Zinterhofer graduated *Cum Laude* from the University of Pennsylvania, with Bachelor of Arts degrees in Honours Economics and European History and received a Master of Business Administration degree from Harvard Business School.

**Joel Teitelbaum** – Mr. Teitelbaum is currently the chairman and chief executive officer of iStore Inc., a retail and wholesale licensor of personal electronics and tech accessories, a position he has held since 2010. Prior to that, Mr. Teitelbaum was the president of La Senza International, now a subsidiary of L Brands Inc., from 1998 to 2010. In 1994, Mr. Teitelbaum launched the La Senza brand in the UK where he remained managing director until 1998. Earlier in his career, Mr. Teitelbaum held various senior management positions at Dylex Limited, including at their Club Monaco division. Mr. Teitelbaum has served on our Board since April 2017. Mr. Teitelbaum received a degree in general studies from Marianopolis College in Montreal, Quebec. He also studied for a B.A. in Economics at Concordia University in Montreal, Quebec.

**Dale H. Lastman** – Mr. Lastman is the chair and a partner at Goodmans LLP. He practices corporate, commercial and securities law and provides counsel in connection with public offerings, mergers and acquisitions, and business restructurings. He is a Director of Maple Leaf Sports & Entertainment Ltd., an Alternate Governor for the NHL and NBA and the CFL Governor of the Toronto Argonauts. Mr. Lastman also sits on the board of directors of RioCan Real Estate Investment Trust and the CAMH Foundation. In 2017, he was named a Member of the Order of Canada. In 2014, Mr. Lastman was appointed by the Minister of National Defence as an Honorary Captain of the Royal Canadian Navy. He has also been awarded the rank of an Honorary Detective by the Toronto Police Service. Mr. Lastman previously served on our Board from December 2015 to March 2017.

**Gregory David** – Mr. David is the chief executive officer of GRI Capital Inc., a private investment management firm, and has been with the company and its affiliates since 2003. From 2000 to 2003, Mr. David provided financial and strategic advisory services to private and public companies. Previously, he worked at Claridge Inc. from 1998 to 2000 and at McKinsey & Co. from 1996 to 1998. Mr. David also currently serves on the board of Dollarama Inc., a position he has held since 2004. Mr. David received a Bachelor of Commerce degree from Queen’s University, a Bachelor of Common Law and a Bachelor of Civil law degree from McGill University and a Master of Business Administration with Distinction from Harvard Business School.
Richard P. Mavrinac – Mr. Mavrinac served as the Chief Financial Officer of George Weston Limited and Executive Vice President of Loblaw Companies Limited from 2003 to 2007. Mr. Mavrinac began his career with Loblaw Companies Limited in 1982 and held a variety of senior financial positions. In 1996, he assumed the role of Senior Vice President, Finance for George Weston Limited and Loblaw Companies Limited. Mr. Mavrinac is currently a member of the board of TerrAscend Corp. Mr. Mavrinac has a Bachelor of Commerce degree from the University of Toronto and is a chartered professional accountant.

Jim Gabel – Mr. Gabel is currently the President and Chief Executive Officer of Roots, a position he has held since February 2016. Mr. Gabel has more than 25 years’ experience in the footwear and apparel industry. Prior to joining Roots, Mr. Gabel served as the president of The Performance Group and an officer of Wolverine World Wide from 2014 to 2016, where he oversaw the brands of Saucony, Merrell and Chaco and had global responsibility for U.S.$1 billion in revenue. Prior to that, Mr. Gabel held a number of senior executive roles at adidas Group from 2008 to 2014, including president of adidas Group Canada and president of Reebok North America. Mr. Gabel received a Bachelor of Business Administration degree from Wilfrid Laurier University.

Jim Rudyk – Mr. Rudyk is currently the Chief Financial Officer of Roots, a position he has held since January 2016. Mr. Rudyk is an experienced and proven financial executive with more than 25 years of financial experience and a track record of supporting ambitious growth plans. Prior to joining Roots, Mr. Rudyk served as the chief financial officer of Shred-it International from 2009 to 2015, where he was instrumental in helping the company grow from approximately $200 million in revenue to more than $700 million in revenue, and expand to more than 17 countries around the world. He also served as chief financial officer and chief operating officer of Canada Cartage Systems Limited from 2004 to 2009. Mr. Rudyk currently serves on the board of directors of The Cronos Group. Mr. Rudyk received a Bachelor of Arts degree and a Masters of Accounting degree from the University of Waterloo. Mr. Rudyk is a certified chartered accountant and holds an ICD.D designation from the Institute of Corporate Directors.

Priscilla Shum – Ms. Shum is currently the Chief Merchandising Officer of Roots, a position she has held since April 2016. Ms. Shum has more than 25 years of merchandising and product development experience in the retail industry. Prior to joining Roots, Ms. Shum was the vice president of merchandising and product development at Joe Fresh from 2005 to 2015, and was a merchandising consultant with NY Brands from September 2015 to January 2016. Ms. Shum also spent over five years with Club Monaco in product development and has held various other senior roles in product development and merchandising in Canada. Ms. Shum received a Bachelor of Applied Arts degree from Ryerson University.

Almira Cuizon – Ms. Cuizon is currently the Vice President, Retail Operations of Roots, a position she has held since December 2016. Ms. Cuizon was recruited by Roots from the position of vice president, sales strategy and business development at Holt Renfrew & Co., Limited, a position she held from May 2016 to December 2016 and, prior to that, she worked at Guess Inc. from 2007 to 2016 where she held various positions, including director of stores for Guess and Marciano Canada. Ms. Cuizon has more than 25 years of experience in leading retail operations. Ms. Cuizon received a Bachelor of Arts degree from Brock University.

James Connell – Mr. Connell is currently the Vice President, e-Commerce and Marketing of Roots, a position he has held since 2011. In this role, Mr. Connell is responsible for leading the marketing and e-commerce efforts at Roots with a focus on partnerships, loyalty, and non-traditional and digital marketing. Mr. Connell joined Roots more than 15 years ago and has functioned in a number of roles within the organization, primarily focused in the areas of digital commerce, marketing and direct to consumer sales. Mr. Connell was instrumental in the launch of our e-commerce platform in 1999.

Ownership Interest

As of April 17, 2018, our directors and executive officers, as a group, beneficially own, or control or direct, directly or indirectly, 267,741 Shares, representing approximately 0.6% of our issued and outstanding Shares (on a non-diluted basis). This figure excludes 20,010,887 Shares, representing approximately 47.7% of our issued and outstanding Shares, that are owned by Searchlight. Messrs. Uzumeri and
Zinterhofer, directors of the Company, are managers of Searchlight Capital Partners II GP, LLC, the general partner of Searchlight Capital Partners II GP, L.P., which is the general partner of the investment funds that own the Shares held by Searchlight. Each of Messrs. Uzumeri and Zinterhofer disclaim beneficial ownership of the Shares held by Searchlight.

**Cease Trade Orders and Bankruptcies**

None of the directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

**Individual Bankruptcies**

None of the directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has, within the 10 years prior to the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

**Penalties or Sanctions**

None of the directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

**Audit Committee**

Our Audit Committee consists of three directors, each of whom are persons determined by our Board to be financially literate within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110") and two of whom are persons determined by our Board to be independent directors within the meaning of NI 52-110. Our Audit Committee is comprised of Richard P. Mavrinac, who acts as chair of this committee, Joel Teitelbaum and Erol Uzumeri. In reliance on the phase-in period afforded by section 3.2 of NI 52-110, the Audit Committee will consist exclusively of independent directors within one year following the date of the receipt from the securities regulatory authorities in respect of the IPO Prospectus (being October 18, 2018). Each of our Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting as further described in each member’s biography under the heading “Directors and Executive Officers”. The Board is currently searching for and intends to appoint an additional independent director who, upon appointment, will replace Mr. Uzumeri on the Audit Committee.
Our Board has adopted a written charter as set forth in Appendix A, setting forth the purpose, composition, authority and responsibility of our Audit Committee, consistent with NI 52-110. The Audit Committee assists our Board in discharging its oversight of:

- the quality and integrity of our financial statements and related information;
- the independence, qualifications and appointment of our external auditor;
- our disclosure controls and procedures, internal control over financial reporting and management’s responsibility for assessing and reporting on the effectiveness of such controls;
- our risk management processes;
- monitoring and periodically reviewing our whistleblower policy; and
- transactions with our related parties.

Our Audit Committee has access to all of our books, records, facilities and personnel and may request any information about us as it may deem appropriate. It also has the authority, in its sole discretion and at our expense, to retain and set the compensation of outside legal, accounting or other advisors as necessary to assist in the performance of its duties and responsibilities. Our Audit Committee also has direct communication channels with the Chief Financial Officer and our external auditors to discuss and review such issues as our Audit Committee may deem appropriate.

External Auditor Service Fee

For Fiscal 2017 and Fiscal 2016, we incurred the following fees by our external auditor, KPMG LLP:

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<thead>
<tr>
<th></th>
<th>Fiscal 2017</th>
<th>Fiscal 2016</th>
</tr>
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<tbody>
<tr>
<td>Audit fees(^{(1)})</td>
<td>$950,850</td>
<td>$150,000</td>
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<tr>
<td>Audit-related fees(^{(2)})</td>
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</tr>
<tr>
<td>Tax fees(^{(3)})</td>
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<tr>
<td>All other fees(^{(4)})</td>
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</tr>
<tr>
<td><strong>Total fees paid</strong></td>
<td><strong>$1,303,673</strong></td>
<td><strong>$209,300</strong></td>
</tr>
</tbody>
</table>

Notes:
1. Fees for audit service, interim reviews, and fees related to the IPO, in each case on an accrued basis.
2. Fiscal 2017 audit-related fees are primarily fees and costs related to internal controls over financial reporting.
3. Fees for tax compliance, tax advice and tax planning.
4. All other fees not included above.

The Audit Committee Charter provides that the Audit Committee must pre-approve the retaining of the auditors for any non-audit service. The Audit Committee may delegate to one or more members the authority to pre-approve the retaining of the auditors for any non-audit service to the extent permitted by law, but pre-approval by such member or members so delegated must be presented to the full Audit Committee at its first scheduled meeting following such pre-approval.

**LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

We are, from time to time, involved in legal proceedings of a nature considered normal to our business. We believe that none of the litigation in which we are currently involved, or have been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition or results of operations.

We are not aware of any penalties or sanctions imposed by a court or securities regulatory authority or other regulatory body against us, nor have we entered into any settlement agreements before a court or with a securities regulatory authority.
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Annual Information Form, there are no material interests, direct or indirect, of any of our directors or executive officers, any Shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of the aggregate votes attached to the Shares, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect us or any of our subsidiaries.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Our auditor is KPMG LLP, Chartered Professional Accountants, located at 100 New Park Place, Suite 1400, Vaughan, Ontario, L4K 0J3. KPMG LLP has prepared an independent auditor’s report dated April 17, 2018 in respect of the consolidated financial statements of the Company as at February 3, 2018 and January 28, 2017 and for each of the fiscal years then ended. KPMG LLP has confirmed that it is independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

The transfer agent and registrar for the Shares is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the only material contracts of the Company that are in effect (other than certain agreements entered into in the ordinary course of business). The summaries describe the material attributes of each of the material contracts and are subject to, and qualified in their entirety by reference to, the provisions of that agreement, which contains a complete statement of those attributes and characteristics, copies of which have been filed with the Canadian securities regulatory authorities and are available on SEDAR at www.sedar.com, under our profile. Investors are encouraged to read the full text of such material agreements.

(a) the Investor Rights Agreement; and
(b) the Credit Agreement.

INVESTOR RIGHTS AGREEMENT

In conjunction with the closing of the IPO, Searchlight and the Founders entered into an investor rights agreement with the Company (the “Investor Rights Agreement”), which granted Searchlight and the Founders with certain director nomination rights and shareholder rights.

Nomination Rights

The Investor Rights Agreement provides that Searchlight (including its permitted affiliates) will initially be entitled to nominate 40% of our directors (rounded up to the next whole member) and will continue to be entitled to nominate such percentage of our directors for so long as they, as a group, own, control or direct at least 40% of our outstanding Shares (on a non-diluted basis), provided that this percentage will be reduced:

- to 30% of our directors (rounded up to the next whole member) once Searchlight (including its permitted affiliates), as a group, own, control or direct less than 40% but not less than 30% of our outstanding Shares (on a non-diluted basis);
- to 20% of our directors (rounded up to the next whole member) once Searchlight (including its permitted affiliates), as a group, own, control or direct less than 30% but not less than 20% of our outstanding Shares (on a non-diluted basis);
to 10% of our directors (rounded up to the next whole member) once Searchlight (including its permitted affiliates), as a group, own, control or direct less than 20% but not less than 10% of our outstanding Shares (on a non-diluted basis); and

- to none of our directors once Searchlight (including its permitted affiliates), as a group, own, control or direct less than 10% of our outstanding Shares (on a non-diluted basis).

The Investor Rights Agreement will provide that the Founders will be collectively entitled to nominate one director for so long as the Founders (including its permitted affiliates), as a group, own, control or direct 10% or more of our outstanding Shares (on a non-diluted basis).

**Pre-Emptive Rights**

In the event that Roots decides to issue equity securities of the Company or securities convertible into or exchangeable or redeemable for equity securities of the Company, or an option or other right to acquire any such securities ("Issued Securities"), the Investor Rights Agreement will provide each of Searchlight and the Founders (and their respective permitted affiliates), for so long as such party owns, controls or directs at least 10% of our outstanding Shares (on a non-diluted basis), with pre-emptive rights to purchase Issued Securities or such other securities being contemplated for issuance by Roots, to maintain such party's effective pro rata ownership interest.

This pre-emptive right will not apply to the issuance of Issued Securities in certain circumstances, including: (i) in respect of the exercise of options, warrants, rights or other securities issued under Roots’ share-based compensation arrangements; (ii) in connection with a subdivision of then-outstanding Shares into a greater number of Shares; (iii) the issuance of equity securities of Roots in lieu of cash dividends, if any; (iv) the exercise by a holder of a conversion, exchange or other similar privilege pursuant to the terms of a security in respect of which Searchlight or the Founders, as the case may be, did not exercise, failed to exercise, or waived, its pre-emptive right or in respect of which the pre-emptive right did not apply; (v) pursuant to a shareholders’ rights plan of Roots, if any; and (vi) to any subsidiary of Roots or an affiliate of any of them (excluding Searchlight).

**Searchlight Registration Rights**

The Investor Rights Agreement will provide Searchlight (including its permitted affiliates) with the right (the "Searchlight Piggy-Back Registration Right") to require Roots to include Shares held by Searchlight in any future public offering undertaken by Roots by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a "Searchlight Piggy-Back Distribution"). Roots will be required to use reasonable commercial efforts to cause to be included in the distribution all of the Shares that Searchlight requests to be sold, provided that if the distribution involves an underwriting and the lead underwriter determines that the total number of Shares to be included in such distribution should be limited for certain prescribed reasons, the Shares to be included in the distribution will be first allocated to Roots.

In addition, the Investor Rights Agreement will provide Searchlight (including its permitted affiliates) with the right (the "Demand Registration Right") to require Roots to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities qualifying Shares held or controlled by Searchlight for public distribution (a "Demand Distribution"). Searchlight will be entitled to request not more than three Demand Distributions per calendar year, but no more than once during any 90-day period, and each Demand Distribution must be comprised of such number of Shares that would reasonably be expected to result in aggregate gross proceeds of at least $20 million. Roots may also distribute its Shares in connection with a Demand Distribution; provided that, if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Shares to be included in such Demand Distribution should be limited for certain prescribed reasons, the Shares to be included in the Demand Distribution will be first allocated to Searchlight in full. Any distribution contemplated by a Demand Registration will be through underwriters selected by Searchlight in consultation with Roots.
Each of the Searchlight Piggy-Back Registration Right and the Demand Registration Right will be exercisable at any time following the 180-day lock-up period in connection with the IPO, provided that Searchlight (including its permitted affiliates), as a group, own, control or direct, in the aggregate, at least 10% of our outstanding Shares (on a non-diluted basis) at the time of exercise. The Searchlight Piggy-Back Registration Right and the Demand Registration Right will be subject to customary conditions and limitations, and Roots will be entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 90 days. All expenses in respect of a Searchlight Piggy-Back Distribution or a Demand Distribution will be borne by Roots, except that any underwriting fee on the sale of Shares by Searchlight will be borne by Searchlight. The Investor Rights Agreement will provide that Roots will indemnify Searchlight for any misrepresentation in a prospectus under which Shares held by Searchlight are distributed (other than in respect of any information provided by Searchlight, in respect of Searchlight, for inclusion in the prospectus) and Searchlight will indemnify Roots for any information provided by Searchlight, in respect of Searchlight, for inclusion in the prospectus. These registration rights will not, in any circumstance, require Roots to register Shares under the United States Securities Act of 1933, as amended (the "U.S. Securities Act").

**Founder Registration Rights**

The Investor Rights Agreement will provide the Founders (including its permitted affiliates) with the right (the "Founder Piggy-Back Registration Right") to require Roots to include Shares held by the Founders in any future public offering undertaken by Roots (either on its own behalf or as a result of a Demand Distribution initiated by Searchlight) by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a “Founder Piggy-Back Distribution”). Roots will be required to use reasonable commercial efforts to cause to be included in the distribution all of the Shares that the Founders request to be sold, provided that if the distribution (i) does not originate from a Demand Distribution initiated by Searchlight, and (ii) involves an underwriting and the lead underwriter determines that the total number of Shares to be included in such distribution should be limited for certain prescribed reasons, the Shares to be included in the distribution will be allocated first to Roots in full, and second (A) if a Searchlight Piggy-Back Registration Right was also exercised in connection with the same distribution, then the remaining number of Shares that may be included in the distribution shall be allocated among Searchlight and the Founders on a pro rata basis or in such other proportion as shall be mutually agreed to by all such selling parties, or (B) if no Searchlight Piggy-Back Registration Right was exercised by Searchlight in connection with the same distribution, then the remaining number of Shares that may be included in the distribution shall be allocated to the Founders. If, however, the Founders exercise a Founder Piggy-Back Registration Right in respect of a distribution that originated from a Demand Distribution initiated by Searchlight, and such distribution involves an underwriting and the lead underwriter determines that the total number of Shares to be included in such distribution should be limited for certain prescribed reasons, the Shares to be included in the distribution will be first allocated among Searchlight and the Founders on a pro rata basis, or in such other proportion as shall be mutually agreed to by such parties and Roots shall not be entitled to participate in the distribution unless the total number of Shares to be included in the distribution would satisfy, in full, the Shares of Searchlight and the Founders requested to be included in the distribution, in which case Roots shall be entitled to participate in the distribution in an amount not to exceed the difference between (i) the aggregate number of Shares to be sold by Searchlight and the Founders in the distribution, and (ii) the maximum number of Shares that the lead underwriter has determined should be included in such distribution.

The Founder Piggy-Back Registration Right will be exercisable at any time at any time following the 180-day lock-up period in connection with the IPO, provided that the Founders (including its permitted affiliates) own, control or direct at least 10% of our outstanding Shares (on a non-diluted basis) at the time of exercise. All expenses in respect of a Founder Piggy-Back Distribution in respect of a public offering initiated by Searchlight or Roots, as the case may be, including, without limitation, expenses payable in connection with the qualification of the Shares, the fees and expenses of counsel and auditors and all costs incurred in connection with the preparation, translation, printing and delivery, will be borne by Roots (except for any underwriting fee on the sale of Shares by Searchlight and the Founders which shall be borne by Searchlight and the Founders on a pro rata basis based on the proportion of Shares sold by each). The Investor Rights Agreement will provide that Roots will indemnify the Founders for any misrepresentation in a prospectus.
under which Shares held by the Founders are distributed (other than in respect of any information provided by the Founders, in respect of the Founders, for inclusion in the prospectus) and the Founders will indemnify Roots for any information provided by the Founders, in respect of the Founders, for inclusion in the prospectus. In the event that Searchlight is also participating in the distribution, Searchlight and the Founders will indemnify one another for any misrepresentation in the applicable prospectus with respect to information related solely to the applicable party and furnished to Roots for use in the prospectus. These registration rights will not, in any circumstance, require Roots to register Shares under the U.S. Securities Act.

**Term**

The rights to be afforded to Searchlight and the Founders under the Investor Rights Agreement will terminate in respect of that particular party as of the first date upon which such party ceases to own, control or direct at least 10% of our issued and outstanding Shares (on a non-diluted basis). In addition, the Investor Rights Agreement will terminate on the earlier of: (a) the date on which the Investor Rights Agreement is terminated by written agreement of Searchlight, the Founders and us; and (b) our dissolution or liquidation.

**CREDIT AGREEMENT**

On December 1, 2015, we entered into a credit agreement with a syndicate of lenders, which was amended on April 19, 2017 and September 6, 2017 (as amended, the “Credit Agreement”). The Credit Agreement is comprised of (i) a revolving credit facility in the amount of $50 million bearing interest in accordance with the Trailing Leverage Multiple (as defined below) and maturing on September 6, 2022 (the “Revolving Credit Facility”) and (ii) an approximately $100 million term credit facility bearing interest in accordance with the Trailing Leverage Multiple and maturing on September 6, 2022 (the “Term Credit Facility” and, together with the Revolving Credit Facility, the “Credit Facilities”). The Credit Agreement includes an accordion feature in the amount of $25 million. The Credit Facilities bear interest according to the type of borrowing advanced, which may be based on a reference rate of the U.S. base rate or the Canadian prime rate, plus a margin that ranges from 100 to 225 basis points (bps) or the LIBOR rate or bankers’ acceptances rate, plus a margin that ranges from 200 to 325 bps. The applicable margins are derived from our senior leverage ratio, as follows: (i) where the U.S. base rate or a Canadian prime rate is used, the margins range from 100 bps at less than 2.0x, to 225 bps at greater than or equal to 3.5x, and (ii) where the LIBOR rate or bankers’ acceptances rate is used, the margins range from 200 bps at less than 2.0x, to 325 bps at greater than or equal to 3.5x (the “Trailing Leverage Multiple”). As of February 3, 2018, the aggregate amount outstanding under the Credit Facilities was approximately $87 million.

The Credit Agreement contains restrictive covenants customary for credit facilities of this nature, including restrictions on Roots, subject to certain exceptions, to incur indebtedness, grant liens, merge, amalgamate or consolidate with other companies, liquidate, wind-up or dissolve, transfer, lease or otherwise dispose of all or substantially all of its assets, consummate an asset sale exceeding $10 million per fiscal year (or $25 million in the aggregate during the term of the Credit Agreement), declare or pay any cash dividends outside the credit party group, engage in any material business other than the fashion clothing business, amend its organizational documents, make investments, acquisitions, loans, advances or guarantees, make any restricted payments, enter into transactions with affiliates, repay indebtedness, enter into restrictive agreements. In addition to the senior leverage ratio, the Credit Agreement also contains a total debt ratio (currently 4.5x, reducing to 4.0x as at July 31, 2019) and a fixed charge coverage ratio of 1.25x. Roots is currently in compliance with all covenants contained in the Credit Agreement, and no material breach of such agreement has occurred or been waived.

**ADDITIONAL INFORMATION**

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of our Company’s securities and securities authorized for issuance under equity compensation plans, will be contained in the Company’s management information circular for the 2018 annual meeting of Shareholders. Additional financial information is provided in the Company’s audited annual consolidated financial statements and management’s discussion and analysis of our financial condition and results of
operations for our most recently completed fiscal year ended February 3, 2018. Such documentation, as well as additional information relating to the Company, may be found under the Company’s profile on SEDAR at www.sedar.com.
APPENDIX A:
AUDIT COMMITTEE CHARter

This charter (the “Charter”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “Committee”) of the board of directors (the “Board”) of Roots Corporation (the “Company”).

1. Statement of Purpose

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting and related financial disclosure;
- risk management;
- internal control over financial reporting and disclosure controls and procedures; and
- external and internal audit processes.

2. Committee Membership

The Committee shall consist of as many directors of the Board as the Board may determine (the “Members”), but in any event, not less than three (3) Members. Each Member shall meet the criteria for independence and financial literacy established by applicable laws and the rules of any stock exchanges upon which the Company’s securities are listed, including National Instrument 52-110 – Audit Committees (“NI 52-110”) subject to any exceptions permitted under NI 52-110. NI 52-110 requires, among other things, that to be independent, a Member be free of any relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member’s independent judgment.

Members shall be appointed by the Board, taking into account any recommendation that may be made by the Governance, Compensation and Nominating Committee of the Board (the “GC&N Committee”). Any Member may be removed and replaced at any time by the Board, and will automatically cease to be a Member if he or she ceases to meet the qualifications required of Members. The Board will fill vacancies on the Committee by appointment from among qualified directors of the Board, taking into account any recommendation that may be made by the GC&N Committee. If a vacancy exists on the Committee, the remaining Members may exercise all of its powers so long as there is a quorum in accordance with Section 3 below.

Chair

The Board will designate one of the independent directors of the Board to be the chair of the Committee (the “Chair”), taking into account any recommendation that may be made by the GC&N Committee.

Qualifications

Subject to permitted phase-in periods contemplated by Section 3.2 of NI 52-110, at least three (3) Members shall be independent and financially literate as described above. Members must have suitable experience and must be familiar with auditing and financial matters.
Attendance of Management and other Persons

The Committee may invite, at its discretion, senior executives of the Company or such persons as it sees fit to attend meetings of the Committee and to take part in the discussion and consideration of the affairs of the Committee. The Committee may also require senior executives or other employees of the Company to produce such information and reports as the Committee may deem appropriate in the proper exercise of its duties. Senior executives and other employees of the Company shall attend a Committee meeting if invited by the Committee. The Committee may meet without senior executives in attendance for a portion of any meeting of the Committee.

Delegation

Subject to applicable law, the Committee may delegate any or all of its functions to any of its Members or any subset thereof, or other persons, from time to time as it sees fit.

3. Committee Operations

Meetings

The Chair, in consultation with the other Members, shall determine the schedule and frequency of meetings of the Committee. Meetings of the Committee shall be held at such times and places as the Chair may determine. To the extent possible, advance notice of each meeting will be given to each Member unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings of the Committee either in person or by telephone, video or other electronic means. Powers of the Committee may also be exercised by written resolutions signed by all Members.

At the request of the external auditors of the Company, the Chief Executive Officer or the Chief Financial Officer of the Company or any Member, the Chair shall convene a meeting of the Committee. Any such request shall set out in reasonable detail the business proposed to be conducted at the meeting so requested.

Agenda and Reporting

To the extent possible, in advance of every regular meeting of the Committee, the Chair shall prepare and distribute, or cause to be prepared and distributed, to the Members and others as deemed appropriate by the Chair, an agenda of matters to be addressed at the meeting together with appropriate briefing materials.

The Chair shall report to the Board on the Committee’s activities since the last Board meeting. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board. Minutes of each meeting of the Committee shall be circulated to the Board following approval of the minutes by the Members. The Committee shall oversee the preparation of, review and approve the applicable disclosure for inclusion in the Company’s annual information form.

Secretary and Minutes

The secretary of the Company may act as secretary of the Committee unless an alternative secretary is appointed by the Committee. The secretary of the Committee shall keep regular minutes of Committee proceedings and shall circulate such minutes to all Members and to the chair of the Board (and to any other director of the Board that requests that they be sent to him or her) on a timely basis.
**Quorum and Procedure**

A quorum for any meeting of the Committee will be a simple majority. The procedure at meetings will be determined by the Committee. The powers of the Committee may be exercised by a simple majority of Members at a meeting where a quorum is present or by resolution in writing signed by all Members. In the absence of the Chair, the Committee may appoint one of its other Members to act as Chair of any meeting.

**Exercise of Power between Meetings**

Between meetings, the Chair, or any Member designated for such purpose by the Committee, may, if required in the circumstance, exercise any power delegated by the Committee on an interim basis. The Chair or other designated Member will promptly report to the other Members in any case in which this interim power is exercised.

4. **Duties and Responsibilities**

The Committee is responsible for performing the duties set out below and any other duties that may be assigned to it by the Board as well as any other functions that may be necessary or appropriate for the performance of its duties.

**Financial Reporting and Disclosure**

- Review and recommend to the Board for approval, the audited annual financial statements, including the auditors’ report thereon, the quarterly financial statements, management’s discussion and analysis, financial reports, and other applicable financial disclosure, prior to the public disclosure of such information.

- Review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual reports to shareholders, management proxy circulars, material change disclosures of a financial nature and similar disclosure documents prior to the public disclosure of such documents or information.

- Review with senior executives of the Company, and with external auditors, significant accounting principles and disclosure issues and alternative treatments under International Financial Reporting Standards ("IFRS"), with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly the Company’s financial position and the results of its operations in accordance with IFRS, as applicable.

- Seek to ensure that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements, the Company’s disclosure controls and procedures and periodically assess the adequacy of those procedures and recommend any proposed changes to the Board for consideration.

**Risk Management**

- Review and discuss the Company’s major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

- Review and make recommendations to the Board regarding the adequacy of the Company’s risk management policies and procedures with regard to identification of the Company’s principal risks and implementation of appropriate systems and controls to manage such risks including an assessment of the adequacy of insurance coverage maintained by the Company.
**Internal Controls and Internal Audit**

- Review the adequacy and effectiveness of the Company’s internal control and management information systems through discussions with senior executives of the Company and the external auditor relating to the maintenance of (i) necessary books, records and accounts in sufficient detail to accurately and fairly reflect the Company’s transactions; (ii) effective internal control over financial reporting; and (iii) adequate processes for assessing the risk of material misstatements in the financial statements and for detecting control weaknesses or fraud. From time to time the Committee shall assess any requirements or changes with respect to the establishment or operations of the internal audit function having regard to the size and stage of development of the Company at any particular time.

- Satisfy itself, through discussions with senior executives of the Company that the adequacy of internal controls, systems and procedures has been periodically assessed in accordance with regulatory requirements and recommendations.

- Periodically review the Company’s policies and procedures for reviewing and approving or ratifying related-party transactions.

**External Audit**

- Recommend to the Board a firm of external auditors to be nominated for appointment as the external auditor of the Company.

- Ensure the external auditors report directly to the Committee on a regular basis. Review the independence of the external auditors.

- Review and recommend to the Board the fee, scope and timing of the audit and other related services rendered by the external auditors.

- Review the audit plan of the external auditors prior to the commencement of any audit. Establish and maintain a direct line of communication with the Company’s external auditors.

- Meet in camera with (i) only the auditors, (ii) only senior executives of the Company (without the auditors present), or (ii) only the Members (without the auditors or senior executives of the Company present), where and to the extent that such parties are present, at any meeting of the Committee.

- Oversee the work of the external auditors of the Company with respect to preparing and issuing an audit report or performing other audit or review services for the Company, including the resolution of issues between senior executives of the Company and the external auditors.

- Review the results of the external audit and the external auditors’ report thereon, including discussions with the external auditors as to the quality of accounting principles used and any alternative treatments of financial information that have been discussed with senior executives of the Company and any other matters.

- Review any material written communications between senior executives of the Company and the external auditors and any significant disagreements between the senior executives and the external auditors.

- Discuss with the external auditors their perception of the Company’s financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto.
• Discuss with the external auditors their perception of the Company’s identification and management of risks, including the adequacy or effectiveness of policies and procedures implemented to mitigate such risks.

• Review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board.

• Review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to address any such issues.

**Associated Responsibilities**

• Monitor and periodically review the Whistleblower Policy of the Company and associated procedures for:
  
  • the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
  
  • the confidential, anonymous submission by directors, officers and employees of the Company of concerns regarding questionable accounting or auditing matters; and
  
  • any violations of applicable law, rules or regulations that relates to corporate reporting and disclosure, or violations of the Company’s Code of Conduct.

• Review and approve the Company’s hiring policies regarding employees and partners, and former employees and partners, of the present and former external auditors of the Company.

**Non-Audit Services**

• Pre-approve all non-audit services to be provided to the Company or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its Members the authority to pre-approve non-audit services but pre-approval by such Member or Members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

**Other Duties**

• Direct and supervise the investigation into any matter brought to its attention within the scope of the Committee’s duties. Perform such other duties as may be assigned to it by the Board from time to time or as may be required by applicable law.

5. **The Committee Chair**

In addition to the responsibilities of the Chair described above, the Chair has the primary responsibility for overseeing and reporting on the evaluations to be conducted by the Committee, as well as monitoring developments with respect to accounting and auditing matters in general and reporting to the Committee on any related significant developments.
6. **Committee Evaluation**

   The performance of the Committee shall be evaluated by the Board as part of its regular evaluation of the Board committees.

7. **Access to Information and Authority to Retain Independent Advisors**

   The Committee shall be granted unrestricted access to all information regarding the Company that is necessary or desirable to fulfill its duties and all directors of the Company, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at the Company’s expense, independent legal, financial, and other advisors, consultants and experts to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve their fees. The Committee shall select such advisors, consultants and experts after taking into consideration factors relevant to their independence from management and other relevant considerations.

   The Committee shall discharge its responsibilities, and shall assess the information provided by the Company’s management and the external advisors, in accordance with its business judgment. Members are entitled to rely, absent knowledge to the contrary, on the integrity of the persons and organizations from whom they receive information, and on the accuracy and completeness of the information provided. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee or the Board a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors of the Board are subject under applicable law.

   The Committee also has the authority to communicate directly with internal and external auditors. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate or comply with IFRS and other applicable requirements. These are the responsibilities of the senior executives of the Company responsible for such matters and the external auditors. The Committee, the Chair and any Members identified as having accounting or related financial expertise are directors of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual’s education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and the Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company’s financial information or public disclosure. This Charter is not intended to change or interpret the constating documents of the Company or applicable law or stock exchange rule to which the Company is subject, and this Charter should be interpreted in a manner consistent with the constating documents of the Company and all applicable laws and rules. Certain of the provisions of this Charter may be modified or superseded by the provisions of the investor rights agreement between the Company and certain of its shareholders (the “Investor Rights Agreement”). In the event of a conflict between this charter and the Investor Rights Agreement, the Investor Rights Agreement shall prevail.

   The Board may, from time to time, permit departures from the terms of this Charter, either prospectively or retroactively. This Charter is not intended to give rise to civil liability on the part of the Company or its directors or officers, to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.
8. Review of Charter

The Committee shall periodically review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.