

## GILDAN ACTIVEWEAR INC.

### MANAGEMENT PROXY CIRCULAR

*Except as otherwise indicated, the information contained herein is given as of December 12, 2002, and all dollar amounts set forth herein are expressed in Canadian dollars. In addition, the information contained herein reflects the stock dividend declared on February 7, 2001 and effective on February 22, 2001 which resulted in a 2 for 1 stock split of all Equity Shares (as defined below).*

### SOLICITATION OF PROXIES

**This management proxy circular is sent in connection with the solicitation by the management of Gildan Activewear Inc. (the “Corporation”) of proxies to be used at the Annual Meeting of shareholders of the Corporation (the “Meeting”) to be held on Thursday, February 6, 2003, at the time, place and for the purposes set forth in the foregoing Notice of Annual Meeting (the “Notice of Meeting”) and at any adjournment thereof.** The solicitation is being made primarily by mail, but proxies may also be solicited by telephone, telecopier or other personal contact by officers or other employees of the Corporation. The entire cost of the solicitation will be borne by the Corporation.

### APPOINTMENT OF PROXY

The persons named as proxyholders in the enclosed form of proxy are directors and officers of the Corporation. **Each shareholder is entitled to appoint a person who need not be a shareholder, other than the persons designated in the enclosed form of proxy, to represent him at the Meeting.** In order to appoint such other person, the shareholder should insert such person’s name in the blank space provided on the form of proxy and delete the names printed thereon or complete another proper form of proxy and, in either case, deliver the completed form of proxy to the transfer agent and registrar of the Corporation (Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, Toronto Ontario, Canada M5J 2Y1), not later than 5:00 p.m. on the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used.

### REVOCAION OF PROXY

A shareholder who executes and returns the accompanying form of proxy may revoke the same (a) by instrument in writing executed by the shareholder, or by his attorney authorized in writing, and deposited either (i) at the principal executive offices of the Corporation, to the attention of the Corporate Secretary of the Corporation, 725 Montée de Liesse, Montreal, Québec, Canada H4T 1P5, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used or (ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof or (b) in any other manner permitted by law. If the shareholder is a corporation, any such instrument of revocation shall be executed by a duly authorized officer or attorney thereof.

### EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will, on a show of hands or any ballot that may be called for, vote the shares in respect of which they are appointed as proxies in accordance with the instructions of the shareholders appointing them. **If no instructions are given, the shares will be voted FOR the election of management’s nominees as directors, and FOR the appointment of KPMG LLP as auditors. The enclosed form of proxy confers discretionary authority upon the persons named**

**therein** with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other business which may properly come before the Meeting or any adjournment thereof. As of the date hereof, management of the Corporation knows of no such amendment, variation or other business to come before the Meeting. If any such amendment or other business properly comes before the Meeting, or any adjournment thereof, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgment.

## **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

There are currently outstanding 22,871,438 Class A Subordinate Voting Shares and 6,094,000 Class B Multiple Voting Shares of the Corporation (together, the “**Equity Shares**”), such classes of shares being the only classes of voting securities of the Corporation.

The Class A Subordinate Voting Shares are restricted shares under Canadian securities legislation, in view of the fact that their voting rights are inferior to the voting rights of the Class B Multiple Voting Shares. Holders of Class B Multiple Voting Shares and Class A Subordinate Voting Shares generally vote together as a single class with respect to all matters submitted to a vote of shareholders. Except as set forth below, each Class B Multiple Voting Share entitles the holder thereof to eight (8) votes, whereas each Class A Subordinate Voting Share entitles the holder thereof to one (1) vote, on a ballot. With respect to shareholder approval of certain transactions and certain amendments to the certificate of incorporation, as amended, and by-laws of the Corporation, each Class A Subordinate Voting Share and each Class B Multiple Voting Share entitles its holder to one (1) vote. The holders of Class A Subordinate Voting Shares, voting as a separate class, are entitled to elect two (2) of the Corporation’s directors. The Class B Multiple Voting Shares are convertible at any time into Class A Subordinate Voting Shares on a share-for-share basis at the option of the holder and are required to be so converted under certain circumstances, including in the case of certain transfers of Class B Multiple Voting Shares. In all other respects, the Equity Shares have the same rights.

While, under applicable law, an offer to purchase Class B Multiple Voting Shares would not necessarily result in an offer to purchase Class A Subordinate Voting Shares, H. Gregory Chamandy, Glenn J. Chamandy and Edwin B. Tisch (respectively Chairman of the Board and Chief Executive Officer, President and Chief Operating Officer and Executive Vice-President, Manufacturing of the Corporation), as the holders of 100% of the outstanding Class B Multiple Voting Shares, the Corporation and Computershare Trust Company of Canada have entered into a trust agreement as of February 8, 2001 (the “**Trust Agreement**”) for the benefit of the holders of Class A Subordinate Voting Shares, under which the holders of the Class B Multiple Voting Shares have agreed, among other things, not to sell their Class B Multiple Voting Shares in certain circumstances unless an offer on at least equivalent terms is made to the holders of Class A Subordinate Voting Shares. This Trust Agreement, which replaces the initial trust agreement entered into by Harco Holdings Ltd. (“**Harco**”) on June 16, 1998, and amended on December 1, 2000, was entered into following the 2001 annual and special meeting of shareholders approving amendments to the Trust Agreement.

Holders of Equity Shares whose names are registered on the lists of shareholders of the Corporation as at the close of business, Montreal time, on December 27, 2002, being the date fixed by the Corporation for the determination of the registered holders of Equity Shares who are entitled to receive notice of the Meeting (the “**Record Date**”), will be entitled to exercise the voting rights attaching to the Equity Shares in respect of which they are so registered at the Meeting, or any adjournment thereof, if present or represented by proxy thereat. There is currently an aggregate of 71,623,438 votes attached to the Equity Shares entitled to be voted at the Meeting or any adjournment thereof.

To the knowledge of the directors and officers of the Corporation, the only persons who beneficially own or exercise control or direction over Equity Shares carrying more than 10% of the voting rights attached to each class of Equity Shares of the Corporation are as follows:

Name of beneficial owner	Number of Class A Subordinate Voting Shares owned	Percentage of voting rights attached to all Class A Subordinate Voting Shares	Number of Class B Multiple Voting Shares owned	Percentage of voting rights attached to all Class B Multiple Voting Shares	Percentage of voting rights attached to all Class A Subordinate and Class B Multiple Voting Shares
Greg Chamandy Holdings Inc. (1) (2)	—	—	2,749,200	45.11%	30.71%
Glenn Chamandy Holdings Inc. (2) (3)	—	—	2,749,200	45.11%	30.71%
Franklin Resources, Inc. (4)	2,911,601	12.73%	—	—	4.07%
FMR Corp. (5)	2,645,960	11.57%	—	—	3.69%
Solidarity Fund QFL	2,558,712	11.19%	—	—	3.57%
Tanus Corp. (6)	2,334,509	10.21%	—	—	3.26%
<b>TOTAL</b>	<b>10,450,782</b>	<b>45.70%</b>	<b>5,498,400</b>	<b>90.22%</b>	<b>76.01%</b>

- (1) H. Gregory Chamandy is deemed to be the beneficial owner of these shares.
- (2) In the context of a corporate reorganization completed as of December 1, 2000, H. Gregory Chamandy, Glenn J. Chamandy and Edwin B. Tisch concluded a voting trust agreement whereby the voting rights attaching to the Class B Multiple Voting Shares beneficially held by Edwin B. Tisch are exercised by H. Gregory Chamandy and Glenn J. Chamandy, acting together.
- (3) Glenn J. Chamandy is deemed to be the beneficial owner of these shares.
- (4) The 2,911,601 Class A Subordinate Voting Shares are beneficially owned by Franklin Templeton Investments Corp. (a wholly-owned subsidiary of Franklin Resources, Inc. and an investment advisor).
- (5) Of these 2,645,960 Class A Subordinate Voting Shares, 2,559,310 are beneficially owned by Fidelity Management & Research Company and FMR Co., Inc. (wholly-owned subsidiaries of FMR Corp. and investment advisors).
- (6) Of these 2,334,509 Class A Subordinate Voting Shares, 2,210,309 are beneficially owned by Deutsche Investment Management Americas, Inc. (an indirect, wholly-owned subsidiary of Tanus Corp. and an investment advisor).

## ELECTION OF DIRECTORS

The Articles of the Corporation provide that the board of directors of the Corporation (the “**Board of Directors**” or the “**Board**”) shall consist of not less than five (5) and not more than fifteen (15) directors. Management proposes the eight (8) persons named hereinafter as nominees for election as directors, to hold office until the close of the next annual meeting of shareholders or until their successors are elected or appointed. Of the eight (8) persons proposed for election as directors, two (2) directors (the “**Class A Directors**”) will be elected by the holders of Class A Subordinate Voting Shares, voting as a separate class, while the remaining directors will be elected by the holders of Class A Subordinate Voting Shares and the holders of Class B Multiple Voting Shares, voting together as a single class, with holders of Class A Subordinate Voting Shares having one (1) vote per share and holders of Class B Multiple Voting Shares having eight (8) votes per share. **Except where authority to vote on the election of directors is withheld, the persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are hereinafter set forth**, all of whom (except for Dr. Gerald H. B. Ross) are currently members of the Board of Directors and have been members since the dates indicated. **If prior to the Meeting, any of the nominees shall be unable or, for any reason, shall become unwilling to serve as a director, it is intended that the discretionary power granted by the form of proxy shall be used to vote for any other person or persons as directors, unless the shareholder has specified in the form of proxy that his shares are to be withheld from voting on the election of directors.** The Board of Directors and management of the Corporation have no reason to believe that any of the said nominees will be unable or will refuse to serve, for any reason, if elected to office.

The following table, and the notes thereto, sets forth the name, principal occupation, or major positions and offices with the Corporation and its affiliates, and length of service as a director of the

Corporation of each of the persons proposed for election as directors of the Corporation, as well as the number of Equity Shares beneficially owned or over which control or direction is exercised by such person. The management nominees for Class A Directors are Messrs. Robert M. Baylis and William H. Houston III.

Name and Principal Occupation	Director since	Equity Shares beneficially owned or over which control or direction is exercised <sup>(1)</sup>	
		Class A Subordinate Voting Shares	Class B Multiple Voting Shares
ROBERT M. BAYLIS <sup>(2)</sup> Darien, Connecticut, United States Corporate Director	1999	20,000	Nil
GLENN J. CHAMANDY Montreal, Québec, Canada President and Chief Operating Officer of the Corporation	1984	25,350	2,749,200 <sup>(7)</sup>
H. GREGORY CHAMANDY Montreal, Québec, Canada Chairman of the Board and Chief Executive Officer of the Corporation	1984	36,638	2,749,200 <sup>(8)</sup>
WILLIAM H. HOUSTON III <sup>(2) (3) (5)</sup> Memphis, Tennessee, United States President of World Trade Link (an international business consulting firm)	1997	9,511 <sup>(4)</sup>	Nil
DANIEL LAPORTE <sup>(2) (3) (5)</sup> Montreal, Québec, Canada Senior Vice-President, Technology Investments, Solidarity Fund QFL (a venture capital fund)	1996	Nil <sup>(6)</sup>	Nil
GERALD H. B. ROSS Montreal, Québec, Canada Dean, Faculty of Management McGill University	—	Nil	Nil
RICHARD P. STRUBEL <sup>(2) (3) (5)</sup> Chicago, Illinois, United States President, Chief Operating Officer and Director, Unext (a provider of advanced education over the Internet)	1999	6,000	Nil
EDWIN B. TISCH Montreal, Québec, Canada Executive Vice-President, Manufacturing of the Corporation	1996	8,200	595,600 <sup>(9)</sup>

(1) The information as to Equity Shares beneficially owned, controlled or directed by each proposed nominee, has been furnished by the respective directors individually.

(2) Member of the Audit Committee.

(3) Member of the Corporate Governance Committee.

(4) Of these Class A Subordinate Voting Shares, 4,000 are held in trust for the benefit of Mr. Houston's wife.

(5) Member of the Compensation and Human Resources Committee.

(6) Pursuant to a policy of the Fund, employees of the Fund are not allowed to hold securities of companies of which the Fund is an investor. As indicated previously under the heading "Voting Shares and Principal Holders Thereof", the Fund beneficially owns 2,558,712 Class A Subordinate Voting Shares of the Corporation.

(7) The Class B Multiple Voting Shares are registered in the name of Glenn Chamandy Holdings Inc.

(8) The Class B Multiple Voting Shares are registered in the name of Greg Chamandy Holdings Inc.

(9) The Class B Multiple Voting Shares are registered in the name of Edwin Tisch Holdings Inc.

Other than as indicated below, each of the above nominees has during the past five (5) years held his present principal occupation or other management positions with the same or other associated companies or firms, including affiliates and predecessors, indicated under his name, or was elected to his present term of office by a vote of shareholders of the Corporation at a meeting, the notice of which was accompanied by a management proxy circular containing that information. Dr. Gerald H. B. Ross joined the Faculty of Management of McGill University as Dean in August 2000. Prior to joining McGill University, Dr. Ross was senior partner of Change Lab International, a consulting organization he founded in 1988 specialized in the development of techniques to assist organizations in building new visions and managing change to create competitive advantage in the marketplace. Since 1998, Dr. Ross is also Chairman and Chief Executive Officer of Astute Inc., an organization that develops advanced context-based learning methodologies for business. During his consulting career, Dr. Ross has worked with some of the world's premier corporations such as 3M, Xerox, IBM, DuPont, AT&T, Coca-Cola, Reuters and Kodak. Dr. Ross' recent academic appointments include serving as a faculty member on the Wharton International Forum Executive Program on Cross Cultural Issues in Global Management. He also works with the University of Michigan's Executive Education Program and has delivered programs on Managing Change to the banking industry in Saudi Arabia.

The Fund and H. Gregory Chamandy, Glenn J. Chamandy and Edwin B. Tisch are currently parties to contractual arrangements relating to the election of directors. Pursuant to such arrangements, for as long as the Fund holds at least 5% (but less than 15%) of the number of Equity Shares issued and outstanding, H. Gregory Chamandy, Glenn J. Chamandy and Edwin B. Tisch shall vote their Class B Multiple Voting Shares on any resolution relating to the election of directors to be put before the holders of the Equity Shares voting together as a single class, in favour of the election of one (1) person to the Board as shall have been designated by the Fund as its representative. Mr. Daniel Laporte is the person currently designated by the Fund as its representative in accordance with the foregoing arrangements.

#### **COMPENSATION OF DIRECTORS**

The Corporation compensates each director who is not a salaried officer of the Corporation or any of its subsidiaries (a "**Non-Executive Director**") for services during his term of office as follows: each Non-Executive Director receives a basic annual retainer of \$47,500 payable in quarterly installments for services as a director and an additional annual retainer of \$1,000 (\$9,000 in the case of the chairman of a committee) for services on a committee of the Board of Directors. Each Non-Executive Director also receives \$1,250 for each Board or committee meeting attended. Non-Executive Directors are reimbursed for travel and other out-of-pocket expenses incurred in attending Board or committee meetings. Non-Executive Directors residing in the United States receive the foregoing amounts in U.S. dollars. For example, the basic annual retainer paid is US\$47,500, as opposed to the U.S. dollar equivalent of Cdn\$47,500.

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The Summary Compensation Table shows certain compensation information for the Chief Executive Officer and the four (4) other most highly compensated executive officers of the Corporation (collectively, the “**Named Executive Officers**”) for services rendered in all capacities during the financial years ended September 29, 2002, September 30, 2001 and October 1, 2000.

Name and Principal Positions	Year	Annual Compensation			Long-term Compensation – Awards	All other compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation <sup>(1)</sup> (\$)	Shares Under Options Granted (#)	
H. GREGORY CHAMANDY Chairman of the Board and Chief Executive Officer	2002	500,000	819,000	17,751 <sup>(2)</sup>	—	39,392
	2001	500,000	—	35,250 <sup>(2)</sup>	37,460	—
	2000	450,000	810,000	41,078 <sup>(2)(3)</sup>	28,000	—
GLENN J. CHAMANDY President and Chief Operating Officer	2002	500,000	819,000	17,751 <sup>(2)</sup>	—	39,392
	2001	500,000	—	35,250 <sup>(2)</sup>	37,460	—
	2000	450,000	810,000	41,250 <sup>(2)(3)</sup>	28,000	—
EDWIN B. TISCH Executive Vice-President, Manufacturing	2002	390,000	532,350	—	—	31,615
	2001	390,000	—	5,975 <sup>(2)</sup>	23,414	—
	2000	330,000	562,500	12,403 <sup>(2)</sup>	24,000	—
LAURENCE G. SELLYN Executive Vice-President, Finance and Chief Financial Officer	2002	290,000	395,850	—	—	23,439
	2001	290,000	—	—	9,158	—
	2000	220,000	330,000	—	—	—
MICHAEL R. HOFFMAN <sup>(4)</sup> President, Gildan Activewear SRL	2002	178,500	243,653	113,125 <sup>(5)</sup>	—	—
	2001	168,334	—	120,827 <sup>(5)</sup>	8,324	—
	2000	155,000	108,500	122,971 <sup>(5)</sup>	40,000	—

- (1) Perquisites and other personal benefits which in the aggregate do not exceed the lesser of \$50,000 or 10% of the total annual salary and bonus of a Named Executive Officer for the year have been excluded.
- (2) These amounts represent interest benefits, imputed at annual rates of 3.25%, 5.75% and 5.5% for fiscal 2002, 2001 and 2000 respectively, on loans made available to the Named Executive Officer and his associates. See “Indebtedness of Directors and Officers”.
- (3) No amount has been included herein on account of imputed interest on a loan in the amount of \$2,006,891 extended by the Corporation to Harco Holdings Ltd. in February 1999 which was non-interest bearing, because such loan was extended otherwise than in connection with the Named Executive Officers’ compensation.
- (4) All amounts indicated in regard of Michael R. Hoffman are in U.S. Dollars.
- (5) This amount includes a US\$72,000 housing allowance made available to the Named Executive Officer.

### Stock Option Plan

The Corporation’s Stock Option Plan (the “**Plan**”) came into effect in June 1998 and is designed to assist in attracting, motivating and retaining executives and other key employees and to better align their interests with those of the shareholders. The Plan provides for the granting of options to non-employee directors, officers and other key employees of the Corporation and its subsidiaries. The Compensation and Human Resources Committee administers the Plan on behalf of the Board of Directors. Grant levels depend on the position and salary level of the employee and are based on the highest of the closing prices of the Class A Subordinate Voting Shares on the Toronto Stock Exchange and the New York Stock

Exchange on the trading day immediately preceding the effective date of the grant of the options (the “Gildan Market Value”).

Options must be exercised during a period established by the Compensation and Human Resources Committee which may not be longer than ten (10) years from the effective date of the grant. The exercise price payable for each Class A Subordinate Voting Share covered by an option is equal to the Gildan Market Value.

The total number of shares authorized for issuance under the Plan is currently 2,768,888 Class A Subordinate Voting Shares. The Plan provides that, unless shareholder approval is obtained, the number of Class A Subordinate Voting Shares reserved for issuance to insiders pursuant to the exercise of options thereunder as well as under other share compensation arrangements will be limited to 10% of the Equity Shares issued and outstanding. The Plan further provides for certain limits on the number of Class A Subordinate Voting Shares which the Corporation may issue to insiders and their associates in any one-year period under all share compensation arrangements of the Corporation.

***Options Granted During the Financial Year***

No stock options were granted to the Named Executive Officers under the Plan during the financial year ended September 29, 2002.

***Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values***

The following table summarizes, for each of the Named Executive Officers, (a) the number of stock options exercised during the year ended September 29, 2002, (b) the aggregate value realized upon exercise, which is the difference between the market value of the underlying shares on the exercise date and the exercise or base price of the option, (c) the total number of unexercised options held at September 29, 2002 and (d) the aggregate value of unexercised in-the-money options at financial year-end, which is the difference between the exercise or base price of the options and the market value of the Class A Subordinate Voting Shares on the Toronto Stock Exchange on September 27, 2002, which was \$32.90 per share. The aggregate values indicated with respect to unexercised in-the-money options at financial year-end have not been, and may never be, realized. These options have not been, and may not be exercised, and actual gains, if any, on exercise will depend on the value of the Corporation’s Class A Subordinate Voting Shares on the date of exercise. There can be no assurance that these values will be realized.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year-end (#)		Value of Unexercised In-the-Money Options at Financial Year-end (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
H. Gregory Chamandy	67,000	1,705,351	95,668	73,792	2,406,399	1,041,325
Glenn J. Chamandy	162,668	4,380,566	—	73,792	—	1,041,325
Edwin B. Tisch	148,800	3,457,613	8,000	54,814	148,200	832,027
Laurence G. Sellyn	62,000	1,552,000	5,334	75,824	140,151	1,821,708
Michael R. Hoffman	8,000	173,984	38,801	39,333	1,068,748	407,819

### ***Defined Benefit Plan***

The Corporation has put in place a non-registered defined benefit plan for Edwin B. Tisch. The defined benefit plan will provide Mr. Tisch or his spouse with an annual pension benefit from the later of Mr. Tisch reaching age 65 or his retirement, until the later of his death or the death of his spouse, with a minimum guaranteed payment period of ten (10) years. The annual pension benefit payable under the non-registered defined benefit plan shall be payable in monthly instalments and is equal to \$100,000 if Mr. Tisch retires at age 65, or the actuarial equivalent of this amount if he retires after age 65.

### ***Employment Agreements and Change of Control Agreements***

The Corporation has entered into employment agreements (the “**Employment Agreements**”) with each of H. Gregory Chamandy, Glenn J. Chamandy and Edwin B. Tisch. The Employment Agreements provide that the Corporation will pay the executive a base salary, the level of which will be reviewed annually in accordance with the Corporation’s policies. The Employment Agreements have an indefinite term. Nonetheless, the Corporation may terminate the executive at any time without making any severance payments upon his death, disability, breach of his Employment Agreement or for cause. In addition, the executive may terminate his employment at any time upon at least six (6) months’ written notice. Each Employment Agreement provides that if the Corporation terminates the employment of the executive for any reason other than those stated above or takes any action which could be construed as constructive dismissal, then the executive is entitled to:

- an amount equal to 24 months’ base salary, paid out, at the executive’s option, either as a one-time payment or as monthly installments covering the 24 months following termination (the “**Termination Period**”);
- a one-time payment equal to 24 months of the target annual bonus established under the Annual Incentive Plan;
- continuation of group insurance benefits (except short and long-term disability) for the Termination Period, ceasing upon new employment, if earlier;
- any earned bonus (for example, a bonus with respect to a previous fiscal year) that would otherwise be payable to the executive during the Termination Period pursuant to the Annual Incentive Plan;
- the right to exercise vested options pursuant to the Plan within 90 days following termination of employment; and
- the payment of any earned but unused vacation days and any amounts due under the executive’s business expense and personal spending accounts, as authorized.

The Employment Agreements also provide that, following termination, the executive will not:

- disclose to any person or use for his own purpose any confidential information or knowledge relating to the Corporation;
- solicit during the Termination Period any of the Corporation’s customers with the intent of selling them any products which are similar to or competing with the Corporation’s products; or
- induce, entice or hire any of the Corporation’s employees.

In addition, the Corporation has entered into change of control agreements (the “**Change of Control Agreements**”) with each of H. Gregory Chamandy, Glenn J. Chamandy and Edwin B. Tisch. Under such agreements, in the event of a potential change of control (as defined in the Change of Control



Agreements), the executive agrees to remain employed by the Corporation until the earliest of (a) 365 days from the date of the potential change of control, (b) his termination of employment by death or disability or (c) his termination of employment by the Corporation without cause or by the executive with good reason. The Change of Control Agreements also provide that if a change of control occurs and the Corporation terminates the executive without cause, or if the executive terminates his employment for good reason, then the executive will be entitled to:

- his full base salary (subject to withholding) through the date of termination;
- a one-time payment (subject to withholding) equal to 36 months' base salary;
- any amounts (subject to withholding) required to be paid to him under the Plan;
- a one-time payment (subject to withholding) equal to 36 months of the target annual bonus established under the Annual Incentive Plan;
- continuation of employee benefits for 36 months, ceasing upon new employment, if earlier; and
- any earned but unused vacation days.

### ***Compensation and Human Resources Committee***

During the most recently completed year, the Corporation's Compensation and Human Resources Committee was composed of four (4) directors, all of whom are outside and unrelated directors, namely Messrs. William H. Houston III, Daniel Laporte, Norman M. Steinberg and Richard P. Strubel (Chairman).

### ***Report on Executive Compensation***

#### ***General Principles of Executive Compensation***

Compensation of executive officers of the Corporation and its subsidiaries, including the Named Executive Officers whose names appear in the Summary Compensation Table under "Executive Compensation", is determined by the Corporation's Compensation and Human Resources Committee.

In order to ensure that the Corporation is able to attract, motivate and retain high-quality employees required for its success, the Corporation has developed and implemented a formal strategic policy regarding the compensation of its executives. This policy is intended to ensure that the Corporation's executives receive total compensation that (a) is competitive with the compensation received by executives employed by a group of comparable North American companies (the "**Reference Market**"), (b) links the executives' interests with those of the shareholders and (c) rewards superior performance. The Reference Market is comprised of a combination of Canadian and United States companies involved in apparel and textile, consumer products and certain categories of high growth companies, as well as companies that have an entrepreneurial culture and controlling shareholders. The policy is comprised of three (3) components:

- the base compensation strategy, which is intended to align base salaries, benefits and perquisites with the median of the Reference Market;
- the short-term incentive plans, namely the Corporation's general Annual Incentive Plan and the strategic multiplier bonus for the Corporation's senior executives, which aim at providing bonuses at above median of the Reference Market, if all of the Corporation's financial objectives are met; and

- the long-term incentive plan, namely the Corporation's Plan, which is intended to bring the total compensation received by the Corporation's executives to the 75<sup>th</sup> percentile of total compensation received by executives in the Reference Market.

#### *Annual Incentive Plan*

The Corporation's Annual Incentive Plan, known as SCORES (Supplementary Cash Opportunities for Results Exceeding Standards), is intended to align the financial interests and motivations of the Corporation's management team with those of the Corporation's investors. As well, the plan has been developed to ensure peak performance as the payouts occur only upon achieving the Corporation's very aggressive profit and growth targets. All permanent full-time salaried employees of the Corporation, excluding employees of certain manufacturing facilities which have productivity bonuses, are eligible for bonuses under the Corporation's Annual Incentive Plan.

For a given fiscal year, if the corporate financial factor based on return on assets (the "**Corporate Financial Factor**") attains or exceeds the target performance threshold and if employees (other than the most senior executives of the Corporation whose bonus in SCORES is based exclusively on the Corporate Financial Factor) attain supplementary objectives specifically related to their area of responsibility (collectively, the "**Objectives**"), the Corporation will pay a bonus based on a pre-determined target percentage of each eligible employee's base compensation. Bonuses increase when the Objectives are exceeded, and can potentially reach twice the pre-determined target percentage when all Objectives reach their maximum level. Bonuses are lower when the Objectives are not fully met and no bonus is paid if actual performance is below the minimum threshold for any one component of the Objectives.

Basing Objectives on the Corporate Financial Factor is intended to ensure that management's incentive-based compensation reflects its effectiveness in managing the level of investment required to generate the forecasted earnings, including both capital and fixed asset expenditure. Furthermore, basing the remainder of the Objectives on results specific to each employee's area of responsibility ensures that all efforts in all sectors and plants are focused towards the same goals.

The Corporate Financial Factor portion of the Objectives set by the Corporation for the purpose of determining annual incentive payments have reflected aggressive targets for year-over-year financial performance. In fiscal 2002, under the terms of the SCORES incentive plan, actual performance reflected in the Corporate Financial Factor of the Corporation has resulted in bonus payments being equal to approximately 90% of the maximum level.

The annual incentives payable under SCORES for the most senior executives of the Corporation may be further impacted, positively or negatively, by the Corporation's actual performance against certain key strategic and operational objectives pre-determined each year by the Board of Directors. The strategic multiplier can increase or decrease the incentive payment under the SCORES program by up to 50%.

Furthermore, on December 5, 2002, the Corporation introduced, beginning in fiscal 2003, a new long-term incentive plan in replacement of the Corporation's Stock Option Plan, namely the Long-Term Incentive Program (the "**Program**"), given that the current reserve level of the Stock Option Plan does not allow for further grants to meet the Corporation's total compensation policy. The Program is intended to keep management's focus on the long-term creation of economic value with sustained regular performance and to encourage retention. The Program is based on the Corporate Financial Factor in excess of the target performance threshold and provides for the creation of a reserve in which the amounts awarded annually, if any, pursuant to the Program are deposited. The amounts accumulated in the reserve are adjusted annually upwards or downwards by a factor reflecting the Corporation's actual performance in relation to the target performance threshold. Each year, 40% of the adjusted reserve and of the annual award, if any, under the Program is payable to the participant. The first payments under the Program will be made four (4) years after the adoption of the Program.

*Compensation of Chief Executive Officer*

The compensation of the Chief Executive Officer is governed by the Corporation's executive compensation policy described above. The Chief Executive Officer's base compensation for 2002 is in line with the median value of the Reference Market. The Chief Executive Officer received a bonus based on the SCORES program and the strategic multiplier for fiscal 2002, as determined pursuant to the Annual Incentive Plan of the Corporation. As regards the Chief Executive Officer's long-term incentive compensation, 34,000 options were granted to him on December 5, 2002.

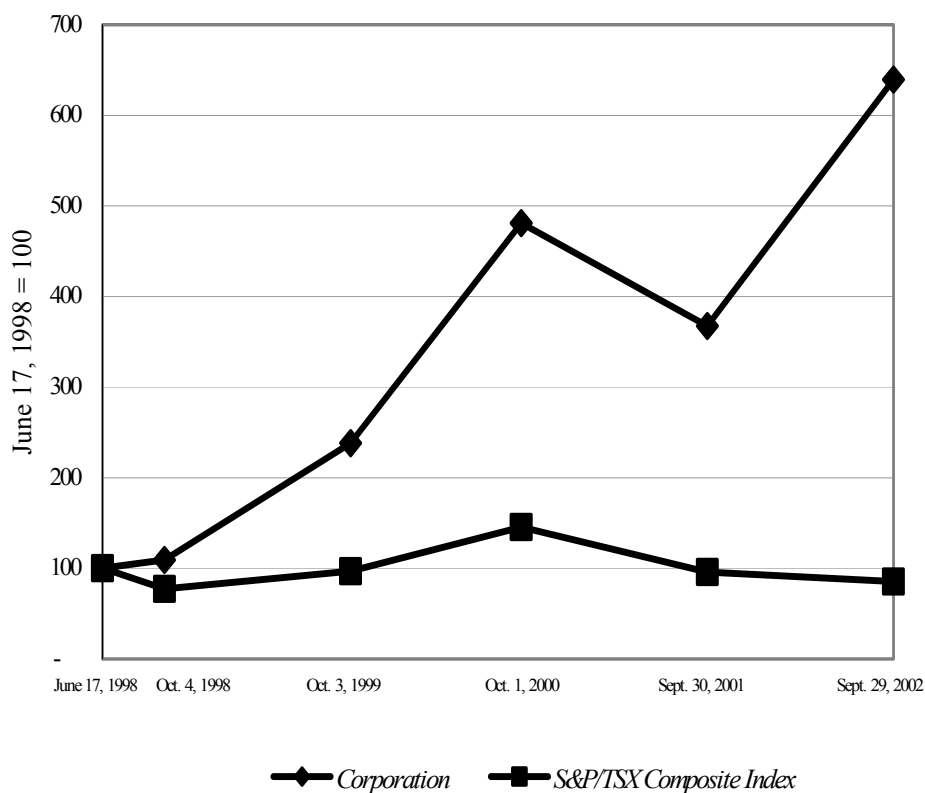
On behalf of the Compensation and Human Resources Committee:

Richard P. Strubel  
William H. Houston III  
Daniel Laporte  
Norman M. Steinberg

## PERFORMANCE GRAPH

The following graph compares the cumulative total shareholder return on an investment of \$100 in Class A Subordinate Voting Shares of the Corporation made on June 17, 1998 (the date on which the Corporation's Class A Subordinate Voting Shares began trading in connection with their initial public offering) with the cumulative total shareholder return of the Toronto Stock Exchange S&P/TSX Composite Index, assuming reinvestment of all dividends.

### FOR THE PERIOD FROM JUNE 17, 1998 TO SEPTEMBER 29, 2002 CUMULATIVE TOTAL RETURNS VALUE OF \$100 INVESTED ON JUNE 17, 1998



	FINANCIAL YEARS ENDED				
	October 4, 1998	October 3, 1999	October 1, 2000	September 30, 2001	September 29, 2002
Corporation	\$109.33	\$238.10	\$481.05	\$367.35	\$639.46
S&P/TSX Composite Index	\$77.29	\$97.10	\$145.38	\$95.80	\$85.61

## INDEBTEDNESS OF DIRECTORS AND OFFICERS

As at December 12, 2002, the aggregate amount owed to the Corporation or any of its subsidiaries by all of the current directors, officers and employees, and former directors, officers and employees of the Corporation or any of its subsidiaries as of such date, was \$1,050,000 exclusive of travel advances as permitted by Canadian securities laws. No portion of such indebtedness was advanced in connection with

a purchase of securities of the Corporation or its subsidiaries. The following table provides information regarding indebtedness owed to the Corporation by each individual who currently is or at any time during fiscal 2002 has been a director or officer of the Corporation, or an associate of any of the foregoing.

***Table of Indebtedness of Directors and Officers***

Name and Position	Involvement of the Corporation or Subsidiary	Largest Amount Outstanding for the year ended September 29, 2002	Amount Outstanding at December 12, 2002
H. Gregory Chamandy ..... Chairman of the Board and Chief Executive Officer	Lender	\$600,000 <sup>(1)</sup>	\$525,000
Glenn J. Chamandy ..... President and Chief Operating Officer	Lender	\$600,000 <sup>(1)</sup>	\$525,000

(1) Each of H. Gregroy Chamandy and Glenn J. Chamandy received an interest-free loan of \$750,000 on December 8, 1999. This loan is repayable in ten (10) equal and consecutive annual installments of \$75,000 without interest.

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Corporation seeks to attain high standards of corporate governance. The Board of Directors has carefully considered the Corporate Governance Guidelines adopted by the Toronto Stock Exchange (the “**Guidelines**”) and believes that the Corporation is well aligned with the recommendations contained in the Guidelines. The Corporation’s disclosure addressing each of the guidelines is set out in Exhibit “A”.

**DIRECTORS’ AND OFFICERS’ LIABILITY INSURANCE**

The Corporation provides insurance for the benefit of the directors and officers of the Corporation and its subsidiaries against liability which may be incurred by them in these capacities. The current policy limit is US\$100,000,000 on an annual basis. Such insurance is subject to a general deductible of US\$100,000 per loss (except in respect of securities-related claims, where the deductible is US\$250,000), as well as specific exclusions which are usually contained in policies of this nature. The total annual premium paid during the financial year ended September 29, 2002 in respect of this policy was \$724,033. This annual premium, which has not been specifically allocated between directors as a group and officers as a group, was paid entirely by the Corporation.

**NORMAL COURSE ISSUER BID**

The Corporation has obtained regulatory approval for a normal course issuer bid for a maximum of 200,000 Class A Subordinate Voting Shares, representing approximately 0.9% of the total outstanding Class A Subordinate Voting Shares as at December 12, 2002. All purchases under this bid will be made during the period from December 20, 2002 to December 19, 2003, and will be made on the open market through the facilities of the Toronto Stock Exchange in compliance with its rules and policies. Shares purchased under the bid will be cancelled. Shareholders may obtain copies of the notice of intention without charge by contacting or by writing to the Corporation, attention of the Corporate Secretary.

**APPOINTMENT OF AUDITORS**

KPMG LLP, Chartered Accountants, have served as auditors of the Corporation since fiscal 1996. Except where authorization to vote with respect to the appointment of auditors is withheld, the persons named in the enclosed form of proxy intend to vote for the reappointment of KPMG LLP, Chartered

Accountants, as auditors of the Corporation, to hold office until the close of the next annual meeting of shareholders at such remuneration as may be fixed by the Board.

**ADDITIONAL INFORMATION**

The Corporation is a reporting issuer under the securities acts of all provinces of Canada and is thereby required to file financial statements and management proxy circulars with the various securities commissions in such provinces. The Corporation also files an annual information form annually with such securities commissions. Copies of the Corporation's latest annual information form, latest audited financial statements, interim financial statements filed since the date of the latest audited financial statements, and latest management proxy circular may be obtained on request from the Corporate Secretary of the Corporation. The Corporation may require the payment of a reasonable charge when the request is made by a person other than a holder of securities of the Corporation.

**SHAREHOLDER PROPOSALS FOR 2004 ANNUAL MEETING**

Proposals for any matters that persons entitled to vote at the next annual shareholders' meeting propose to raise at the said meeting must be received by the Corporation at the latest on September 13, 2003.

**APPROVAL OF MANAGEMENT PROXY CIRCULAR**

The contents and the sending of this management proxy circular have been approved by the Board of Directors of the Corporation.

Dated at Montreal, Québec, Canada, December 12, 2002.

By order of the Board of Directors,

François D. Ramsay  
Vice-President, General Counsel and  
Corporate Secretary

**EXHIBIT “A”**

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

Corporate Governance Guideline	Does the Corporation Align?	Comments
<b>1. Board should explicitly assume responsibility for stewardship of the Corporation, and specifically for:</b>	Yes	The Board of Directors recognizes that it is responsible for the stewardship of the Corporation, meaning that it oversees the conduct of the Corporation’s business and supervises the executive management of the Corporation which is responsible for the conduct of the business.
<b>a. adoption of a strategic planning process</b>	Yes	In fulfilling its mandate, the Board of Directors, among other matters, is responsible for reviewing and approving strategic plans and budgets.
<b>b. identification of principal risks, and implementing risk management systems</b>	Yes	The Board of Directors is responsible for ensuring that management systems are in place to adequately identify, quantify and where practical or required, minimize or eliminate material risks to the Corporation.
<b>c. succession planning, including appointing, training and monitoring senior management</b>	Yes	As part of its mandate, the Board of Directors reviews succession plans for executive management.
<b>d. communications policy</b>	Yes	<p>The Board approves communications to shareholders, including releases of quarterly and annual results, releases of material information to the public, notices and proxy circulars for shareholder meetings and certain other public disclosure documents.</p> <p>The Chief Executive Officer and the Executive Vice-President, Finance and Chief Financial Officer of the Corporation have been given primary responsibility for investor relations, to ensure that prompt response is made to every shareholder inquiry and that significant issues raised by shareholders are addressed and brought to the attention of the Board.</p>
<b>e. integrity of internal control and management information systems</b>	Yes	The Audit Committee is responsible for reviewing the integrity of management information systems to monitor corporate activities and internal controls.
<b>2. Majority of directors should be “unrelated” (independent of management and free from conflicting interest) to the Corporation</b>	Yes	The Board of Directors is currently composed of eight (8) members and it is proposed by management of the Corporation that seven (7) out of the eight (8) directors be re-elected for the current year. Of the current eight (8) Board members, three (3) directors (Messrs. H. Gregory Chamandy, Glenn J. Chamandy and Edwin B. Tisch) are members of the management of the Corporation and are accordingly “inside directors” within the meaning of the Guidelines.

Corporate Governance Guideline	Does the Corporation Align?	Comments
<b>3. Disclose for each director whether he is related, and how that conclusion was reached</b>	Yes	<p>The Board considers a director to be a “related director” if that director has an interest arising from a relationship with the Corporation that could, or could reasonably be perceived to, materially interfere with the director’s ability to act independently with a view to the best interests of the Corporation. As indicated above, three (3) directors are considered related because of their relationship with the Corporation, as members of management. The Board of Directors believes that the remaining five (5) directors currently serving on the Board are “unrelated directors” within the meaning of the Guidelines. They are Messrs. Robert M. Baylis, William H. Houston III, Daniel Laporte, Norman M. Steinberg and Richard P. Strubel.</p>
		<p>H. Gregory Chamandy                      related    - is Chairman of the Board and CEO of the Corporation</p>
		<p>Glenn J. Chamandy              related    - is President and COO of the Corporation</p>
		<p>Edwin B. Tisch                    related    - is Executive Vice-President, Manufacturing of the Corporation</p>
<p>For the remainder of the proposed directors, namely Messrs. Robert M. Baylis, William H. Houston III, Daniel Laporte, Gerald H.B. Ross and Richard P. Strubel, none of them have an interest arising from a relationship with the Corporation that may be perceived to materially interfere with the director’s ability to act independently with a view to the best interests of the Corporation and are therefore directors “unrelated” to the Corporation. In prior years, Mr. Laporte, a director of the Corporation and a senior executive of the Fund, was considered by the Board of Directors to be related because of the lending relationship that existed between the Fund and the Corporation. However, the Corporation repaid such indebtedness and therefore Mr. Laporte is no longer considered related. The Board has reviewed the relationship and has concluded that Mr. Steinberg is not related. Mr. Steinberg is a partner of the law firm Ogilvy Renault, which is one of several law firms providing legal services to the Corporation.</p>		



Corporate Governance Guideline	Does the Corporation Align?	Comments
<b>4. a. Appoint a Committee of directors responsible for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis</b>	Yes	The Corporate Governance Committee has the responsibility of assessing the individual and collective effectiveness of the Board members and establishing procedures for recruiting new directors.
<b>b. Composed exclusively of outside (non-management) directors, the majority of whom are unrelated</b>	Yes	The Corporate Governance Committee is currently composed of four (4) outside directors, all of whom are unrelated, namely Messrs. William H. Houston III, Daniel Laporte, Norman M. Steinberg (Chairman) and Richard P. Strubel.
<b>5. Implement a process for assessing the effectiveness of the Board as a whole, its Committees and the contribution of individual directors</b>	Yes	The Board, on an annual basis, evaluates itself and its committees. The directors have an obligation to fulfill their duties and assume their responsibilities in the best interests of the Corporation. The Board expects all members to review materials provided in advance of its meetings and to attend its meetings and those of its committees on which they sit.
<b>6. Provide an orientation and education program for new directors</b>	Yes	New directors are provided with an extensive information package on the Corporation's business, its strategic and operational business plans, its operating performance and its financial position. Also, they will meet individually with the CEO and other members of the senior executive committee.
<b>7. Board should examine its size and consider reducing the number of directors, with a view to improving effectiveness</b>	Yes	The Board of Directors has considered this issue and is of the view that its size is small (eight (8) members) and is well suited to the present circumstances of the Corporation and allows for the efficient functioning of the Board as a decision-making body.
<b>8. Board should review compensation of directors in light of risks and responsibilities</b>	Yes	The Corporate Governance Committee is responsible for reviewing director compensation with the assistance of an independent outside compensation consulting firm.

Corporate Governance Guideline	Does the Corporation Align?	Comments
<p><b>9. Committees of the Board should generally be composed of outside (non-management) directors, a majority of whom are unrelated</b></p>	Yes	<p>The Audit Committee is currently composed of four (4) outside directors, namely Messrs. Robert M. Baylis (Chairman), William H. Houston III, Daniel Laporte and Richard P. Strubel, all of whom are unrelated.</p> <p>The Compensation and Human Resources Committee is currently composed of four (4) outside directors, namely Messrs. William H. Houston III, Daniel Laporte, Norman M. Steinberg and Richard P. Strubel (Chairman), all of whom are unrelated. The Compensation and Human Resources Committee reviews the performance of most executive officers of the Corporation and its operating subsidiaries, makes recommendations to the Board on, among other things, the compensation of senior executives and administers the Corporation's Stock Option Plan.</p> <p>The Corporate Governance Committee is currently composed of four (4) members, all of whom are unrelated, namely Messrs. William H. Houston III, Daniel Laporte, Norman M. Steinberg (Chairman) and Richard P. Strubel.</p>
<p><b>10. Board should expressly assume responsibility for, or assign to a committee the general responsibility for, approach to corporate governance issues</b></p>	Yes	<p>The Corporate Governance Committee is responsible for all matters relating to corporate governance, including establishing procedures for recruiting new directors and other performance – enhancing measures, such as assessing the individual and collective effectiveness of the Board; responding to any other issue prescribed by the Guidelines; and developing the Corporation's approach to any other governance issues. The Corporate Governance Committee reports to the Board annually on these matters.</p>
<p><b>11. a. Define limits to management's responsibilities by developing mandates for:</b></p>		
<p><b>(i) the Board</b></p>	Yes	<p>The Board expects management to be responsible for the operation of the business, while respecting authorized financial limits, and adhering to the strategic plan, operational budget and approved corporate policies. The Board expects to be advised on a regular basis as to the results being achieved, and to be presented for approval alternative plans and strategies proposed to be implemented, in keeping with evolving conditions.</p>

Corporate Governance Guideline	Does the Corporation Align?	Comments
		<p>In addition to those matters which by law must be approved by the Board, the prior approval of the Board of Directors, or of a committee of the Board to which approval authority has been delegated by the Board, is required for all matters of policy and all actions proposed to be taken by the Corporation which are not in the ordinary course of its operations. In particular, the Board approves the appointment of all officers of the Corporation and approves all material transactions.</p>
<b>(ii) the CEO</b>	Yes	<p>The corporate objectives which the Chief Executive Officer is responsible for meeting, with the rest of management placed under his supervision, are determined by the strategic plans and the budget as they are approved each year by the Board of Directors. Performance of the Chief Executive Officer and management is assessed against the achievement of the strategic plans and the budget.</p>
<b>b. Board should approve or develop CEO's corporate objectives</b>	Yes	See item 11(a)(ii).
<b>12. Establish procedures to enable the Board to function independently of management</b>	Yes	<p>Although the Chairman of the Board of Directors is H. Gregory Chamandy, who is also Chief Executive Officer of the Corporation, the Board can and does act independently of management. Only three (3) directors (including the Chairman of the Board) out of eight (8) are members of management. At all meetings of the Board of Directors and Board committees, the opportunity is given for any outside Board member to request that members of management, including inside directors, be excused so that any matter may be discussed without any representative of management being present. Also, at least once a year and from time to time as required, a meeting amongst the outside directors only is held.</p>
<b>13. a. Establish an Audit Committee with a specifically defined mandate</b>	Yes	<p>The Board of Directors has approved a mandate for the Audit Committee. The responsibilities of the Audit Committee include the following: a review of the Corporation's quarterly and annual financial statements with both management and the external auditors; a review of judgments made by management in connection with its preparation of the financial statements; a review of the external audit plan and process, and approval of the annual audit fee; a review of issues arising from the annual audit, whether subsequently resolved or otherwise; a review of the Corporation's processes and policies to ensure proper internal control and the integrity of its financial reporting; a review of the structure and adequacy of the financial organization within the Corporation; a review of the independence and performance of the external auditors; a private session with</p>

<u>Corporate Governance Guideline</u>	<u>Does the Corporation Align?</u>	<u>Comments</u>
		the external auditors to discuss the financial statements and the control environment within the Corporation; a review of any litigation involving the Corporation; a review of the adequacy of the Corporation's insurance coverage; and a review of the adequacy of the Corporation's financing and of financing transactions undertaken by management.
<b>b. all members should be non-management directors</b>	Yes	The Audit Committee is composed of four (4) non-management directors.
<b>14. Implement a system to enable individual directors to engage outside advisers, at the Corporation's expense</b>	Yes	In performing its responsibilities, the Board, a committee of the Board or an individual director may, as required, and subject to the approval of the Board of Directors, engage an outside adviser at the expense of the Corporation.