



CANADIAN TIRE CORPORATION, LIMITED

---

**2009  
ANNUAL  
INFORMATION  
FORM**

**March 11, 2010**

---

**ANNUAL INFORMATION FORM**  
**CANADIAN TIRE CORPORATION, LIMITED**  
**TABLE OF CONTENTS**

1.	CORPORATE STRUCTURE .....	1
1.1	NAME, ADDRESS AND INCORPORATION .....	1
1.2	INTERCORPORATE RELATIONSHIPS.....	1
2.	GENERAL DEVELOPMENT OF THE BUSINESS .....	2
2.1	THREE -YEAR HISTORY.....	2
2.1.1	<i>Strategic Plan</i> .....	2
2.1.2	<i>Canadian Tire Retail - Store Improvement Program</i> .....	2
2.1.3	<i>Canadian Tire Retail - PartSource</i> .....	3
2.1.4	<i>Canadian Tire Automotive</i> .....	4
2.1.5	<i>Other Canadian Tire Retail Initiatives</i> .....	5
2.1.6	<i>Canadian Tire Retail - Distribution and Supply Chain</i> .....	6
2.1.7	<i>Mark's Work Wearhouse Ltd.</i> .....	6
2.1.8	<i>Petroleum</i> .....	6
2.1.9	<i>Canadian Tire Financial Services Limited</i> .....	7
2.1.10	<i>Financing of the Company</i> .....	8
3.	DESCRIPTION OF THE BUSINESS .....	11
3.1	CANADIAN TIRE RETAIL.....	11
3.1.1	<i>Marketing</i> .....	11
3.1.2	<i>Distribution and Supply Chain</i> .....	13
3.1.3	<i>Canadian Tire Stores and Canadian Tire Dealers</i> .....	14
3.1.4	<i>Dealer Relations</i> .....	17
3.1.5	<i>Store Support and Operations</i> .....	17
3.1.6	<i>PartSource</i> .....	17
3.2	MARK'S WORK WEARHOUSE LTD. ....	17
3.3	PETROLEUM .....	19
3.4	REAL ESTATE AND CONSTRUCTION .....	19
3.5	CANADIAN TIRE FINANCIAL SERVICES LIMITED, CANADIAN TIRE BANK AND CTFS BERMUDA LTD. ....	20
3.6	INFORMATION TECHNOLOGY .....	20
3.7	EMPLOYEES .....	22
3.8	BUSINESS DEVELOPMENT INITIATIVES.....	22
3.9	COMPETITIVE CONDITIONS.....	22
3.9.1	<i>Canadian Tire Retail</i> .....	22
3.9.2	<i>Mark's Work Wearhouse Ltd.</i> .....	23
3.9.3	<i>Petroleum</i> .....	23
3.9.4	<i>Canadian Tire Financial Services Limited</i> .....	24
3.10	BUSINESS SEASONALITY OF CANADIAN TIRE RETAIL AND MARK'S WORK WEARHOUSE LTD. ....	25
3.11	ENVIRONMENTAL PROTECTION .....	26
3.12	INTANGIBLE PROPERTIES .....	26
3.13	FOREIGN OPERATIONS.....	27
3.13.1	<i>Canadian Tire Retail</i> .....	27
3.13.2	<i>Mark's Work Wearhouse Ltd.</i> .....	27
3.13.3	<i>Canadian Tire Financial Services Limited and CTFS Bermuda Ltd.</i> .....	28
3.14	ECONOMIC DEPENDENCE.....	28
3.15	LENDING .....	28
3.16	SOCIAL AND ENVIRONMENTAL POLICIES.....	29
3.16.1	<i>Corporate Social Responsibility</i> .....	30
3.16.2	<i>Environmental and Health and Safety Compliance</i> .....	31
3.16.2.1	<i>Canadian Tire Retail and PartSource</i> .....	31

3.16.2.2	Mark's Work Wearhouse Ltd. ....	32
3.16.2.3	Petroleum.....	33
3.16.2.4	Canadian Tire Financial Services Limited .....	33
3.16.2.5	Canadian Tire Real Estate Limited.....	34
3.17	RISK FACTORS .....	34
3.18	PRODUCTION AND SERVICES.....	36
3.19	SPECIALIZED SKILL AND KNOWLEDGE .....	36
3.19.1	<i>Canadian Tire Retail</i> .....	36
3.19.2	<i>Mark's Work Wearhouse Ltd.</i> .....	36
3.19.3	<i>Petroleum</i> .....	36
3.19.4	<i>Canadian Tire Financial Services Limited and Canadian Tire Bank</i> .....	36
3.20	NEW PRODUCTS.....	37
4.	DIVIDENDS .....	37
5.	DESCRIPTION OF CAPITAL STRUCTURE .....	38
5.1	GENERAL DESCRIPTION OF CAPITAL STRUCTURE.....	38
5.1.1	<i>Material Characteristics of Common Shares</i> .....	38
5.1.2	<i>Material Characteristics of Class A Non-Voting Shares</i> .....	39
5.1.3	<i>Additional Dividend Rights</i> .....	40
5.1.4	<i>Rights Upon Liquidation, Dissolution or Winding-Up</i> .....	40
5.1.5	<i>Change in Class A Non-Voting Shares and Common Shares</i> .....	40
5.2	RATINGS .....	41
6.	MARKET FOR SECURITIES .....	42
6.1	TRADING PRICE AND VOLUME .....	42
7.	DIRECTORS AND OFFICERS .....	44
8.	LEGAL PROCEEDINGS AND REGULATORY ACTIONS .....	49
8.1	LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	49
9.	TRANSFER AGENTS AND REGISTRARS.....	49
10.	MATERIAL CONTRACTS .....	50
11.	INTERESTS OF EXPERTS .....	50
11.1	NAMES OF EXPERTS .....	50
12.	AUDIT COMMITTEE INFORMATION REQUIRED IN AN ANNUAL INFORMATION FORM .....	50
12.1	AUDIT COMMITTEE MANDATE AND CHARTER .....	50
12.2	COMPOSITION OF THE AUDIT COMMITTEE .....	50
12.3	RELEVANT EDUCATION AND EXPERIENCE .....	51
12.4	PRE-APPROVAL POLICIES AND PROCEDURES .....	52
12.5	EXTERNAL AUDITOR SERVICE FEES (BY CATEGORY) .....	52
12.5.1	<i>Audit Fees</i> .....	52
12.5.2	<i>Audit-Related Fees</i> .....	52
12.5.3	<i>Tax Fees</i> .....	53
12.5.4	<i>All Other Fees</i> .....	53
13.	ADDITIONAL INFORMATION .....	53
ANNEX A	.....	A1

Copies of the Company's Annual Information Form for the 2009 financial year, as well the Company's 2009 Financial Report and Management Information Circular for the 2008 financial year, may be obtained on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com).

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This Annual Information Form contains forward-looking information that reflects management's expectations related to expected future events, financial performance and operating results of the Company. All statements other than statements of historical facts included in this Annual Information Form, including statements regarding the prospects of the industries in which the Company operates, future plans, expected financial position and business strategy of the Company may constitute forward-looking information. Forward-looking information includes, but is not limited to, statements concerning possible or assumed future results set out herein, our strategic goals and our priorities, and the economic and business outlook for us, for each of our business segments and for the economy generally. Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. The forward-looking information contained in this Annual Information Form is presented for the purpose of assisting the Company's security holders in understanding its financial position and results of operation as at and for the periods ended on the dates presented and the Company's strategic priorities and objectives, and may not be appropriate for other purposes. By its very nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks and uncertainties, which give rise to the possibility that the Company's predictions, forecasts, projections, expectations and conclusions will not prove to be accurate, that the Company's assumptions may not be correct and that the Company's objectives, strategic goals and priorities will not be achieved. Although the Company believes that the predictions, forecasts, projections, expectations and conclusions reflected in the forward-looking information are based on information and assumptions which are current, reasonable and complete, this information is necessarily subject to a number of factors that could cause actual results to differ materially from management's predictions, forecasts, projections, expectations and conclusions as set forth in such forward-looking information for a variety of reasons. These factors include (a) credit, market, operational, liquidity and funding risks, including changes in interest rates or tax rates; (b) the ability of Canadian Tire to attract and retain quality employees, Dealers, Canadian Tire Petroleum™ agents and PartSource® and Mark's Work Wearhouse® store operators and franchisees; (c) the willingness of customers to shop at our stores or acquire our financial products and services; and (d) risks and uncertainties relating to information management, technology, product safety, competition, seasonality, commodity price and business disruption, consumer credit, securitization funding, and foreign currency. The key risks and uncertainties that could cause actual results or the material factors and assumptions applied in preparing forward-looking information to differ materially from predictions, forecasts, projections, expectations or conclusions are discussed in the "Risk Factors" section of this Annual Information Form (section 3.17) and also in the following sections of the Company's Management's Discussion and Analysis ("MD&A") for the year ended January 2, 2010: sections 5.3.1.5 (Business risks – CTR), 5.3.2.5 (Business risks – Mark's), 5.3.3.5 (Business risks – Petroleum), 5.3.4.8 (Business risks – Financial Services) and 14.0 (Enterprise Risk Management) and all subsections thereunder. All sections of the MD&A for the year ended January 2, 2010 specifically referenced in this Annual Information Form are incorporated by reference herein.

For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, please also refer to the Company's public filings available at [www.sedar.com](http://www.sedar.com) and at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca).

We caution that the foregoing list of important factors is not exhaustive and other factors could also adversely affect our results. Investors and other readers are urged to consider the foregoing risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Statements that include forward-looking information do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Company's business. For example, they do not include the effect of any dispositions, acquisitions, asset write-downs or other charges announced or occurring after such statements are made. The forward-looking information in this Annual Information Form reflects the Company's expectations as of March 11, 2010, and is subject to change after this date. The Company does not undertake to update any forward-looking information, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, unless required by applicable securities laws.

Information contained in or otherwise accessible through the websites referenced above does not form part of this Annual Information Form. All references in this Annual Information Form to websites are inactive textual references and are for your information only.

## ANNUAL INFORMATION FORM

### CANADIAN TIRE CORPORATION, LIMITED

Unless otherwise specified herein, the information in this Annual Information Form is presented as at January 2, 2010 (the last day of the Company's most recently completed financial year), and all dollar amounts set forth herein are expressed in Canadian dollars.

#### 1. Corporate Structure

##### 1.1 Name, Address and Incorporation

Canadian Tire Corporation, Limited (the "Company" or "Canadian Tire", which terms refer to Canadian Tire Corporation, Limited, its predecessor corporations and all of its subsidiaries unless the context otherwise requires) was incorporated under the laws of the province of Ontario by letters patent dated December 1, 1927 and is governed by the *Business Corporations Act* (Ontario). The Company was amalgamated with four of its wholly-owned subsidiaries pursuant to Articles of Amalgamation which became effective January 1, 1980. The Company's articles were amended effective December 15, 1983 to reorganize the capital structure of the Company, among other things.

The registered and principal office of the Company is located at 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario, M4P 2V8. The Company's corporate website address is [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca).

##### 1.2 Intercorporate Relationships

All of the subsidiaries of Canadian Tire are beneficially wholly-owned, either directly or indirectly. The only subsidiaries of the Company whose total assets constitute more than 10% of the consolidated assets of the Company, or whose total sales and operating revenues constitute more than 10% of the consolidated sales and operating revenues of the Company, are each of:

- (a) Canadian Tire Financial Services Limited ("Financial Services"), which was continued under the laws of Canada, and its wholly-owned subsidiary, Canadian Tire Bank ("CTB"), which was incorporated under the laws of Canada; and
- (b) Canadian Tire Real Estate Limited ("CTREL"), which was incorporated under the laws of Ontario.

The business of each subsidiary under Canadian Tire's direction or control functions so as to contribute to the retailing, financial services and petroleum businesses carried on by the Company.

## 2. General Development of the Business

### 2.1 Three -Year History

Canadian Tire has been in business for 88 years, offering everyday products and services to Canadians through its growing network of interrelated businesses. The general development of the Company's business during the past three financial years has been characterized by a shift in emphasis from the expansion of store network square footage (as stores approach their optimal size) towards initiatives designed to deliver better returns on invested capital and improve the customer experience, particularly in the core business of Canadian Tire Retail ("CTR"). This gradual shift is designed to ensure that the Company remains on track to achieve its long-term sustainable growth goals and strategic objectives, including to:

- 1) strengthen the core business of CTR through improved productivity, enhanced customer service and building the cornerstone automotive business;
- 2) align other strengthened business units and functions - Mark's Work Wearhouse ("Mark's"), Financial Services, Canadian Tire Petroleum ("Petroleum") and PartSource - to support the core; and
- 3) establish a customer-focused, high-performing organization across the enterprise.

Set out below are highlights of developments in the businesses of the Company over the past three years.

#### 2.1.1 *Strategic Plan*

Reference is made to sections 3.0 (Economic outlook) and 4.0 (2010 strategic priorities) of the MD&A in the Company's 2009 Financial Report for a discussion of the Company's strategic plan. The Company's 2009 Financial Report is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### 2.1.2 *Canadian Tire Retail - Store Improvement Program*

The purpose of CTR's store improvement program is to renew the CTR store network through building, replacing, retrofitting or expanding Canadian Tire stores. The following table shows the number of Canadian Tire stores that the Company built, replaced, retrofitted or expanded in 2007, 2008 and 2009, respectively:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
New Builds	8	4	5
Replacements	10	15	5
Retrofits/Expansions	49	23	29

The first major store concept renewal program was the “Class Of” concept, introduced in 1994 and followed by the “Next Generation” concept in 2000 and “Concept 20/20” in 2003.

In the fall of 2008, the “Smart” store was launched to supersede Concept 20/20. The Smart store format leverages existing assets (larger, newer Concept 20/20 stores) by driving productivity through the reallocation of space and expanded assortments, all at a lower capital cost than the previous generation Concept 20/20 stores. The Smart store features category dominance in key heritage businesses (Tools, Automotive, Sports and Outdoor Recreation) and improved customer experience with various value-added services. A new operational excellence program involving Smart stores is designed to further improve in-store operations. The Retail Council of Canada recognized the Smart store at their 2009 Excellence In Retailing Awards with their award for excellence in Retail Store Design. There were 36 Smart stores open at the end of 2009.

The “Small Market” format, also launched in 2008, is used to replace existing small traditional stores in their markets and also allows CTR to enter incremental markets. Small Market stores incorporate a Mark’s outlet and a Petroleum gas bar where feasible. By the end of 2009, the Company had opened nine Small Market stores.

In summary, there are currently 408 new format stores (including Concept 20/20, Smart stores and Small Market stores). These stores make up approximately 85% of Canadian Tire stores and approximately 94% of the retail selling space in the Canadian Tire store network.

### 2.1.3 *Canadian Tire Retail - PartSource*

In the years 2007, 2008 and 2009, the Company opened eight, 15 and three new PartSource stores, respectively, to bring the total number of PartSource branded stores operating in Ontario, Nova Scotia and Western Canada to 87 (including the 10 Hub Stores referred to below).

PartSource began testing corporate stores in 2005 and has increased the number of its corporate stores by building or acquiring new corporate stores and converting franchised stores to corporate stores when the opportunity arises. Currently, PartSource has 61 corporate stores and 26 franchise locations.



In addition, PartSource has continued to invest in new technology and supply chain infrastructure and has expanded warehouse capacity of designated PartSource stores across Canada to drive growth at CTR and PartSource. For example, PartSource has developed hub stores (“Hub Stores”), which are larger than traditional PartSource stores and are designed to provide a broader assortment of automotive parts to serve both CTR and PartSource customers on an “as needed” basis. In 2008, PartSource opened two new Hub Stores and relocated, expanded and/or retrofitted six existing stores into Hub Stores. In 2009, PartSource opened one additional Hub Store and retrofitted one existing store, bringing the total to 10.

During 2007, 2008 and 2009, PartSource grew overall sales and enhanced its business, in particular with commercial customers, by offering a comprehensive product range of national brands, providing emergency parts sourcing and delivery, and employing specialized, knowledgeable staff in PartSource stores. PartSource is currently used by approximately 210 Canadian Tire stores for emergency auto parts service.

#### 2.1.4 *Canadian Tire Automotive*

CTR commenced implementation of an automotive infrastructure initiative in 2008. The Automotive Infrastructure initiative is intended to drive growth in the Company’s automotive businesses and improve the automotive customer experience at Canadian Tire and PartSource stores. The program is comprised of three primary components: significantly expanding our automotive parts assortment and replacing aging assortment planning technology with a commercially available, best-of-breed decision rule and predictive modeling based solution; upgrading CTR’s automotive retail operating systems by replacing legacy-based ‘green screen’ applications with windows based automotive management software, parts application and data management technology to drive a stronger customer experience; and creating a network of approximately 23 PartSource Hub Stores across Canada to enhance supply of auto parts at the local market level and training CTR front-line automotive staff on associated new processes.

To advance these goals, Canadian Tire’s distribution facilities have been retrofitted to accommodate 50,000 - 60,000 stock-keeping units (“SKUs”) and, as of the end of 2009, carry an auto parts assortment in excess of 50,000 SKUs. In addition, 10 PartSource Hub stores have been rolled out. Finally, CTR has signed license agreements with three core software partners. This software, once implemented, will improve assortment planning capabilities and provide the basis upon which to deliver an improved customer experience.

In pursuit of the Company's long-term strategy to strengthen its core automotive business, in 2009 Canadian Tire announced that it is taking the combined strengths and resources of all aspects of its automotive business across all business units and functions (including PartSource, Petroleum, automotive hard parts, accessories, service centres and tires) and is approaching this aspect of its business with a single strategic clarity and leadership structure to drive growth.

#### 2.1.5 *Other Canadian Tire Retail Initiatives*

The "CTR Change" program is a multi-year program aimed at improving and upgrading the Company's marketing and merchandising processes, as well as the systems, processes and operational and organizational structures that support them. In 2009, progress included enhanced utilization of the new pricing system introduced in 2008, implementation of new processes and systems relating to financial planning for merchandising, system and process development for a new promotional planning system and preliminary work on a new vendor management system.

Also in 2009, CTR continued to enhance the execution of its pricing strategy by focusing on everyday price competitiveness. A key component of the pricing strategy is to ensure that everyday prices on high-volume SKUs for which customers are attuned to pricing are competitively priced relative to the market. Price reviews are coordinated with in-store merchandising and signage to ensure customer awareness of competitive regular pricing.

CTR's "A Greener Tomorrow Starts Today" program, which was formally launched in 2008, is designed to establish Canadian Tire as a trusted, credible provider of environmentally preferred product offerings. The program simplifies environmental issues and choices for consumers and educates consumers on the positive environmental impact of small changes to their buying habits. Since the launch of the program, CTR has continually added more environmentally preferred products to its assortment, introduced the Blue Planet private label line of products and increased promotional efforts in the flyer and mass media. Work was also begun with selected vendors on right-sizing packaging in order to reduce packaging and transportation costs. Additional information relating to Canadian Tire's sustainability initiatives are set out in section 3.16.1 of this Annual Information Form.

In 2009, building on its success from prior years in the home organization solutions and products area, CTR focused on garage organization solutions and expanded the presence and impact of storage and organization assortments. CTR also grew its fitness segment through expanded store presence, balanced focus between equipment and accessories and consistent promotional activity. In 2009, CTR also worked to consolidate its different private label brands into a better-defined group of brands.

2.1.6 *Canadian Tire Retail - Distribution and Supply Chain*

Information concerning the development of CTR's distribution and supply chain operations, including the opening of CTR's 1.5 million square foot distribution centre in Coteau-du-Lac (Quebec) (the "Montreal Distribution Centre") is set out under the heading "Distribution and Supply Chain" below.

2.1.7 *Mark's Work Warehouse Ltd.*

Mark's substantially completed implementation of the first phase of its "superbranding" strategy from 2002 to 2004, being the conversion of most of its Work World® stores to the Mark's Work Warehouse banner. During 2007, 2008 and 2009, Mark's continued to build a Canadian superbrand by pursuing its strategic initiatives including: a store network expansion; the introduction of Mark's stores integrated with Canadian Tire stores; growth of its three major categories (industrial wear, men's wear and women's wear); gross margin rate improvement through better sourcing and improved gross margin management tools; and development of consumer awareness of the Mark's brand and the Mark's "Clothes that Work®" message.

During 2009, Mark's opened 11 new corporate stores (including one temporary clearance centre), relocated nine corporate stores and one franchise store and expanded two corporate stores and one franchise store. In addition, Mark's opened three mobile stores in 2009. At the end of 2009, Mark's had a total of 378 stores, of which 335 were corporate stores, as well as six mobile stores.

2.1.8 *Petroleum*

In 2007, 2008 and 2009, Petroleum continued the execution of its growth plan, which included opening new gas bar sites, re-branding gas bar sites of competitors, retrofitting convenience stores to a new convenience store design and upgrading and building new kiosks. "Re-branding" of a gas bar site is the conversion of the brand of a competitor's gas bar and kiosk to the Canadian Tire brand.

In 2009, Petroleum opened three new gas bars, replaced one gas bar and refurbished 10 existing gas bars to better enhance the customer experience and reflect the Canadian Tire brand. Also in 2009, Petroleum improved payment options and back office information technology systems throughout its network and laid the ground work for an improved merchandising system that is expected to be rolled out in 2010. Petroleum now operates 272 gas bars, 267 convenience stores and kiosks, 73 car washes, 11 Pit Stops and 88 propane stations.

### 2.1.9 *Canadian Tire Financial Services Limited*

During the past three years, Financial Services has grown its Canadian Tire MasterCard®/™<sup>1</sup> account portfolio through increases in average balances, new account acquisition and introduction of new credit cards. Financial Services' wholly-owned bank, CTB, manages a portfolio of over 1.7 million active Canadian Tire MasterCard accounts.

During 2007, CTB piloted a Vacation Advantage™ MasterCard in Ontario, British Columbia, Nova Scotia and Newfoundland, which allows customers to accumulate points that can be applied to vacation purchases on their Vacation Advantage MasterCard. In 2008, CTB nationally launched the Gas Advantage® MasterCard, which provides savings of up to 10 cents per litre of gasoline purchased at Petroleum sites using the Gas Advantage MasterCard. Also in 2008, CTB re-launched the Canadian Tire Options® MasterCard by issuing PayPass®/™<sup>1</sup> enabled cards. In 2009, CTB nationally launched the Cash Advantage® MasterCard, which allows customers to earn up to 1% cash back on all purchases. Commencing in 2009, CTB piloted the Curve™ MasterCard in Toronto, Vancouver and Calgary, as well as a GoPlay™ MasterCard in Ontario. CTB also began piloting the Canadian Tire Options Visa®/™<sup>2</sup> in select Canadian Tire stores across Canada in 2009.

In October 2006, CTB commenced a pilot project through which high interest savings accounts, GICs and residential mortgages were offered in certain pilot markets. In September 2007, a specialty mortgage account, which consolidated customers' chequing, savings, credit card, loan and mortgage loan balances into one account, was launched as part of the pilot project. In late 2008, CTB began marketing tax free savings accounts as part of its product offering. In November 2009, CTB sold its portfolio of mortgages to National Bank for \$162.2 million and expanded the offering of its deposit products nationally.

In January 2008, CTB acquired a line of credit portfolio of unsecured receivables previously owned and managed by a Canadian chartered bank, and marketed by such bank under the Canadian Tire name, for \$29.6 million.

---

<sup>1</sup> MasterCard, the MasterCard Brand Mark and *PayPass* are registered trade marks of MasterCard International Incorporated ("MasterCard International").

<sup>2</sup> Visa Int/ Lic. User.

## 2.1.10 *Financing of the Company*

### **General**

The Company intends to continue to fund its growth through a combination of financing sources including internal cash generation; GICs offered through deposit brokers; retail deposits including high interest savings accounts; securitization of credit card receivables; and accessing the public and private financial markets, as appropriate. Additional information concerning the Company's financing sources can be found under section 8.0 (Financing) of the MD&A in the Company's 2009 Financial Report.

### **Committed Bank Lines of Credit**

As of January 2, 2010, the Company had \$1.17 billion in committed credit facilities, \$800 million of which is available under a two-year syndicated credit facility agreement dated June 9, 2009. The syndicated credit facility is available to the Company until June 2011 and can be extended for an additional 364 day period in June 2010. The remaining credit facilities have been established pursuant to bi-lateral credit facility agreements that are available to the Company until late 2010. At the end of each quarter, the Company has the ability to request an extension of each of the bi-lateral credit facilities each quarter for an additional 90 day period.

### **Medium Term Notes (MTN) Program**

On October 1, 2007 the Company issued \$300 million in three-year medium term notes at a rate of 5.22% per annum pursuant to a March 2007 shelf prospectus.

In June 2008, the Company repaid \$150 million of maturing medium term notes. The Company did not issue long term debt in 2008. Medium term notes and debentures in the amount of \$1.3 billion were outstanding as at January 3, 2009.

In April 2009, the Company's public medium term note program was continued for a further 25-month period under a shelf prospectus filed with the securities regulatory authorities in each province and territory of Canada. The prospectus allows the Company to issue medium term notes up to an aggregate of \$750 million. On June 1, 2009, the Company issued \$200 million in seven-year medium term notes at a rate of 5.65% per annum pursuant to the April 2009 shelf prospectus. On October 22, 2009, the Company redeemed all \$150 million of outstanding 12.10% debentures scheduled to mature on May 10, 2010. Medium term notes in the amount of \$1.35 billion were outstanding as of January 2, 2010. The Company has a \$300 million medium term note that matures in October 2010.

### **Broker GIC Deposits**

During the fourth quarter of 2007, CTB began testing the offering of GICs through deposit brokers rather than directly to the retail customer. Individual GIC balances of up to \$100,000 are insured by the Canada Deposit Insurance Corporation. CTB's GICs are offered in one-month to five-year terms and all issued GICs are non-redeemable prior to maturity (except in certain rare circumstances). Given that the overall size of the broker GIC market in Canada is estimated to be greater than \$66 billion, CTB believes that there is ample room in the market to maintain CTB broker GIC deposits as a permanent alternative funding source to the securitization of credit card receivables at reasonable and cost-effective interest rates.

By the end of 2009, CTB had approximately \$1.5 billion in short and long-term CTB broker GIC deposits outstanding.

### **Retail Deposits**

Retail deposits consist of High Interest Savings Accounts, Tax-Free Savings Accounts and retail GIC deposits. At the end of 2009, the amount of retail deposits held by CTB was approximately \$545 million. Retail deposits provide another cost-effective alternative funding source to credit card securitization and broker deposits.

### **Securitization of Receivables**

CTB sells undivided co-ownership interests in a revolving pool of Canadian Tire and MasterCard credit card receivables (the "Receivables"), and the proceeds therefrom, to Glacier Credit Card Trust® ("GCCT"). CTB has agreed to carry out certain administrative and management activities for and on behalf of GCCT. CTB also acts as the seller and servicer of the ownership interest in the Receivables under a pooling and servicing agreement with GCCT. CTB has appointed Financial Services as sub-servicer of the ownership interest in the Receivables and sub-administrator under these agreements. Under these agreements, ownership interests in the Receivables are created and sold to GCCT in series. Each series ownership interest owned by GCCT entitles it to receive a share of future collections from the Receivables. The ownership interests in each series have terms, distribution dates, revolving periods, liquidation periods and amortization events which differ.

Under the pooling and servicing agreement, CTB, as servicer, is obligated to use its best efforts to service and administer the Receivables and the proceeds therefrom; accumulate all collections; make all required distributions, transfers and deposits; maintain records with respect to the credit card accounts and the Receivables; and report to the custodian and CTB at the times prescribed in the series purchase agreements.

GCCT is not owned or controlled by the Company, and as a result the financial statements of GCCT are not consolidated with those of the Company. GCCT's recourse in connection with the Receivables is generally limited to CTB's and Financial Services' earned and unearned income on the Receivables and any contractual recourse it may have against those entities in connection with their obligations as seller and servicer or sub-servicer of credit card accounts in the pool.

At the end of 2009, GCCT's undivided co-ownership interest in the pool of Receivables was approximately \$1.7 billion and GCCT had outstanding approximately \$1.6 billion of Senior and Subordinated Asset-Backed Promissory Notes and approximately \$163 million of Asset-Backed Commercial Paper. During 2009, \$625 million of five-year GCCT-issued Senior and Subordinated Asset-Backed Promissory Notes matured and were repaid in full by GCCT. In November 2008, GCCT repaid maturing Senior and Subordinated Asset-Backed Promissory Notes totaling \$570 million. In February 2008, GCCT issued Senior and Subordinated Asset-Backed Promissory Notes for gross proceeds of \$635 million, resulting in net proceeds of approximately \$630 million. In November 2007, GCCT repaid maturing Senior and Subordinated Asset-Backed Promissory Notes totalling \$473 million. GCCT participates in the Canadian asset securitization market through the use of commercial paper and issuance of medium term notes. Despite the ongoing challenges and uncertainty of the capital markets since August 2007, GCCT demonstrated success in accessing the securitization market in 2008 and in November 2009, increasing the amount of its outstanding commercial paper by \$100 million. CTB will continue to assess securitization market conditions and may initiate additional sales of ownership interests to GCCT so that GCCT can structure and bring to market new issues of asset-backed securities. The type of securities and number of issues offered will depend on various factors, including market demand; availability of sufficient and appropriate pools of credit card receivables to back the securities; overall financial market conditions; the activities of competitors; and the cost of alternative financing and related services.

Late in 2010, GCCT term notes of \$365 million will mature, which will result in a corresponding increase in receivables at Financial Services, unless GCCT issues new term notes as the existing series matures.

GCCT is a reporting issuer and information prepared by it, which information is not incorporated by reference into the continuous disclosure of the Company, may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

In May 2008, Financial Services re-purchased a securitized portfolio of personal loan receivables of \$43.7 million from a third-party trust and as a result of this purchase, Financial Services owned 100% of its personal loan portfolio as of January 2, 2010.

### **Sale/Leaseback Transactions and Sales of Real Estate**

In August 2008, the Company completed the sale and leaseback of a Canadian Tire store in Ottawa (Ontario) for proceeds of \$40 million. During September 2008, the Company completed the sale and leaseback of a portfolio of 12 properties for proceeds of \$174 million. Each of the 12 properties in the portfolio includes a recently constructed or expanded Canadian Tire store. Six of the sites also feature a Mark's store. These stores are located in Ontario, Quebec, Nova Scotia, Alberta and British Columbia and together, the properties total approximately 996,000 square feet of gross leaseable area.

The Company will continue to selectively consider opportunities to monetize real estate assets including Canadian Tire stores and the Montreal Distribution Centre.

## **3. Description of the Business**

### **3.1 Canadian Tire Retail**

CTR, a division of the Company, is one of Canada's most shopped general merchandise retailers. CTR offers consumers approximately 114,500 SKUs of auto parts and accessories, sports and leisure products and home products through Canadian Tire stores located throughout Canada which are operated by independent third-party operators known as Dealers. CTR supports Dealers with marketing, supply chain management, purchasing and administrative, financial and information services. Real estate and construction services required by the Company are primarily provided by CTREL. Dealers are retailers who own the fixtures, equipment and inventory of the Canadian Tire stores they operate. There are 479 Canadian Tire stores operated by 472 Dealers.

A description of various business functions and elements of CTR is set out below. Further information as to recent and proposed activities of CTR is included in section 5.3.1 (Canadian Tire Retail) of the MD&A in the Company's 2009 Financial Report.

#### **3.1.1 *Marketing***

The marketing functions of CTR encompass the planning and co-ordination of the presentation and offering of products to the consuming public. The marketing department of CTR is engaged in a broad range of activities that includes advertising and promotional programs; customer loyalty programs; market research; and various ancillary marketing support services.



The products sold at Canadian Tire stores are primarily those of nationally known manufacturers or suppliers. Over 27% of retail sales at Canadian Tire stores are comprised of products marketed under brand names controlled by Canadian Tire, which brand names are either owned or licensed by the Company. CTR proposes to launch additional products under such brand names in selected product categories in the coming years. CTR's purchasing activities are centralized at its home office in Toronto (Ontario) except for representative offices maintained and operated by the Company which assist CTR in the acquisition of products in markets outside Canada.

To achieve a high level of consumer acceptance of Canadian Tire products, CTR controls the products sold by Dealers and their related warranties and after-sale service policies and sets the maximum prices to be paid by consumers for such products. Consumer acceptance is also enhanced by the Dealers' adoption of Canadian Tire concepts in merchandising, store fixturing and other operational procedures. In addition, the involvement of the Company in site selection, construction, maintenance and store planning has contributed significantly to the consistency of the presentation of the Canadian Tire image to consumers.

The Company's [www.canadiantire.ca](http://www.canadiantire.ca) website has become a significant source for consumers for product information, providing broad access to information about the CTR assortment, including up-to-date product features, benefits and pricing. As of March 11, 2010, over 30,000 product descriptions were posted on the Company's website.

CTR, in conjunction with the Dealers, also builds customer awareness and traffic in Canadian Tire stores by distributing weekly promotional flyers; electronic "flyers" available over the internet; radio, television, newspaper, magazine and internet advertising; and event sponsorship. The weekly Canadian Tire flyer is one of the Company's most significant sales drivers and is one of Canada's most highly read flyers, with delivery to over 11 million households each week.

A unique feature of Canadian Tire's marketing program is the issuance of its well known Canadian Tire 'Money'® awards, which are given to customers paying by cash, cheque, debit card, traveller's cheque, Canadian Tire gift card or Canadian Tire 'Money' award at Petroleum outlets and Canadian Tire stores. At the end of 2009, the Company introduced the first-ever limited edition Canadian Tire 'Money' \$1 coin, a special promotional coin manufactured by the Royal Canadian Mint, followed by a series of unique coins in early 2010. The Canadian Tire 'Money' awards may be used as a cash substitute for future purchases of merchandise and services at Canadian Tire stores.

The Canadian Tire 'Money' on the Card® loyalty program provides electronic-based Canadian Tire 'Money' awards to customers who use the Canadian Tire Options and Canadian Tire retail credit cards to purchase merchandise and services at Canadian Tire stores and Petroleum outlets. For customers who use a Canadian Tire Options credit card, Canadian Tire 'Money' on the Card is also earned on world-wide purchases of goods and services at other places where such cards are accepted. Canadian Tire 'Money' on the Card entitles the holders to redeem the 'Money' awards on future purchases of merchandise and services at Canadian Tire stores.

### 3.1.2 *Distribution and Supply Chain*

CTR's supply chain ("Supply Chain") is responsible for managing the flow of information and goods among approximately 2,650 sources of supply, 479 Canadian Tire stores and 87 PartSource branded stores across Canada. Supply Chain uses a number of distribution channels, facilities and modes of transportation. Supply Chain involves most aspects of product replenishment and product information flow at Canadian Tire.

During 2009, approximately 154 million cube of merchandise were shipped to Canadian Tire stores and PartSource stores by CTR and third party service providers. Most of CTR's products are distributed through the A.J. Billes Distribution Centre and the Brampton Distribution Centre (both operated by the Company) and the Montreal Distribution Centre and the Calgary Distribution Centre (both operated by GENCO Distribution System of Canada, Inc. ("GENCO") on the Company's behalf). Approximately 1,290 full-time equivalent employees are employed at the two Company-run facilities. CTR also engages other third party logistics companies to provide distribution capability in Toronto, Halifax and Vancouver. CTR utilizes additional space that it owns or leases primarily for product storage and returns processing.

The A.J. Billes Distribution Centre is a 1.2 million square foot facility located in Brampton (Ontario). The facility includes a computer-controlled pick-to-conveyor sortation system using bar code identification; a computer-driven, facility-wide in-floor towline system with radio frequency identification and tracking of carts; and an automated storage and retrieval system.

The Brampton Distribution Centre, which is also located in Brampton (Ontario), comprises 1.4 million square feet. The centre has interrelated processing areas for efficient flow of pallet loads and bulk product through receiving, picking and shipping functions.

The Calgary Distribution Centre is an approximately 950,000 square foot distribution facility in southeast Calgary (Alberta). The site, operated by GENCO, ships product to over 150 Canadian Tire stores in Western Canada.

In January 2009, CTR opened the Montreal Distribution Centre, a 1.5 million square foot distribution centre in Coteau-du-Lac (Quebec) that is one of the largest facilities of its kind in Canada. The facility is capable of supporting future sales growth at CTR and its opening enabled the closure of smaller third-party facilities in Quebec and Ontario. In January 2009, CTR signed a five year agreement with GENCO to operate this facility.

To facilitate the prompt distribution of its products, CTR owns or leases approximately 2,326 trailers, 3,955 chassis and 5,476 intermodal containers. CTR uses various modes of transportation, including common carriers and railway transit, to facilitate inbound and outbound deliveries on a timely basis throughout its network.

To support growth in automotive hard parts sales and service, CTR opened two auto parts distribution centres during 2002 (one in Calgary and one in Montreal) and an additional auto parts distribution centre in Vaughan, Ontario in 2003. These three distribution centres, known as Express Auto Parts distribution centres, provide overnight order processing six nights per week for nearly all Canadian Tire and PartSource stores, and provide order delivery to most store locations within 24 to 48 hours from receipt of an order. CTR has entered into an agreement with an automotive parts vendor to supply Canadian Tire stores and PartSource stores with emergency auto parts not stocked within CTR's overall product assortment. The agreement expires in 2011.

### 3.1.3 *Canadian Tire Stores and Canadian Tire Dealers*

Fundamental to the success of the Company are Canadian Tire stores, which are well-known retail outlets and automotive service centres. Canadian Tire stores are easily identified by the Canadian Tire name and trade mark and have established a strong reputation and high recognition throughout the communities served. Substantially all Canadian Tire stores contain service bays for automobiles, providing a significant revenue source for Dealers as well as an outlet for auto part sales. The Company has attempted to create a distinctive image for Canadian Tire stores: that of retailers offering a balanced and interesting assortment of many staple and seasonal automotive, sports and leisure and home products.

A contractual arrangement between the Company and individual Dealers permits Dealers to own and operate the retail business of Canadian Tire stores under the Canadian Tire name. In order to provide controls on the quality, range and price of products and services offered at Canadian Tire stores, each Dealer agrees to purchase merchandise primarily from the Company and to offer merchandise for sale at prices not exceeding those set by the Company. Each Dealer agrees to exert his or her best efforts personally to ensure the operation of his or her Canadian Tire store at its maximum capacity and efficiency and that he or she will comply with the policies, marketing plans and operating standards prescribed by CTR. These obligations are specified under standard form individual Dealer contracts, all of which expire on June 30, 2014 (subject to a renewal term).

During 2004, the Company reached an agreement with representatives of its Dealers on the form of contract to be signed by individual Dealers. The financial terms of each contract became effective at the beginning of the third quarter of 2004. Each individual contract extends for 10 years (subject, as set forth above, to a renewal term). The form of contract provides important strategic, financial and operational changes intended to benefit CTR's earnings and to enable the Dealers to grow their businesses. This arrangement provides enhanced clarity and specificity to the rights and obligations of the Company and the Dealers. In particular, the contract clarifies the rights of a Dealer when the Company closes or relocates a store and the extent to which the Company can compete with a Dealer through the introduction of new Canadian Tire stores, PartSource stores or other businesses that have a significant overlap with a Dealer's business. The contract also specifies how disputes between Dealers and the Company are to be resolved.

During 2007, the Company reached an agreement with representatives of its Dealers on certain amendments to the form of contract signed by individual Dealers. Such amendments include financial adjustments dealing with cost-sharing of marketing expenses, shared savings from store-based energy initiatives, participation in the growth of Dealer profits and certain other important financial and operational adjustments. In addition, as described under the heading "Canadian Tire Automotive" in section 2.1.4, the Company and the Dealers have agreed to support a new major automotive infrastructure project to reinforce the Company's leadership position in its cornerstone automotive business.

A policy of the Company is to offer new Dealers smaller volume, entry level Canadian Tire stores and, based upon successful operation of their Canadian Tire stores, to offer them larger volume locations from time to time pursuant to the Dealer mobility system. This policy provides an advancement opportunity for Dealers and therefore tends to encourage them to strive for superior performance. The Canadian Tire store concept combines the flexibility of an independent business with the advantages of a central marketing and purchasing organization.

The combined experience of Dealers provides individual Dealers, directly or through the Company, with a valuable source of assistance and guidance in all phases of store operations. Also, by combining their efforts, a number of Dealers with the same objectives or issues are often able to conduct programs, study issues and undertake expenditures not practicable on an individual basis.

A financing program has been established to provide an efficient and cost effective way for Dealers to access the majority of the financing they require for their store operations with specified support from the Company. This financing program is described in section 13.2 (Trust financing for Dealers) of the MD&A in the Company's 2009 Financial Report.

The distribution of the 479 Canadian Tire stores by province and territory is indicated below:

<b><u>Province or Territory</u></b>	<b><u>Number of Canadian Tire stores</u></b>
British Columbia	51
Alberta	50
Saskatchewan	14
Manitoba	14
Ontario	200
Quebec	95
New Brunswick	18
Nova Scotia	21
Prince Edward Island	2
Newfoundland and Labrador	12
Yukon	1
Northwest Territories	1

The retail selling space of Canadian Tire stores ranges from approximately 3,200 square feet to approximately 88,500 square feet. At the end of 2009, the total area of retail space for all Canadian Tire stores was approximately 19 million square feet.

#### 3.1.4 *Dealer Relations*

The Company's Dealer Relations department includes the Dealer Finance Group, which is responsible for monitoring both the operational and financial performance of Dealers. Dealer Finance manages Dealer changeovers, the Dealer mobility system and the Dealer performance audit process. Dealer Development and Learning is another group within Dealer Relations, and is responsible for sourcing, selecting, developing and training new Dealers.

Further information concerning Dealers is set out under the heading "Canadian Tire Stores and Canadian Tire Dealers".

#### 3.1.5 *Store Support and Operations*

CTR's Store Support and Operations group is comprised of three integrated teams that work with Dealers and other functional areas to improve the customer experience at store level. The core functions of this division include retail concept design and implementation; in store execution and store performance coaching; providing a central communication hub for Dealers; product and program introduction; and store operational support.

#### 3.1.6 *PartSource*

PartSource is a chain of automotive parts specialty stores that offer brand-name auto parts targeted to medium to heavy "do-it-yourselfers", automotive enthusiasts and commercial installers who do not typically purchase their automotive parts needs at a Canadian Tire store. PartSource stores that are not Hub Stores typically comprise over 7,200 square feet and offer a selection of approximately 15,000 brand name auto parts and accessories, with access to tens of thousands of additional products generally available on a same-day basis. PartSource stores are conveniently located, feature competitive pricing and are generally staffed by expert auto parts professionals. Product assortment at PartSource stores is tailored to regional variations in ages and types of vehicles. PartSource stores also feature many value-added services such as loan-a-tool programs, brake drum and rotor turning and "look-up" systems to locate make and model-specific repair instructions. There are 87 PartSource stores in operation, comprised of 26 franchise stores and 61 corporate stores.

### 3.2 Mark's Work Wearhouse Ltd.

Mark's is a chain of 378 stores across Canada that offers casual and industrial clothing and footwear to men and women for work and leisure and operates as a separate business unit of the Company. Mark's operates under the name "L'Équipeur®" in Quebec and also conducts a business-to-business operation under the name "Imagewear, a Division of Mark's Work Wearhouse™".

A wholly-owned subsidiary of the Company, Mark's is one of the largest specialty apparel retailers in Canada. Mark's offers primarily men's and women's clothing, footwear and accessories for casual, business casual and industrial work environments, as well as for recreational use or relaxation. Mark's is a market leader in the retailing of men's industrial apparel and industrial footwear, and is a significant presence in the retailing of men's casual apparel and footwear. In recent years, Mark's has also built a market position in women's casual apparel and footwear. In addition, Mark's offers assortments of health care industry and business-to-business apparel. Mark's has established private labels including WindRiver®, Denver Hayes® and Dakota® that have achieved market share in excess of many national brands. Mark's operates 375 stores under the Mark's Work Warehouse banner ("L'Équipeur" in Quebec) and three stores under the Work World banner.

During 2004, in six small market locations in Western Canada and Ontario, Mark's and CTR tested combination stores with a Mark's store and a Canadian Tire store under one roof. In these test stores, a Dealer operates the Canadian Tire store and Mark's operates its outlet as a corporate store to create a one-stop shopping experience for hard goods, apparel and footwear. The objective of these combination stores is to bring the high customer traffic of a Canadian Tire store directly to a Mark's store and to lower on-site construction costs when both stores conduct business in the same location. As a result of early successes, the process continued with the opening of five combination stores in 2005, 12 in 2006, nine in 2007 and 14 in 2008. During 2009, eight more Mark's stores that are integrated with CTR stores were built. At the end of 2009, the total number of these integrated stores that were open for business was 52.

Mark's engages a third-party logistics company to transport its product shipments from its two distribution centres to its stores and to transport most of its product shipments directly to its stores from domestic suppliers. The same third-party logistics company operates both Mark's distribution centres in Calgary (Alberta) and Brampton (Ontario) pursuant to an outsourcing arrangement with Mark's. Both distribution centre facilities are leased to Mark's by third-party lessors. The Brampton location continues to operate in its 182,300 square foot facility while the Calgary facility was relocated from its 125,500 square foot facility to a new, larger 186,500 square foot facility over the December 2008 to January 2009 timeframe. The movement of goods from off-shore suppliers to these two distribution centres is managed by Mark's supply chain mostly through CTR's network of third-party logistics companies. Mark's also receives domestic transportation services from other third-party logistics companies.

### 3.3 Petroleum

Petroleum is one of Canada's largest independent retailers of gasoline. It is responsible for the operation of 272 retail gas bars located in nine provinces, 141 of which are in Ontario and 58 of which are in Quebec. Of these locations, 11 include separate facilities for vehicle lubrication services, 73 include car washes and 88 supply propane. Petroleum outlets also sell convenience products to the public.

All of Petroleum's gas bars are operated by independent agents pursuant to agreements governing the sale of petroleum products using the Canadian Tire name and logo.

Petroleum is in the process of upgrading, replacing and expanding its network of outlets. Petroleum opened three new gas bars during 2009, and plans to expand its network in 2010 by opening two new gas bars. In 2009, Petroleum also refurbished or replaced 11 sites, while closing four gas bars. Petroleum plans to refurbish or replace approximately 15 sites in 2010.

As set forth in section 2.1.8 above, Petroleum has a strategy of re-branding competitor gas bars. This initiative builds upon Canadian Tire's customer value proposition and Petroleum's industry-leading customer traffic count to help drive higher gasoline volumes at these sites. At the end of 2009, Petroleum's gas bars included 37 re-branded sites.

In 2009, Petroleum added four new convenience stores. There are a total of 267 convenience stores at the 272 gas bars operating under the Canadian Tire banner and Petroleum expects that new gas bars will continue to feature an associated convenience store.

For each of the years ended December 31, 2009 and 2008, the sale of petroleum to end consumers by Petroleum accounted for approximately 16.85% and 19.94% of the Company's total consolidated revenues, respectively.

Further information concerning Petroleum's strategy is included in section 5.3.3 (Canadian Tire Petroleum) of the MD&A in the Company's 2009 Financial Report.

### 3.4 Real Estate and Construction

Commencing in the late 1950s, as the cost of suitable premises became too great for most new Dealers to finance on their own, the Company became increasingly involved in the ownership and leasing of premises which, in turn, are generally licensed to Dealers. The premises occupied by 476 of the 479 Canadian Tire stores, including all of the newer and larger stores, are licensed by the Company to Dealers. Three of the stores are leased by Dealers from third-party lessors. The Company has the right to assume the tenancy under these leases if there is a default by the Dealer. Of the premises licensed to Dealers by the Company, the Company owns 351 and leases 125 from third parties.



The Company is involved in many aspects of the establishment of premises used for Canadian Tire stores, PartSource stores, Petroleum outlets and Mark's stores. In addition, the Company secures distribution centres and office space to support its various businesses. These functions include the identification and leasing or acquisition of real estate suitable for new, replacement or expanded stores; the design and development of stores; property management and maintenance of completed stores; and various accounting and administrative matters related to the ownership and leasing of the premises. In addition to the properties licensed to Dealers, the Company (including Mark's) owns or leases from third parties most property upon which PartSource stores, Petroleum outlets and Mark's stores are built.

The Company also undertakes the sale, lease, redevelopment or redevelopment and sale of property that it owns when such property is identified as surplus to the Company's needs.

Information concerning the sale and leaseback of certain properties in 2008 is set out under the heading "Financing of the Company".

### 3.5 Canadian Tire Financial Services Limited, Canadian Tire Bank and CTFS Bermuda Ltd.

Financial Services markets a range of Canadian Tire-branded credit cards, including the Canadian Tire Options MasterCard and the Canadian Tire Options Visa, Cash Advantage MasterCard, Vacation Advantage MasterCard, Gas Advantage MasterCard, Curve MasterCard and GoPlay MasterCard. Financial Services also offers personal loans, lines of credit, insurance and warranty products and an emergency roadside assistance service called Canadian Tire Roadside Assistance®. CTB, a wholly-owned subsidiary of Financial Services, is a federally regulated bank that manages and finances Canadian Tire's consumer MasterCard, Visa and retail credit card portfolios, as well as the personal loan and line of credit portfolios. CTB also markets high-interest savings accounts, tax-free savings accounts and GICs and offers GICs through third-party brokers.

As noted above, Financial Services markets various insurance products to Canadian Tire customers. CTFS Bermuda Ltd. ("CTFS Bermuda"), a wholly-owned reinsurance subsidiary of Financial Services, reinsures the risk associated with creditor insurance and warranty coverages purchased by Canadian Tire MasterCard and retail card customers. Further information concerning CTFS Bermuda is set out under the heading "Canadian Tire Financial Services Limited and CTFS Bermuda Ltd.".

Information concerning Canadian Tire 'Money' on the Card is set out under the heading "Marketing".

### 3.6 Information Technology

The Company's Information Technology department provides systems development and support to the major functional areas of the Company, Dealers and distribution centres.

For many years, the Dealers have used point-of-sale scanners and terminals linked to in-store computers. These systems provide on-line access to store inventories and prices and several years of history about each SKU. The point-of-sale system is used to process credit card and debit card transactions and supports the Canadian Tire 'Money' on the Card loyalty program. The in-store system provides information which enables Dealers to maximize sales and margins and monitor service levels and costs. Orders are calculated and transmitted to Canadian Tire over a communications network which also sends new product and price data from Canadian Tire to Dealers. During 2005, the existing point-of-sale system was replaced with new point-of-sale hardware technology to better serve customers of Canadian Tire stores.

CTR's information systems are a complex set of integrated systems which process orders, monitor inventories and enable the distribution and transportation of goods across the supply chain. The Company continues to make progress in the design and implementation of powerful analytical capabilities to assist the buying and logistics functions. Business processes have been examined and redefined to make more efficient use of the information provided from Canadian Tire stores. Significant changes to the Company's information technology continue to be implemented so as to achieve the desired functions and processes that are key to future cost improvements.

Financial Services and Mark's each have technology departments that support their respective businesses. Although customer-facing technology is an internal responsibility, a majority of the information technology functions for Financial Services are outsourced. Financial Services uses Acxiom Corporation for data warehousing services in connection with analyzing customer data for the purposes of credit risk and marketing decisions, and Total System Services, Inc. to provide transaction processing services for its credit card business.

Mark's technology department is accountable for the support of existing technology and enabling new technology to support business strategies. Mark's uses a managed partner model for providing some IT services. HP Enterprises Services provides Mark's with managed information technology services for all infrastructure operations as well as application management, support and certain development technology and services, using a global services delivery model.

### 3.7 Employees

The number of full-time and part-time employees (excluding seasonal temporary help) of the Company is as follows:

	<u>Full-Time Employees</u>	<u>Part-Time Employees</u>
<b>CTR (including corporate head office and PartSource)</b>	<b>4,711</b>	<b>504</b>
<b>Financial Services</b>	<b>1,078</b>	<b>295</b>
<b>Petroleum</b>	<b>66</b>	<b>1</b>
<b>Mark's</b>	<b>1,432</b>	<b>1,741</b>

Collectively, the foregoing employees, together with the Dealers, Petroleum agents, PartSource franchisees, Mark's franchisees and their respective employees, number in excess of 58,000 individuals.

### 3.8 Business Development Initiatives

Canadian Tire will continue to identify and evaluate opportunities to enhance our growth and profitability in the near, medium and long terms. Our business development team is focused on identifying potential retail and retail-related business opportunities that leverage our core capabilities and fit within our existing network of businesses.

### 3.9 Competitive Conditions

#### 3.9.1 *Canadian Tire Retail*

Dealers compete against global, national and regional retailers in all major markets across Canada. There is no single organization or type of business that competes directly with all product categories of Canadian Tire stores, although several competitors are in one or more of the product categories in which the stores operate. These competitors, a number of which are high volume internationally-based retailers, include department stores, discount stores and specialty marketers of automotive products and services, hardware, housewares, sporting goods, building supplies and seasonal products.

Canadian Tire stores hold strong market share positions in many of the product categories in which they do business, with particular strength in automotive, hardware and kitchen lines and certain seasonal and sporting goods categories. On a geographic basis, the market share of the stores is strongest in Central and Eastern Canada with greater market share growth opportunity in the western provinces and Quebec.

Competitors of PartSource include several national, regional and local auto parts retailers and distributors. PartSource is competing on the basis that it has a unique price, product and service offering to its particular target markets.

Additional information on CTR's competitive position and certain initiatives designed to maintain and enhance such position is provided in sections 5.3.1.1 (2009 Strategic Plan performance) and 5.3.1.4 (Business trends) of the MD&A in the Company's 2009 Financial Report.

### 3.9.2 *Mark's Work Warehouse Ltd.*

Mark's is one of the largest retailers in Canada for work, safety and industrial apparel and footwear, and competes against many retailers of casual and business casual apparel and footwear. These retailers include department stores, discount stores, sporting goods outlets and other specialty apparel stores, many of which are large U.S. or internationally based retailers.

Mark's has addressed the challenges of this competition by continually developing and introducing new products to enhance product selection for its customers, by offering products across most price points and by offering its customers different shopping locations in power centres and strip malls.

Additional information on Mark's competitive position and certain initiatives designed to maintain and enhance such position is provided in sections 5.3.2.1 (2009 Strategic Plan performance) and 5.3.2.4 (Business trends) of the MD&A in the Company's 2009 Financial Report.

### 3.9.3 *Petroleum*

Petroleum competes with other gas bars, convenience stores and car washes. Petroleum sells approximately twice as much gasoline per site as the Canadian industry average, primarily because of the attractiveness of the Canadian Tire 'Money' and Canadian Tire 'Money' on the Card loyalty programs. Customer traffic is also positively impacted by the success of Petroleum's cross-merchandising programs with Canadian Tire stores, its partnership with Financial Services in connection with the Gas Advantage MasterCard, and the quality of Petroleum's customer service. Petroleum's core objective is to drive traffic and sales at CTR and receivables growth at Financial Services while generating net earnings.

Petroleum's contribution to the Company's profitability is dependent upon its gasoline margins. While the continual price and cost volatility of gasoline makes both revenue and earnings hard to predict, Petroleum has adopted strategies to increase volume and tighten cost controls in order to improve earnings over the long term. Petroleum's business model for gas bar operations (consisting of industry-standard agent-operated gas bar sites and access to Canadian Tire's extensive infrastructure in advertising and real estate) is a key element of Petroleum's initiatives to increase its network of high-volume, efficient gas bars.

Petroleum currently sources its fuel from three leading Canadian refiners at competitive prices and has one primary supplier and two ancillary suppliers. Petroleum's primary supply contract is due for renewal at the end of 2010 and Petroleum believes that it will maintain consistent fuel supply at competitive prices beyond such period.

Additional information on Petroleum's competitive position and certain initiatives designed to maintain and enhance such position is provided in sections 5.3.3.1 (2009 Strategic Plan performance) and 5.3.3.4 (Business trends and economic outlook) of the MD&A in the Company's 2009 Financial Report.

#### 3.9.4 *Canadian Tire Financial Services Limited*

The Canadian Tire MasterCard and Visa cards issued by CTB compete with other general purpose credit cards issued by banks and other financial institutions in the highly regulated and competitive Canadian bank card market.

The total Canadian bank card market (which is comprised of all MasterCard and Visa branded credit cards as reported by the Canadian Bankers Association) has grown consistently over the past five years, offering an attractive growth opportunity despite intense competition. While Canada's major banks are the market leaders, U.S.-based credit card issuers are gaining market share and are redefining customer expectations. With the increasing number of credit cards available, consumers are looking for relationships with organizations that offer good value, exceptional service and programs that reward them for their loyalty. Growth of the credit card portfolio and the continued strength of the Canadian Tire brand provides an opportunity to grow the number of credit card customers that have one or more of our ancillary products and services.

The Canadian Tire personal loan, line of credit and deposit products compete with other comparable products offered by banks and other financial institutions, and are issued on terms and conditions that are competitive with such other products.

Financial Services offers a number of insurance and warranty products to Canadian Tire customers. As a result of its strong customer service and in-store customer acquisition channels, Financial Services has achieved a leading position in terms of percentage of credit card customers enrolled in insurance and warranty products. Strong enrollment and retention programs are the key factors contributing to this performance. These traditional relationships serve to strengthen overall customer loyalty to Canadian Tire and continue to contribute meaningfully to profitability.

Additional information on Financial Services' competitive position and certain initiatives designed to maintain and enhance such position is provided in sections 5.3.4.1 (2009 Strategic Plan performance) and 5.3.4.6 (Business trends) of the MD&A in the Company's 2009 Financial Report.

3.10 Business Seasonality of Canadian Tire Retail and Mark's Work Wearhouse Ltd.

CTR derives a significant amount of its revenues from the sale of seasonal merchandise and, accordingly, bears a degree of sales volatility from abnormal weather patterns. CTR mitigates this risk, to the extent possible, through the breadth of our product mix as well as effective procurement and inventory management practices. Similarly, Mark's business remains very seasonal. Detailed sales reporting and merchandise planning modules assist Mark's in mitigating the risks and uncertainties associated with unseasonable weather and consumer behaviour during the important Christmas selling season, but cannot eliminate such risks completely because inventory orders, especially for a significant portion of merchandise purchased offshore, must be placed well ahead of the season.

The Company experiences quarterly fluctuations in revenues with the strongest results typically in the second and fourth quarters (subject to unusual fluctuations as a result of atypical weather), primarily due to the seasonal nature of some merchandise at CTR and Mark's and the timing of marketing programs.

The following tables show the quarterly financial performance of CTR and Mark's over the last two years.

<b>CTR's quarterly results</b>										
(\$ in millions)	<b>Q4 2009<sup>(2)</sup></b>	<b>Q3 2009<sup>(2)</sup></b>	<b>Q2 2009<sup>(2)</sup></b>	<b>Q1 2009<sup>(2)</sup></b>	<b>2009<sup>(2)</sup></b>	<b>Q4 2008<sup>(1)</sup></b>	<b>Q3 2008<sup>(1)</sup></b>	<b>Q2 2008<sup>(1)</sup></b>	<b>Q1 2008<sup>(1)</sup></b>	<b>2008<sup>(1)</sup></b>
Gross operating revenue	\$ 1,494.4	\$ 1,408.5	\$ 1,550.0	\$ 1,099.3	\$ 5,552.2	\$ 1,636.4	\$ 1,399.3	\$ 1,562.1	\$ 1,071.3	\$ 5,669.1
Earnings before income taxes	\$ 38.0	\$ 95.6	\$ 95.2	\$ 32.8	\$ 261.6	\$ 26.7	\$ 94.0	\$ 85.1	\$ 43.6	\$ 249.4
Percentage of full year gross operating revenue	26.9%	25.4%	27.9%	19.8%	100.0%	28.9%	24.7%	27.5%	18.9%	100.0%
Percentage of full year earnings before income taxes	14.5%	36.6%	36.4%	12.5%	100.0%	10.7%	37.7%	34.1%	17.5%	100.0%

<b>Mark's quarterly results</b>										
(\$ in millions)	<b>Q4 2009<sup>(2)</sup></b>	<b>Q3 2009<sup>(2)</sup></b>	<b>Q2 2009<sup>(2)</sup></b>	<b>Q1 2009<sup>(2)</sup></b>	<b>2009<sup>(2)</sup></b>	<b>Q4 2008<sup>(1)</sup></b>	<b>Q3 2008<sup>(1)</sup></b>	<b>Q2 2008<sup>(1)</sup></b>	<b>Q1 2008<sup>(1)</sup></b>	<b>2008<sup>(1)</sup></b>
Gross operating revenue	\$ 340.3	\$ 164.2	\$ 182.2	\$ 147.1	\$ 833.8	\$ 355.7	\$ 168.6	\$ 200.6	\$ 147.5	\$ 872.4
Earnings (loss) before income taxes	\$ 63.1	\$ (3.8)	\$ 7.1	\$ (4.9)	\$ 61.5	\$ 71.2	\$ (0.1)	\$ 7.3	\$ (3.4)	\$ 75.0
Percentage of full year gross operating revenue	40.8%	19.7%	21.9%	17.6%	100.0%	40.8%	19.3%	23.0%	16.9%	100.0%
Percentage of full year earnings before income taxes	102.6%	(6.2)%	11.5%	(7.9)%	100.0%	94.9%	(0.1)%	9.7%	(4.5)%	100.0%

(1) The 2008 figures have been restated for the implementation, on a retrospective basis, of CICA HB 3064 - Goodwill and Intangible Assets and amendments to CICA HB 1000 - Financial Statement Concepts. Please refer to note 1 in the Annual Consolidated Financial Statements in the Company's 2009 Financial Report.

(2) Fiscal 2009 gross operating revenue and earnings (loss) before income taxes are based on a 13-week period for the fourth quarter and a 52-week period for the year, compared to 14-weeks for the fourth quarter in 2008 and 53-weeks for the year in 2008.

### 3.11 Environmental Protection

Canadian Tire has established policies and procedures for environmental management and compliance. Environmental protection requirements related to the business of Canadian Tire do not have and are not expected to have a significant financial or operational effect on the capital expenditures, earnings or competitive position of Canadian Tire during the current year. Additional information about our environmental risks can be found under sections 5.3.1.5 (Business risks – CTR) and 5.3.3.5 (Business risks – Petroleum) of the MD&A in the Company's 2009 Financial Report and section 3.16 of this Annual Information Form.

### 3.12 Intangible Properties

Canadian Tire has established procedures to protect the trade marks which are material to the business carried on by it, including the trade mark Canadian Tire®, the design presentations associated with that trade mark and a number of trade marks identified with Canadian Tire's retail brand products. Protection of the Canadian Tire® trade mark and associated design presentations is highly important to Canadian Tire. Other trade marks and intellectual property rights associated with Canadian Tire's retail brand products, Financial Services, Petroleum, PartSource and Mark's are considered to be important assets of Canadian Tire and are defended vigorously where appropriate. Canadian Tire licenses the use of certain trade marks to Financial Services, CTB and certain other entities.

Canadian Tire owns a number of domain names, which generally reflect its trade marks and related slogans. The domain names are used in connection with Canadian Tire's electronic commerce business.

The registrations for Canadian Tire's trade marks and domain names are renewable. Procedures are in place to ensure timely renewals.

CTB has license agreements with MasterCard International and Visa Canada Corporation that permit CTB to use the MasterCard and Visa trade marks in connection with its Canadian Tire MasterCard and Visa credit card businesses.

### 3.13 Foreign Operations

For Mark's and CTR, foreign-sourced products are increasingly important. Ease of access to suppliers outside North America and an appropriate infrastructure for moving goods and information are required to successfully execute foreign sourcing strategies. In particular, Asia has become a critical source of competitively priced products and product innovation. The Company operates offices in Hong Kong, Shanghai and Taipei that provide import sourcing expertise and access to foreign manufacturers for CTR, and are important contributors to driving overall business growth. These offices deploy capabilities across many aspects of the sourcing process including managing product flow, product quality and vendor selection and management for CTR.

#### 3.13.1 *Canadian Tire Retail*

In 2009, approximately 40% of the value of CTR's inventory purchases was sourced directly from vendors outside North America. CTR uses internal resources and third-party logistics providers to manage supply chain technology and the movement of foreign-sourced goods from suppliers to the Company's Canadian distribution centres and to Canadian Tire stores.

Like other retailers who source products internationally, CTR is exposed to risks associated with foreign suppliers which can include, but are not limited to, currency fluctuations; the stability of manufacturing operations in other countries; and transportation and port disruptions. CTR also uses internal resources and third-party quality assurance providers to proactively manage product quality with vendors in the foreign sourcing regions. The Company believes that its business practices are appropriate to mitigate the risks referenced in this section.

#### 3.13.2 *Mark's Work Warehouse Ltd.*

In 2009, approximately 35% of the value of Mark's inventory purchases was sourced directly from vendors outside North America, primarily from Asia. Mark's also acquires merchandise from outside North America through domestic vendors. Mark's engages the same third-party logistics providers as CTR to manage supply chain technology and movement of goods for most of the product sourced by Mark's in Asia. As with CTR, the Company believes that Mark's business practices are appropriate to mitigate risks associated with supply from Asia. In addition, Mark's has the capacity to source some comparable merchandise from alternate areas including Mexico and Europe as well as from domestic and U.S. manufacturers.



3.13.3 *Canadian Tire Financial Services Limited and CTFS Bermuda Ltd.*

Financial Services engages Acxiom Corporation for data warehousing and Total System Services, Inc. for data processing functions. Both of these companies are based in the United States. Total System Services, Inc. is required by contract to have in place disaster recovery services in order to provide effective services in the event of a systems failure.

Financial Services owns CTFS Bermuda, a Bermuda resident reinsurance company which is regulated by the Bermuda Monetary Authority. CTFS Bermuda has entered into reinsurance agreements with two insurers with significant Canadian operations that offer insurance products to Canadian Tire customers. Management of CTFS Bermuda has retained established and reputable actuarial and administrative service organizations to assist in the evaluation of the portfolio's risk and management of CTFS Bermuda's operations, and the Company is of the view that this risk is appropriately managed.

3.14 Economic Dependence

The Company has a standard form individual contract with all of the 472 Dealers who operate the 479 Canadian Tire stores, each of which expires on June 30, 2014 (subject to a renewal term). The Company is not dependent upon any one of these contracts with any Dealer.

3.15 Lending

The Company arranges for short-term and medium-term loans to, from and between its subsidiaries at market rates.

The Company's short-term investments are restricted to Canadian and U.S. government guaranteed securities and high quality commercial paper, including certain bank sponsored asset-backed commercial paper issuers, money market funds, pension funds and preferred shares.

CTB's lending activities in connection with the Canadian Tire MasterCard and Visa credit cards, personal loans and line of credit loans are governed by risk management policies and systems that use customer credit behaviour information to approve customer applications, assign credit limits and manage the credit relationship. The customer base is well diversified and limits for exposure to geographic areas have been established.

CTB has established policies which limit investment to highly rated money market and debt instruments with maturities of five years or less. Reference is made to section 8.1.4 (Asset-backed commercial paper) of the MD&A in the Company's 2009 Financial Report for further information about the asset-backed commercial paper held by the Company.

### 3.16 Social and Environmental Policies

Canadian Tire integrates responsible, sustainable business practices into its values, operations and strategy. Annually, the Company allocates funds for social investments, with a corporate donations policy in place to guide the allocation process. The Company supports a variety of social causes but the largest single beneficiary is Canadian Tire Jumpstart Charities. Jumpstart was established in 1992 as an independent charitable organization under the name “Canadian Tire Child Protection Foundation”, whose mandate was to bring attention to and support child safety and protection programs. This mandate was later broadened to respond to the changing needs of the community. In 1999, the Foundation was renamed the “Canadian Tire Foundation for Families” and a renewed emphasis was placed on helping children and families. Today the charitable foundation is called “Canadian Tire Jumpstart Charities”, named after its signature program, Canadian Tire Jumpstart, and it continues to build its legacy of supporting community based programs that give a boost to financially challenged families across Canada. The Jumpstart program helps children in financial need gain the life benefits associated with participating in organized sport and recreation programs. The program covers costs such as registration fees, transportation and equipment. National in scope but local in focus, Jumpstart is delivered through 290 community chapters across Canada. Chapters are made up of Canadian Tire Dealers and community partners who work to ensure that Jumpstart funding gets help to the children who need it most.

The implementation of the corporate donations policy is the responsibility of the President and Chief Executive Officer and is governed by the Social Responsibility Committee of the Board of Directors.

The Canadian Tire Supplier Code of Business Conduct (the “Supplier Code”) sets out the principles and practices of ethical business conduct that the Company expects of its suppliers of goods and services. Expectations include supplier workplace standards and business practices relating to matters such as working hours, human rights, discrimination and forced labour, safe and healthy work environments, environmental protection and other concerns such as unlawful payments. The officers who lead the Company’s business units and corporate support groups are responsible for ensuring that they obtain certification of adherence to the Supplier Code requirements from suppliers with whom they do business. Compliance with the Supplier Code is monitored through periodic assessments of suppliers, including third-party audits where appropriate. Oversight responsibility for the Supplier Code has been delegated by the Board of Directors to the Audit Committee. The Company also has an internal Code of Business Conduct (the “Code of Business Conduct”) which addresses the ethical business standards and expectations of its directors, officers and employees in relation to compliance with all laws and commitment to integrity, honesty and respect when dealing with each other, business partners and communities. Oversight responsibility for the Code of Business Conduct has been delegated by the Board of Directors to the Audit Committee. The Company’s Risk Management Services department monitors compliance with both codes.

Copies of each of the above mentioned codes may be obtained without charge by contacting Canadian Tire Corporation, Limited, 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario, M4P 2V8, Attention: Palma Barbieri, Vice-President, Risk Management Services. The codes are also available at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### 3.16.1 *Corporate Social Responsibility*

During 2009, the Company continued with the execution of its Business Sustainability Strategy, the strategic objective of which is to drive profitability, manage risk and enhance environmental performance while encouraging product and service innovations to meet an evolving regulatory context as well as customer needs and expectations. The focus of the Business Sustainability Strategy is on three key areas:

- (i) Energy and Climate: includes eco-efficiency initiatives targeting facilities, logistics assets and associated business processes. The key benefits include enhanced energy productivity and a reduced carbon footprint of operations and products;
- (ii) Waste issues: includes a focus on packaging to reduce shipping damage (and returns), packaging volume and associated waste management and stewardship fees. These packaging initiatives also drive logistics efficiency by reducing energy consumption and the production of greenhouse gases ("GHGs");
- (iii) Product and Service Innovation: the focus of these initiatives is to target customer expectations and emerging needs such as energy and water efficiency initiatives, reduced toxicity and other issues related to sustainable design.

In 2009, the Company launched the Packaging Sustainability Network - a cross-functional working group involving several business units with a focus on packaging innovations. Its primary goal is to develop and implement packaging specifications and guidelines that promote:

- Reduced product damage, waste transportation costs and GHGs;
- Reduced material, energy use, waste and associated GHGs;
- Reduced packaging stewardship fees;
- Reduced cubic volume (packaging right-sizing) and associated transportation costs and GHGs;
- Increased shelf and labour productivity; and
- Increased recyclability and reusability.

In 2009, the Company launched a Buildings Sustainability Network with the following goals:

- Increase the energy productivity of existing buildings;
- Pilot and implement energy efficient building technologies;
- Develop successive iterations of high-efficiency stores, incorporating learning from technology pilots; and
- Prepare the real-estate assets and business process for a future state in which on-site energy generation and storage are integrated with a smart grid and internet-based building controls.

Additional information relating to Canadian Tire's sustainability initiatives may be found in section 2.1.5 of this Annual Information Form as well as the Canadian Tire 2009 Community and Business Continuity Report, posted on [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca).

### 3.16.2 *Environmental and Health and Safety Compliance*

The Company takes pride in ensuring a high standard of performance with respect to environmental and occupational health and safety legislative obligations. To ensure ongoing compliance with applicable laws and regulations and consistent practices across the organization, the Company has established environmental and occupational health and safety policies as well as an associated environmental health and safety ("EHS") program. The Company requires its Dealers, Mark's and PartSource franchisees and Petroleum agents to comply with all EHS laws and regulations applicable to their business operations and expects them to implement appropriate EHS programs.

Throughout 2009, the Company was actively involved with industry-funded associations including the Retail Council of Canada and its Quebec affiliate, the Conseil québécois du commerce de détail Environmental Committees, in order to stay abreast of environmental developments at industry and legislative levels.

With respect to implementation of the environmental and occupational health and safety policies, the Company's business units and corporate support groups undertook a number of initiatives in 2009 (as set forth below).

#### 3.16.2.1 *Canadian Tire Retail and PartSource*

In 2009, CTR diverted 56.2% (3,835 metric tons) of the waste from the Toronto area distribution facilities away from landfill to recycling. The waste materials included metal, wood, cardboard, plastic, stretch film and paper.

The Ontario Workplace Safety & Insurance Board (“WSIB”) recognized the Company’s above-average workplace health and safety performance in 2009 relating to lost time injury frequency. The WSIB granted a New Experimental Experience Rating (“NEER”) program rebate to the Company in support of its efforts to improve workplace health and safety and return to work programs. NEER is a key component of the WSIB’s workplace health and safety strategy.

In 2009, the Company continued to make product safety information for the chemical products it sells accessible to the public through web-based access to Material Safety Data Sheets (“MSDS”). MSDS provide workers and emergency personnel with the proper procedures for handling or working with a particular substance. This information is vital to emergency responders such as fire fighters, hazardous material crews, emergency medical technicians and emergency room personnel.

In 2009, PartSource retained a National Occupational Health and Safety Consultant to champion the occupational health and safety program at the retail level. The 2009 priorities included improving the processes for monitoring safety equipment, auditing and training personnel in the use of safety equipment and the implementation of a new workplace violence online training module. Store visits were conducted throughout the year by Regional Human Resources Consultants to ensure that all health and safety requirements were being met.

#### 3.16.2.2 *Mark’s Work Wearhouse Ltd.*

In 2007, Mark’s developed a new health and safety program aimed at enhancing corporate store compliance with applicable health and safety legislative requirements. District Managers report quarterly to the Mark’s corporate office on the status of this program in the field and report any deficiencies that may require attention. Each Regional Human Resources Manager also schedules store visits and escalates health and safety concerns to the District Manager and corporate office. Regular store compliance audits are conducted on most Mark’s stores, and over half of the store level employees have completed health and safety training. With the rollout of the Health and Safety Awareness program in 2008, Mark’s improved store compliance and further strengthened the Mark’s health and safety program.

#### 3.16.2.3 *Petroleum*

During 2009, Petroleum continued its comprehensive program to control gasoline inventory. The program includes an annual site inspection of each Petroleum gas bar including leak detection equipment testing; meter calibration and equipment condition checks; monthly reviews of gasoline inventory records for each Petroleum site to identify and address all gasoline inventory variances; and automated monitoring of gasoline inventory at each Petroleum gas bar using statistical inventory reconciliation.

As a result of this comprehensive program, Petroleum's gasoline inventory variances are significantly below the government tolerance limit.

Throughout 2009, Petroleum continued its program of replacing underground steel gasoline storage tanks and piping at Petroleum sites with double walled fiberglass tanks and piping that is intended to reduce the risk of gasoline leaks. Petroleum sites with existing underground steel equipment are maintained as per government regulations and will eventually be replaced (currently at a pace of approximately two per year).

In 2009, Petroleum continued its program to validate occupational health and safety compliance at the retail level within its gas bar agent network. Under this program, annual site visits are conducted to ensure compliance requirements are met in all areas including on-site first aid training and gasoline handling practices.

#### 3.16.2.4 *Canadian Tire Financial Services Limited*

Financial Services has established a health and safety committee that provides health and safety education and monitors compliance with applicable laws and regulations. During 2009, general health and safety training was provided to new employees attending orientation sessions as well as to members of the Financial Services health and safety committee. Employees received health and safety updates through Financial Services' electronic employee bulletin board, physical bulletin boards and quarterly employee newsletters.

In 2009, the Financial Services Green Team continued with its campaign to identify and implement environmentally conscious initiatives in the workplace which has led to an overall reduction in power consumption and an increase in the amount of waste that is diverted from landfill. In 2009, Financial Services also continued its "Community Green" partnership with Abitibi Bowater which encourages paper recycling, promotes environmental stewardship and supports Canadian Tire Jumpstart Charities.

#### 3.16.2.5 *Canadian Tire Real Estate Limited*

CTREL has developed and implemented an environmental audit program for Canadian Tire stores and Petroleum gas bars. During 2009, CTREL performed environmental audits at 13 Canadian Tire stores in connection with the Dealer changeover process. Information sessions were provided to over 70 Canadian Tire Dealers and Dealers in training, as well as their staff, on methods to improve operational housekeeping policies and procedures to safeguard the environment. CTREL's methodologies and protocols to prevent and manage environmental issues and implement regulatory requirements for properties owned or leased by the Company all meet or exceed industry standards.

### 3.17 Risk Factors

The Company is exposed to a variety of risk factors and has identified the principal risks inherent in its businesses, assessed as of the date of this Annual Information Form. These are briefly described below. The relative seriousness of these inherent principal risks is impacted by the external environment and the Company's business strategies and, therefore, will vary from time to time.

- Consumer lending – failure or inability to accurately predict the creditworthiness or credit behaviour of our customers may significantly affect our earnings.
- Market place – economic conditions, the competitive landscape, domestic or international political environments, the demographics of the Canadian population, the buying behaviour of consumers, and the available shopping, product and service 'technologies' could have a significant negative impact on our earnings.
- Financial markets – significant events or volatility in the financial markets could result in the lack of (i) sufficient capital to absorb the impact of unexpected losses and/or (ii) sufficient liquidity or financing to fund operations and strategic initiatives. Furthermore, significant volatility in exchange rates and interest rates could have an adverse impact on our product pricing, gross margins and net interest expense.

In addition, inappropriate hedging strategies for mitigating our foreign exchange, interest rate and equity exposures could cause a significant impact on earnings.

- Formulation and execution of strategy – failure to formulate, plan, adjust, execute and communicate an effective strategy and aligned initiatives could have a negative impact on our mid to long term success as an organization.
- Legal and legislative compliance– failure to comply with laws and regulations could result in sanctions and financial penalties that could negatively impact our earnings and reputation. Additionally, non-compliance with expectations arising from common law can give rise to legal action that may result in financial or reputational damage.
- Key contractual relationships – inadequate management of our relationships and contracts with key partners, including our exposure to their risks, can result in inadequate products and services, disruptions to the delivery of products and services, including inadequate customer service, and legal disputes which may have negative impact on our earnings, reputation and brand.
- Business continuity – hazards, disasters and business interruptions may compromise the safety of our employees or customers and our ability to provide products and services on a continuous basis.
- People – external pressures and/or ineffective internal human resource practices can negatively impact our ability to attract and retain appropriately skilled people who espouse our values and strive to achieve our strategic objectives.
- Technology – not having the right technology and information may affect our ability to compete effectively and achieve our strategic objectives.
- Financial reporting – financial information and reporting that lacks integrity or is not compliant with accounting standards may have a negative impact on our reputation.

Information management is an integral component of all the above principal risks. Effective information management is of paramount importance to the organization, and the risk of not having or not appropriately using and safeguarding the information needed to drive strategy and execute processes is significant.

Further explanations of the above noted risks, including the mitigation strategies by which the Company manages them, and other risk factors that may cause actual results or events to differ materially from those forecast, can be found under sections 5.3.1.5 (Business Risks – CTR), 5.3.2.5 (Business Risks – Mark's), 5.3.3.5 (Business Risks – Petroleum), 5.3.4.8 (Business Risks – Financial Services) and 14.0 (Enterprise risk management) and all subsections thereunder in the MD&A in the Company's 2009 Financial Report.



The Company cautions that the preceding discussion of risks is not exhaustive. When considering whether to purchase securities of the Company, investors and others should carefully consider these factors as well as other uncertainties, potential events and industry specific factors that may adversely impact the Company's future results.

3.18 Production and Services

Information concerning Financial Services' method of providing services is set out under the heading "Canadian Tire Financial Services Limited, Canadian Tire Bank and CTFS Bermuda Ltd."

3.19 Specialized Skill and Knowledge

3.19.1 *Canadian Tire Retail*

CTR employs highly qualified individuals specializing in marketing, category management, supply chain, store operations and finance. Expertise is gained through internal training programs, industry involvement and academic achievements which are enhanced by internal leadership forums. Ongoing professional development is made available to CTR employees through internal and external courses.

3.19.2 *Mark's Work Warehouse Ltd.*

Mark's employs highly qualified individuals specializing in in-store operations, merchandise buying, marketing, store design, logistics and distribution, information technology systems and finance. Expertise is gained through industry involvement, academic achievement and internal courses offered by Mark's. Ongoing professional development is also made available to Mark's employees through external courses.

3.19.3 *Petroleum*

Petroleum employs highly qualified individuals specializing in marketing, customer service, petroleum site operations, quick service restaurant operations and finance. Expertise is gained through industry involvement and academic achievements which are enhanced by internal leadership forums. Ongoing professional development is made available to Petroleum employees through the Company's internal training programs and external courses.

3.19.4 *Canadian Tire Financial Services Limited and Canadian Tire Bank*

Financial Services employs highly qualified individuals specializing in marketing, customer service, risk management, information technology and finance. Expertise is gained through industry involvement and academic achievements which are enhanced by internal leadership forums. Ongoing professional development is made available to Financial Services employees through internal and external courses.

### 3.20 New Products

CTR's objective is to launch new products with innovative features, at compelling prices, that enhance our unique mix of automotive, home and leisure products and are not sold by any other retailer in this combination. New products recently introduced by CTR include Mastercraft® Swing Drill, Armor All® Windshield Wiper Blades, Mastercraft Universal Socket Set, Kidde Remote Hush Smoke Alarm, Shark Steam Pocket Mop and Yardworks® Lawn Vac.

In order to retain competitiveness in the apparel and footwear industry, Mark's continuously introduces new or improved garments and footwear. In recent years Mark's has introduced products such as soft shape retention ladies' sweaters, shape-enhancing technology in Mark's women's wear, QUAD COMFORT® technology in Mark's men's and women's footwear, Tarantula® Anti-slip footwear for specified types of industrial use, never iron shirts for men and women, FRESHTECH™ anti-microbial apparel and dri-WEAR® technology now incorporated into Mark's underwear, socks, t-shirts, polo shirts and the lining of some of its outerwear. These items are advertised in Mark's flyers and are occasionally supplemented with magazine or television advertising campaigns.

## 4. **Dividends**

Dividends are declared at the discretion of the Board of Directors of the Company after consideration of earnings available for dividends, financial requirements and other conditions prevailing from time to time.

The Company's current dividend policy is to maintain dividend payments equal to approximately 15 to 20% of the prior year's normalized basic net earnings per share, after giving consideration to the period end cash position, future cash requirements, capital market conditions and investment opportunities. Normalized net earnings per share for this purpose exclude gains and losses on the sale of credit card and loans receivable and non-recurring items but include gains and losses on the ordinary course disposition of property and equipment.

Based on the dividend policy, the Company has declared the following dividends:

<u>Year</u>	<u>Annual Dividend Per Share</u>
2007	\$0.74
2008	\$0.84
2009	\$0.84

On February 11, 2010 the Company announced that its annual dividend payment would remain unchanged from 2009, resulting in a quarterly dividend of \$0.21 (\$0.84 per annum) on each Common and Class A Non-Voting share.

The dividends declared in 2009 and 2010 to date are as follows:

<b>Dividend Amount</b>	<b>Declaration Date</b>	<b>Payable to Holders of Record As Of</b>	<b>Payable Date</b>
\$0.21	12-Feb-09	30-Apr-09	01-Jun-09
\$0.21	14-May-09	31-Jul-09	01-Sep-09
\$0.21	13-Aug-09	30-Oct-09	01-Dec-09
\$0.21	10-Dec-09	29-Jan-10	01-Mar-10
\$0.21	11-Mar-10	30-Apr-10	01-Jun-10

The June 4, 1993 Trust Indenture pursuant to which the Company issued medium term notes due in 2028 and 2034, as well as the Company's committed bank lines of credit, contain restrictions on the ability of the Company to declare and pay dividends. The financial position of the Company is such that these restrictions do not practically limit the payment of dividends by the Company at this time. The Company also issued medium term notes pursuant to a trust indenture dated March 14, 2005 which are due in 2010, 2015, 2016 and 2035 without any restrictions concerning dividend declaration and payment.

The Trust Indenture dated May 10, 1990 pursuant to which the Company issued \$150 million 10-year debentures was terminated in October 2009 when the Company redeemed in full the \$150 million of outstanding 12.10% debentures. This Indenture also contained restrictions relating to dividends.

## **5. Description of Capital Structure**

### **5.1 General Description of Capital Structure**

Reference is made to section 9.0 (Equity) of the MD&A in the Company's 2009 Financial Report for a discussion of the Company's capital structure. The authorized capital of the Company consists of 100,000,000 Class A Non-Voting Shares and 3,423,366 Common Shares, of which 78,178,223 Class A Non-Voting Shares and 3,423,366 Common Shares were issued and outstanding as of March 11, 2010.

#### **5.1.1 *Material Characteristics of Common Shares***

The holders of Common Shares of the Company are entitled to vote at all meetings of holders of Common Shares and to vote on the election of thirteen of the sixteen directors to be elected at the annual and special meeting of shareholders to be held in May 2010 and on the appointment of auditors. Each Common Share carries one vote. In addition, each holder of a Common Share is entitled to have all or any number of the Common Shares held by them converted into Class A Non-Voting Shares on the basis of one Class A Non-Voting Share for each Common Share.

The foregoing is a summary of certain of the conditions attached to the Common Shares of the Company. Reference should be made to the Company's articles for a full statement of such conditions.

5.1.2 *Material Characteristics of Class A Non-Voting Shares*

The holders of Class A Non-Voting Shares of the Company are entitled to vote on the election of three of the sixteen directors at the annual and special meeting of shareholders to be held in May 2010. Each Class A Non-Voting Share carries one vote. With the exception of the entitlement to vote for the election of three directors, the entitlement to vote in the circumstances referred to under the heading "Change in Class A Non-Voting Shares and Common Shares" and as provided under applicable law, the holders of Class A Non-Voting Shares are not entitled as such to vote at any meeting of shareholders of the Company. However, the articles of the Company provide that in the event an offer to purchase Common Shares is made to all or substantially all of the holders of Common Shares or is required by law or by the Toronto Stock Exchange to be made to all holders of Common Shares in Ontario (other than an offer to purchase both Class A Non-Voting Shares and Common Shares at the same price per share and on the same terms and conditions) and a majority of the Common Shares then issued and outstanding are tendered and taken up pursuant to such offer, the Class A Non-Voting Shares shall thereupon and thereafter be entitled to one vote per share at all meetings of shareholders and thereafter the Class A Non-Voting Shares shall be designated as Class A Shares.

The Common Shares and Class A Non-Voting Shares are each voted separately as a class, except in clearly-defined circumstances, as described in this section. Accordingly, aggregating the voting rights attached to the Common Shares and Class A Non-Voting Shares is not relevant to any corporate action currently contemplated. If an occasion should arise in which the holders of the Common Shares and the holders of the Class A Non-Voting Shares are entitled to vote together (rather than separately as a class), then based on the numbers of Common Shares and Class A Non-Voting Shares outstanding at March 11, 2010, the Class A Non-Voting Shares would represent approximately 95.8% of the aggregate voting rights attached to the Common Shares and the Class A Non-Voting Shares. See the Company's articles for more information on the voting rights of the holders of Class A Non-Voting Shares.

The foregoing is a summary of certain of the conditions attached to the Class A Non-Voting Shares of the Company. Reference should be made to the Company's articles for a full statement of such conditions.

5.1.3 *Additional Dividend Rights*

When fixed cumulative preferential dividends aggregating one cent per share per annum have been paid or declared and set apart for payment on all of the outstanding Class A Non-Voting Shares in respect of the current year and each preceding year and a non-cumulative dividend aggregating one cent per share per annum has been paid or declared and set apart for payment on all outstanding Common Shares in the current year, any and all additional dividends, including stock dividends or other distributions to shareholders, will be paid or declared and set apart for payment or otherwise distributed in equal amounts per share on all Class A Non-Voting Shares and all Common Shares at the time outstanding without preference or distinction or priority of one share over another. Information concerning the Company's dividend policy is set out under the heading "Dividends" above.

5.1.4 *Rights Upon Liquidation, Dissolution or Winding-Up*

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, all of the property of the Company available for distribution to the holders of the Class A Non-Voting Shares and the Common Shares shall be paid or distributed equally share for share, to the holders of the Class A Non-Voting Shares and to the holders of the Common Shares without preference or distinction or priority of one share over another.

5.1.5 *Change in Class A Non-Voting Shares and Common Shares*

Except as provided above, neither the Class A Non-Voting Shares nor the Common Shares shall be changed in any manner whatsoever whether by way of subdivision, consolidation, reclassification, exchange or otherwise unless contemporaneously therewith the other class of shares is changed in the same manner and in the same proportion. Also, the authorized number of Common Shares cannot be increased without the prior approval of the holders of at least two-thirds of the Class A Non-Voting Shares represented and voted at a meeting of shareholders called for the purpose of considering such an increase.

## 5.2 Ratings

The Company's securities have been rated by DBRS Limited ("DBRS") and Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("S&P") as follows (all with a stable outlook):

<b><u>Security</u></b>	<b><u>Rating</u></b>
Commercial Paper	DBRS R-1 (low)
Unsecured & Medium Term Notes	DBRS A (low)
Commercial Paper	S&P A-1 (low) (CDN)
Senior Unsecured Debt	S&P BBB+

The following information relating to credit ratings is based on information made available to the public by the rating agencies. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Each of the above rating agencies rates long-term debt instruments, such as the Company's medium term notes and debentures, by rating categories ranging from a high of AAA to a low of D. For DBRS, each rating category is denoted by the subcategories "high" and "low" and the absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category. For S&P, the addition of a plus (+) or minus (-) sign is included to show relative standing within the major rating categories.

Long-term debt rated in the A category by DBRS is considered to be of a satisfactory credit quality, with substantial protection of interest and principal. However, companies whose securities are rated in this category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher rated securities. Long-term debt instruments rated in the BBB category by S&P exhibit adequate capacity by the obligor to meet its financial commitment on the obligation. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment.

DBRS rates commercial paper and short-term debt ranging from a high of R-1 to a low of D. Short-term debt rated R-1 (low) by DBRS is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt and profitability ratios are not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry. S&P rates commercial paper and short-term debt ranging from a high of A-1 to a low of D. A short term obligation rated A-1(low) (CDN) by S&P is slightly more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory. Obligations rated A-1(low) on the Canadian commercial paper rating scale would qualify for a rating of A-2 on S&P's global short-term rating scale.

The credit ratings assigned to the securities are not recommendations to purchase, sell or hold the securities and do not address market price or suitability for a particular investor. The credit ratings assigned to the securities may not reflect the potential impact of all risks on the value of the securities. There can be no assurance that the credit ratings will remain in effect for any given period of time or that the credit ratings will not be revised or withdrawn entirely by either or both of S&P and DBRS in the future if in their judgment circumstances so warrant, and if such rating is so revised or withdrawn, the Company will disclose such revised or withdrawn rating in the pricing supplement(s) relating to subsequent sales of securities.

## 6. Market for Securities

The outstanding Common Shares and Class A Non-Voting Shares of Canadian Tire are listed on the Toronto Stock Exchange ("TSX") and are traded under the symbols CTC and CTC.a respectively.

### 6.1 Trading Price and Volume

The price ranges and volumes of Common Shares of the Company traded on the TSX on a monthly basis from January 2009 to and including January 2010 were as follows:

	<b><u>Common Shares (CTC)</u></b>		
	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>Volume Traded</u></b>
	<b><u>(\$)</u></b>	<b><u>(\$)</u></b>	
January 2009	56.57	48.05	7,064
February 2009	55.40	51.05	7,301
March 2009	60.00	50.05	8,471
April 2009	65.00	55.01	5,755
May 2009	65.00	57.00	10,615
June 2009	68.99	61.00	9,300
July 2009	64.49	61.65	3,052
August 2009	65.94	61.90	9,463
September 2009	65.99	63.55	4,889
October 2009	64.23	62.00	4,654
November 2009	66.50	60.50	11,700
December 2009	62.00	60.01	7,166
January 2010	65.37	62.50	10,785

The price ranges and volumes of Class A Non-Voting Shares of the Company traded on the TSX on a monthly basis from January 2009 to and including January 2010 were as follows:

**Class A Non-Voting Shares (CTC.a)**

	<b><u>High</u></b> <b><u>(\$)</u></b>	<b><u>Low</u></b> <b><u>(\$)</u></b>	<b><u>Volume Traded</u></b>
January 2009	48.74	39.44	5,092,254
February 2009	41.86	38.12	5,649,274
March 2009	46.41	38.30	6,030,212
April 2009	52.00	43.00	4,225,935
May 2009	51.01	45.13	4,036,475
June 2009	56.99	49.20	4,299,038
July 2009	55.48	49.50	3,171,639
August 2009	60.75	54.04	4,518,583
September 2009	59.40	54.81	3,910,175
October 2009	58.70	54.01	3,487,227
November 2009	58.50	54.26	3,514,430
December 2009	57.50	52.10	4,847,878
January 2010	58.62	53.48	3,982,384



## 7. Directors and Officers

The names, province or state and country of residence, year first elected as a director and present principal occupations of the directors of the Company as at March 11, 2010 are as follows:

<u>Name and Province or State and Country of Residence</u>	<u>Year First Elected as a Director<sup>1</sup></u>	<u>Present Principal Occupation<sup>2</sup></u>
Maureen J. Sabia Ontario, Canada	1985	Non-Executive Chairman of the Board of the Company; President, Maureen Sabia International, a consulting firm; and Corporate Director
Iain C. Aitchison New Jersey, U.S.A.	2009	President, "K" Line Total Logistics, LLC and President & CEO, Century Distribution Systems, Inc., international transportation and logistics companies in the U.S.A.
Martha G. Billes Alberta, Canada	1980	President, Albikin Management Inc., an investment holding company
Owen G. Billes Ontario, Canada	2004	President, Sandy McTyre Retail Ltd., which operates a Canadian Tire store
Peter W. Currie Ontario, Canada	2008	Corporate Director
Brian G. Domelle Ontario, Canada	2008	President, Brian Domelle Enterprises Limited, which operates a Canadian Tire store
H. Garfield Emerson, Q.C. <sup>3</sup> Ontario, Canada	2007	Principal, Emerson Advisory, an independent advisory firm; and Corporate Director

<b><u>Name and Province or State and Country of Residence</u></b>	<b><u>Year First Elected as a Director<sup>1</sup></u></b>	<b><u>Present Principal Occupation<sup>2</sup></u></b>
Daniel E. Fournier Quebec, Canada	2006	President, ACNG Capital Inc., a real estate value creation and strategic planning firm
Robert M. Franklin Ontario, Canada	2007	President, Signalta Capital Corporation, a private investment holding company; and Corporate Director and Trustee
Keith E. Gostlin British Columbia, Canada	2006	President, K.E. Gostlin Enterprises Ltd., which operates a Canadian Tire store
Frank Potter <sup>3</sup> Ontario, Canada	1998	Chairman, Emerging Market Advisors Inc., a consulting firm dealing with international direct investment
Timothy R. Price Ontario, Canada	2007	Chairman, Brookfield Funds, Brookfield Asset Management Inc., an asset management company
James A. Riley Ontario, Canada	2006	Partner, Goodmans LLP, a law firm
Peter B. Saunders Florida, U.S.A.	2009	Corporate Director
Graham W. Savage <sup>4</sup> Ontario, Canada	1998	Corporate Director
Stephen G. Wetmore Ontario, Canada	2003	President and Chief Executive Officer of the Company

The names, province or state and country of residence and present principal occupations of the executive officers of the Company as at March 11, 2010 are as follows:

<b><u>Name and Province or State and Country of Residence</u></b>	<b><u>Present Principal Occupation</u></b>
Maureen J. Sabia Ontario, Canada	Non-Executive Chairman of the Board of the Company; President, Maureen Sabia International, a consulting firm; and Corporate Director
Stephen G. Wetmore Ontario, Canada	President and Chief Executive Officer
G. Michael Arnett Ontario, Canada	President, Canadian Tire Retail
Marco Marrone <sup>5</sup> Ontario, Canada	Chief Financial Officer and Executive Vice-President, Finance
Dean McCann Ontario, Canada	President, Canadian Tire Financial Services Limited
Michael B. Medline Ontario, Canada	President, Canadian Tire Automotive and Dealer Relations
Patrick R. Sinnott Ontario, Canada	Executive Vice-President, Technology and Supply Chain
J. Huw Thomas Ontario, Canada	Executive Vice-President, Financial Strategy and Performance
Paul D. Wilson Alberta, Canada	President, Mark's Work Wearhouse Ltd.
Robyn A. Collver Ontario, Canada	Senior Vice-President, Secretary and General Counsel
Kristine Freudenthaler Ontario, Canada	Senior Vice-President, Information Technology and Chief Information Officer

<u>Name and Province or State and Country of Residence</u>	<u>Present Principal Occupation</u>
Stanley W. Pasternak Ontario, Canada	Senior Vice-President and Treasurer
Sharon J. Patterson Ontario, Canada	Senior Vice-President, Human Resources
Kenneth Silver Ontario, Canada	Senior Vice-President, Corporate Strategy and Real Estate
Candace A. MacLean Ontario, Canada	Vice-President and Assistant Treasurer

**NOTES:**

1. Each director of the Company will hold office until the next annual meeting of shareholders of the Company or until his or her successor is elected or appointed unless his or her office is earlier vacated in accordance with the by-laws of the Company.
2. Each of the directors of the Company has had the principal occupation indicated opposite his or her name during the past five years except:
  - (a) O.G. Billes, who prior to September 2008 was a Canadian Tire Dealer-in-Training, who prior to August 2007 was Special Projects Manager, Petroleum, and who from 2004 to 2005 was Manager, New Business Development. O.G. Billes was an employee of the Company in connection with each of the foregoing employment positions;
  - (b) P.W. Currie, who from 2005 to 2007 was Executive Vice-President and Chief Financial Officer of Nortel Networks Corporation;
  - (c) H.G. Emerson, who prior to September 2006 was National Chair of Fasken Martineau DuMoulin LLP, a law firm;
  - (d) D.E. Fournier, who prior to August 2009 was Executive Vice-President and Chief Investment Officer, SITQ Inc. and who prior to June 2008 was President, ACNG Capital Inc., a real estate value creation and strategic planning firm;
  - (e) R.M. Franklin, who prior to March 2007 was Chairman of Photowatt Technologies Inc., a subsidiary of ATS Automation Tooling Systems Inc., and who prior to February 2006 was Chairman, Placer Dome Inc.;
  - (f) J.A. Riley, who prior to September 2006 was Senior Partner and Chair Toronto Office, Ogilvy Renault LLP, a law firm; and
  - (g) P.B. Saunders, who prior to 2009 and 2008 served as Chairman and CEO, respectively, of The Body Shop International PLC, and who prior to 1997 was Chief Operating Officer of T. Eaton Co. Ltd.

- (h) S.G. Wetmore, who prior to November, 2008 was President and CEO, Bell Aliant Regional Communications Income Fund, who prior to July 2006 was Executive Vice-President, BCE Inc. since 2002 and Group President, Corporate Performance and National Markets, Bell Canada since 2005, and who from 2003 to 2005 was Group President National Markets, Bell Canada.
3. H.G. Emerson and F. Potter serve together on the board of directors of Sentry Select Capital Corp.
  4. G.W. Savage was a director of Microcell Inc. when it filed for protection under the *Companies' Creditors Arrangement Act*. Mr. Savage was a director of Sun-Times Media Group, Inc. ("Sun Times"), formerly Hollinger International Inc. ("Hollinger"). He served as a director of that company from July 2003 until November 2009. On June 1, 2004, the Ontario Securities Commission issued a permanent management cease trade order (the "Ontario Cease Trade Order") against the insiders of Hollinger for failing to file its interim financial statements and interim MD&A for the three-month period ended March 31, 2004 and its annual financial statements, MD&A and Annual Information Form for the year ended December 31, 2003. In addition, the British Columbia Securities Commission issued a cease trade order against an insider of Hollinger resident in British Columbia on May 21, 2004, as updated on May 31, 2004 (the "BC Cease Trade Order"). The Ontario Cease Trade Order was allowed to expire on January 9, 2006 and is no longer in effect. The BC Cease Trade Order was revoked on February 10, 2006 and is no longer in effect. Sun Times filed for protection under Chapter 11 of the United States Bankruptcy Code in April 2009. The principal operating assets of Sun Times were subsequently sold and the company is in the process of being wound up.
  5. M. Marrone was a director of One Signature Financial Corporation until December 2005. Subsequent to his resignation as a director, a management cease trade order was issued by the Ontario Securities Commission for One Signature Financial Corporation in May 2006 due to its failure to file its financial statements and MD&A for the financial year ending December 31, 2005, which expired in August 2006.

### **Ownership, Control and Direction of Securities by Directors and Executive Officers**

On March 11, 2010, all directors and executive officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 2,101,150 Common Shares of the Company (approximately 61.4% of the issued and outstanding Common Shares of the Company) and 913,926 Class A Non-Voting Shares of the Company (approximately 1.2% of the issued and outstanding Class A Non-Voting Shares of the Company). In addition, as of March 11, 2010, two executive officers of the Company act as trustees of the Company's deferred profit sharing plan that controls or directs 419,280 of the Common Shares of the Company (approximately 12.3% of the issued and outstanding Common Shares of the Company) and 935,688 of the Class A Non-Voting Shares of the Company (approximately 1.2% of the issued and outstanding Class A Non-Voting Shares of the Company).

### **Committees of the Company's Board of Directors**

The present members of the Company's Audit Committee are G.W. Savage (Chairman), P.W. Currie, D.E. Fournier, R.M. Franklin and T.R. Price. The present members of the Company's Management Resources and Compensation Committee are F. Potter (Chairman), M.G. Billes, H.G. Emerson, D.E. Fournier, J.A. Riley and P.B. Saunders. The present members of the Company's Governance Committee are J.A. Riley (Chairman), M.G. Billes, R.M. Franklin, F. Potter and G.W. Savage.

The present members of the Company's Social Responsibility Committee are R.M. Franklin (Chairman), I.C. Aitchison, O.G. Billes, B.G. Domelle and K.E. Gostlin.

## **8. Legal Proceedings and Regulatory Actions**

### **8.1 Legal Proceedings and Regulatory Actions**

The Company and certain of its subsidiaries are party to a number of legal proceedings, one of which is briefly described below. As at January 2, 2010 there were a number of claims outstanding. The Company believes that each such proceeding constitutes a routine legal matter incidental to the business conducted by the Company. The Company cannot determine the ultimate outcome of all of the outstanding claims but believes that the ultimate disposition of the proceedings will not have a material adverse effect on its consolidated earnings, cash flow or financial position.

In October 2004, a motion for authorization to proceed with a class action against CTB and a number of other banks was filed by a Quebec-based consumers' group. The class action alleges that the cash advance transaction fees charged by CTB (and other banks) are not permitted under the Consumer Protection Act (Quebec). The claim seeks the return of all fees assessed against cardholders for cash advances, plus punitive damages per class member. The class action was certified against CTB on November 1, 2006. The class is comprised of all persons in Quebec who have a credit card agreement with CTB and who have paid fees for cash advances in Canada or abroad since October 1, 2001. The Company believes it has a solid defense to the claim on the basis that banks are not required to comply with provincial legislation because banking and cost of borrowing disclosure is a matter of exclusive federal jurisdiction.

Since January 3, 2008: (a) there have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (b) there have been no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; and (c) the Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

## **9. Transfer Agents and Registrars**

Computershare Trust Company of Canada ("Computershare") is the registrar and transfer agent for the Common Shares and Class A Non-Voting Shares of the Company. Computershare keeps the Register of Holders and the Register of Transfers for both the Common Shares and Class A Non-Voting Shares at its principal stock transfer office in the City of Toronto (Ontario) and Branch Registers of Transfers at stock transfer offices in the cities of Halifax (Nova Scotia), Montreal (Quebec), Winnipeg (Manitoba), Calgary (Alberta) and Vancouver (British Columbia).

CIBC Mellon Trust Company (“CIBC Mellon”) is the registrar and transfer agent for the Company’s medium term notes. CIBC Mellon keeps the Register of Holders and the Register of Transfers for the medium term notes at its principal office in the City of Toronto (Ontario), and Branch Registers of Transfers at offices in the cities of Montreal (Quebec), Calgary (Alberta) and Vancouver (British Columbia), except for medium term notes issued pursuant to a trust indenture dated March 14, 2005, for which the Branch Register of Transfers is in the City of Toronto.

## **10. Material Contracts**

CTB relies upon a license agreement with MasterCard International that permits CTB to use the MasterCard trade name in connection with its Canadian Tire MasterCard credit card business and requires CTB to abide by MasterCard International’s by-laws, policies and rules. The current agreement with MasterCard International commenced on November 18, 2003 and has a 10-year term.

## **11. Interests of Experts**

### **11.1 Names of Experts**

Deloitte & Touche LLP are the auditors of the Company and are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

## **12. Audit Committee Information Required in an Annual Information Form**

### **12.1 Audit Committee Mandate and Charter**

The text of the Audit Committee Mandate and Charter is attached hereto as Annex A.

### **12.2 Composition of the Audit Committee**

The members of the Audit Committee are Graham W. Savage (Chairman), Peter W. Currie, Daniel E. Fournier, Robert M. Franklin and Timothy R. Price. Each member of the Audit Committee is independent and financially literate within the meaning of the definitions set out in National Instrument 52-110 – Audit Committees (“NI 52-110”).

### 12.3 Relevant Education and Experience

The education and experience of each Audit Committee member that are relevant to the performance of his responsibilities as an Audit Committee member are described below:

- |                                |  |
|--------------------------------|--|
| Graham W. Savage<br>(Chairman) | Mr. Savage has 37 years of experience in the finance and investment industry, including seven years as Chief Financial Officer of a major public company. He has been a member of many board audit committees, many of which he chaired. Mr. Savage holds an undergraduate degree and an M.B.A. from Queen's University.   |
| Peter W. Currie                | Mr. Currie has over 15 years experience as Chief Financial Officer for various companies, including two of Canada's largest and most complex global, public organizations. As CFO, Mr. Currie has been responsible for all accounting, financial planning, treasury and internal audit activity and has been instrumental in transforming businesses, developing strategies, re-capitalizing companies, as well as developing and implementing cost reduction initiatives and mergers, acquisitions and divestitures. Mr. Currie has served on and is a member of several audit committees, many of which he has chaired. Mr. Currie holds a B.A. in Economics and an M.B.A. in Marketing and General Management from York University. |
| Daniel E. Fournier             | Mr. Fournier has over 20 years of experience as a director of public companies and non-profit organizations. In addition to serving on the Board of Canadian Tire, Mr. Fournier is Chairman of the Genivar Income Fund. He has been a member of several audit committees. Mr. Fournier is a graduate of Princeton University as well as Oxford University (BA Jurisprudence 1980).   |
| Robert M. Franklin             | Mr. Franklin has over 30 years of experience as a corporate director and has served as chairman of four publicly traded companies. Mr. Franklin has been a member of many board audit committees, several of which he chaired. In addition to Canadian Tire, Mr. Franklin serves as a director of four publicly listed companies with market values of \$300 million to \$45 billion. He is currently a member of the audit committee of two of those companies. Mr. Franklin holds a B.A. in Business Administration from Hillsdale College.  |



Timothy R. Price As Chairman, Brookfield Funds, Brookfield Asset Management Inc., Mr. Price has over 30 years of management experience with the Brookfield group of companies. His primary role in these companies has included raising capital and operating a merchant bank. In addition to serving on the Board of Canadian Tire, Mr. Price is also a director of two publicly listed companies and a major bank. He also serves on the board of two foundations and is a member of an advisory board of a school of business. Mr. Price is a graduate of the University of Victoria and held a Chartered Accountant designation in Quebec from 1970 to 2005.

#### 12.4 Pre-Approval Policies and Procedures

The Audit Committee has a process for approval of services to be provided by its current auditors. The process requires that an annual client services plan be provided to and pre-approved by the Audit Committee prior to commencement of services by the auditors. Any additional audit or non-audit services required by management will be permitted provided that management is satisfied the auditors are the preferred supplier for such services, the proposed terms of engagement for the services are approved by the Chairman of the Audit Committee (or by the Audit Committee if the fees for such services exceed \$250,000 or the services are of a sensitive or unusual nature), and the Chairman of the Audit Committee advises the Audit Committee of any such pre-approved services at its next meeting. The auditors are also responsible for ensuring that all services provided comply with professional independence standards, for disclosing to the Audit Committee all relationships between the auditors and the Company and its related entities that may reasonably be thought to bear on the auditors' independence, and for disclosing the total fees charged by the auditors for audit and non-audit services during the past year.

#### 12.5 External Auditor Service Fees (By Category)

##### 12.5.1 *Audit Fees*

The aggregate fees billed by the Company's external auditors for audit services in the financial years ended January 3, 2009 and January 2, 2010 were \$2,819,382 and \$2,804,287, respectively.

##### 12.5.2 *Audit-Related Fees*

The aggregate fees billed by the Company's external auditors for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements, and were not reported under section 12.5.1 for the financial years ending January 3, 2009 and January 2, 2010, were \$1,206,595 and \$831,442, respectively. These services related primarily to existing and new accounting guidance issued by the Canadian Institute of Chartered Accountants and to financing transactions.

12.5.3 *Tax Fees*

The aggregate fees billed by the Company's external auditors for professional services related to tax compliance, tax advice and tax planning for the financial years ending January 3, 2009 and January 2, 2010 were \$491,637 and \$360,129, respectively. These services related primarily to tax advice in connection with foreign operations and the Canadian tax implications thereof and commodity tax support.

12.5.4 *All Other Fees*

The aggregate fees billed by the Company's external auditors for services other than those reported under sections 12.5.1, 12.5.2 and 12.5.3 above for the financial years ending January 3, 2009 and January 2, 2010 were \$57,076 and \$409,018, respectively. These services related primarily to advice on disposition of certain assets and on measuring operating performance.

**13. Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Management Information Circular prepared in connection with the Annual Meeting of Shareholders of the Company that was held on May 14, 2009, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the Company's Consolidated Financial Statements and MD&A for the financial year ended January 2, 2010, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

**ANNEX A**

**CANADIAN TIRE CORPORATION, LIMITED**  
**AUDIT COMMITTEE MANDATE AND CHARTER**

**I THE BOARD OF DIRECTORS' MANDATE FOR THE AUDIT COMMITTEE**

1. The Board of Directors ("Board") bears responsibility for the stewardship of Canadian Tire Corporation, Limited (the "Corporation"). To discharge that responsibility, the Board is obligated by law to supervise the management of the business and affairs of the Corporation. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Corporation's business and affairs.

The Board has established, and hereby continues the existence of, a committee of the Board known as the Audit Committee (the "Committee") to assist the Board in its monitoring of the Corporation's:

- (a) financial reporting and disclosure;
- (b) risk management; and
- (c) compliance with applicable laws and regulations.

**(a) Financial Reporting and Disclosure Duties of the Board**

Financial reporting and disclosure by the Corporation constitute a significant aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's financial reporting and disclosure (the "Financial Reporting Objective") is to gain reasonable assurance of the following:

- (i) that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (ii) that the accounting principles, significant judgements and disclosures which underlie or are incorporated in the Corporation's financial statements are the most appropriate in the prevailing circumstances;
- (iii) that the Corporation's quarterly and annual financial statements are accurate and present fairly the Corporation's financial position and performance in accordance with generally accepted accounting principles and together with management's discussion and analysis, the annual information form and associated officer certifications constitute a fair presentation of the Corporation's financial condition; and
- (iv) that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public in a timely manner.

The Board is of the view that the Financial Reporting Objective cannot be reliably met unless the following activities (the "Financial Fundamental Activities") are conducted effectively:

- (A) the Corporation's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation's financial transactions;
- (B) material information about the Corporation including its consolidated subsidiaries is captured in accordance with a system of disclosure controls and procedures designed to provide reasonable assurance to management that information required to be disclosed by the Corporation in its filings under securities legislation is recorded, processed, summarized and reported in accordance with specified time periods;
- (C) the Corporation's internal financial controls and disclosure controls and procedures are regularly assessed for effectiveness and efficiency;
- (D) the Corporation's quarterly and annual financial statements are properly prepared by management;
- (E) the Corporation's quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Corporation; and
- (F) the financial components of the Corporation's Disclosure Policy are complied with by management and the Board.

**(b) Risk Management Duties of the Board**

Risk management is another significant aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's risk management activities (the "Risk Management Reporting Objective") is to gain reasonable assurance that the strategic, operational, financial, legal and reporting risks of the Corporation's business ("Risks") are identified in a timely manner and are effectively and appropriately assessed, monitored, managed and responded to.

The Board is of the view that the Risk Management Reporting Objective cannot be reliably met unless the following activities (the "Risk Management Fundamental Activities") are conducted effectively:

- (i) a policy which accurately sets out the Risk philosophy and appetite of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring, managing and responding to Risks (the "ERM Policy") is developed, implemented and maintained;
- (ii) the most significant Risks, including those Risks related to or arising from the Corporation's weaknesses, threats to the Corporation's business and the assumptions underlying the Corporation's strategic plan ("Principal Risks") are identified in a timely manner;
- (iii) a formalized, disciplined and integrated enterprise risk management process (the "ERM Process") is developed and employed to appropriately identify, assess, monitor, manage and respond to Risks; and
- (iv) the ERM Policy and ERM Process are reviewed and, to the extent required, updated annually.

**(c) Legislative and Regulatory Compliance Duties of the Board**

Compliance with applicable laws and regulations is also an essential aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's compliance with applicable laws and regulations (the "Compliance Reporting Objective") is to gain reasonable assurance that the Corporation's business and affairs are conducted in a manner which limits exposure of:

- (i) the Corporation to issues that may negatively impact its reputation; and
- (ii) the Corporation, its employees and directors to financial penalties and civil and criminal liability.

The Board is of the view that the Compliance Reporting Objective cannot be reliably met unless appropriate policies and processes and supporting corporate compliance programs (the "Compliance Fundamental Activities") exist and are implemented effectively throughout the Corporation, including establishment and maintenance of a written code of business conduct and ethics (the "Code of Business Conduct") applicable to directors, officers and employees of the Corporation, and monitoring of compliance with the Code of Business Conduct;

**(d) Activities of the Committee**

The Committee shall develop and present to the Board for the Board's approval a Charter which, amongst other things, will describe the activities in which the Committee will engage for the purpose of gaining reasonable assurance that each of the Financial Fundamental Activities, the Risk Management Fundamental Activities and the Compliance Fundamental Activities are being conducted effectively and that the Financial Reporting Objective, the Risk Management Objective and the Compliance Reporting Objective are being met.

**2. Composition of Committee**

- (a) The Committee shall be appointed annually and shall consist of at least five (5) members from among the directors of the Corporation, each of whom shall be an independent director as defined under the applicable requirements of the securities regulatory authorities as adopted or amended and in force from time to time and free from any relationship that, in the opinion of the Board, could interfere with the exercise of his or her independent judgement as a member of the Committee. Officers of the Corporation, including the Chairman of the Board, may not serve as members of the Audit Committee.
- (b) All members of the Committee shall be financially literate as described in paragraph 3 of the Operating Principles.
- (c) The Governance Committee shall designate the Chairman of the Committee.

### **3. Reliance on Management and Experts**

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

- (a) financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

"Good faith reliance" means that the Committee member has considered the relevant issues, questioned the information provided and assumptions used, and assessed whether the analysis provided by management or the expert is reasonable. Generally, good faith reliance does not require that the member question the honesty, competency and integrity of management or the expert unless there is a reason to doubt their honesty, competency and integrity.

### **4. Limitations on Committee's Duties**

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the Financial Fundamental Activities, the Risk Management Fundamental Activities and the Compliance Fundamental Activities are being conducted effectively and that the Financial Reporting Objective, the Risk Management Objective and the Compliance Reporting Objective are being met and to enable the Committee to report thereon to the Board.

## **II AUDIT COMMITTEE CHARTER**

The Audit Committee's Charter outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. This Charter comprises:

- Operating Principles;
- Operating Procedures;
- Specific Responsibilities and Duties.

### **A. Operating Principles**

The Committee shall fulfill its responsibilities within the context of the following principles:

(1) Committee Values

The Committee members will act in accordance with the Corporation's Code of Business Conduct for Employees and Directors. The Committee expects the management of the Corporation to operate in compliance with the Corporation's Code of Business Conduct for Employees and Directors and with corporate policies; with laws and regulations governing the Corporation; and to maintain strong financial reporting and control processes.

(2) Communications

The Chairman and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee Chairmen, the external auditors, the Internal Auditor and other key Committee advisors as applicable.

(3) Financial Literacy

All Committee members shall have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

(4) Annual Audit Committee Work Plan

The Committee, in consultation with management and the external auditors, shall develop an annual Audit Committee Work Plan responsive to the Committee's responsibilities as set out in this Charter.

In addition, the Committee, in consultation with management and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the Corporation's financial disclosure.

(5) Meeting Agenda

Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditors.

(6) Committee Expectations and Information Needs

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at least one week in advance of meeting dates.

(7) External Resources

To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of the Corporation, retain one or more persons having special expertise.

(8) In Camera Meetings

At each meeting of the Committee, the members of the Committee shall meet in private session with the external auditors; with management; and with the Committee members only. The Committee shall meet in private session with the Internal Auditor and with the head of Risk Management and Compliance as often as it deems necessary, but in any event, no less than twice per year.

(9) Reporting to the Board

The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.

(10) Committee Self Assessment

- (a) On a bi-annual basis, the Committee shall conduct an evaluation of the Committee's performance including its ability to meet the requirements of this Charter and Mandate in accordance with the evaluation process developed by the Committee and approved by the Governance Committee, and provide the results of the performance evaluation to the Governance Committee and the Board. In addition, the Committee shall periodically review its role and responsibilities.
- (b) The Committee shall approve criteria for evaluating the financial literacy of its members in accordance with the terms of sections 1.6 and 3.1 of National Instrument 52-110 Audit Committees, as amended or replaced from time to time, and shall conduct an annual assessment of the financial literacy of its members and determine those members to be identified as financially literate in the Corporation's annual continuous disclosure documents in accordance with regulatory requirements.

(11) The External Auditors

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

(12) Approval of Other Engagements

The Committee shall approve all engagements for accounting and tax advice provided by an audit firm other than the external auditors.



(13) Committee Chairman's Job Description

The Committee shall develop and recommend to the Governance Committee a job description for the Chairman of the Committee. The Committee shall review and update the Chairman's job description at least once every three years, or more frequently if required, or at the request of the Secretary or Assistant Secretary as a result of legislative or regulatory changes, and recommend changes to the Governance Committee for its approval.

**B. Operating Procedures**

- (1) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two members of the Committee or at the request of the external auditors, and a majority of the members of the Committee shall form a quorum.
- (2) The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Each Committee member (including the Chairman) is entitled to one vote in Committee proceedings. For greater certainty the Chairman does not have a second or casting vote.
- (3) Any Director is entitled to attend, and the Committee may invite any officer or employee of the Corporation or any other person to attend, any Committee meetings to participate in the discussion and review of the matters considered by the Committee.
- (4) Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as Secretary of all meetings of the Committee.
- (5) In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
- (6) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

**C. Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

Financial Reporting

- (1) review the Corporation's annual and quarterly financial statements with management and the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with GAAP and together with management's discussion and analysis, the annual information form and associated officer certifications constitute a fair presentation of the Corporation's financial condition and report thereon to the Board before such financial statements are approved by the Board;
- (2) review with management and the external auditors the financial statements of the Corporation's significant subsidiaries and of the Corporation's profit sharing plans;

- (3) receive from the external auditors reports on their review of the annual and quarterly financial statements;
- (4) receive from management a copy of the representation letter provided to the external auditors and any additional representations required by the Committee;
- (5) review and, if appropriate, approve news releases and reports to shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements;
- (6) review and if appropriate, approve all public disclosure documents containing material audited or unaudited financial information, except those referred to in paragraph (7) below, including annual information forms, annual and interim management's discussion and analysis, annual and interim CEO/CFO certifications of results, annual and quarterly earnings news releases, dividend declaration news releases, normal course issuer bid news releases, earnings guidance and associated news releases, rights offering circulars and material change reports of a financial nature; in circumstances where events render it impractical for the Board or the Audit Committee to review any such news releases and material change reports with management prior to issuing or filing such news releases and material change reports, authority to review and approve such news releases and material change reports may be exercised by the Chairman of the Audit Committee and the Chairman of the Board, acting together;
- (7) review and, if appropriate, recommend approval to the Board of prospectuses, take-over bid circulars, issuer bid circulars and directors' circulars; and
- (8) satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements in order to satisfy itself that such information is fairly presented and periodically assess the adequacy of these procedures.

#### Accounting Policies

- (1) review with management and the external auditors the appropriateness of the Corporation's accounting policies, disclosures, reserves, key estimates and judgements, including changes or variations thereto and obtain reasonable assurance that they are presented fairly in accordance with GAAP; and report thereon to the Board;
- (2) review major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the accounts of the Corporation and its subsidiaries;
- (3) review with management and the external auditors the degree of conservatism of the Corporation's underlying accounting policies, key estimates and judgements and reserves.

## Risk and Uncertainty

### *Enterprise Risk Management*

The Committee shall gain reasonable assurance that Risks of the Corporation are identified in a timely manner and are being effectively and appropriately assessed, monitored, managed and responded to by:

- (1) considering and recommending to the Board for approval the ERM Policy setting out the Risk philosophy and appetite of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring, managing and responding to Risks;
- (2) conducting an annual review of the ERM Policy and considering and recommending to the Board for approval any changes thereto;
- (3) considering and recommending to the Board for approval the Principal Risks of the Corporation;
- (4) considering and approving the ERM Process to be used to appropriately identify, assess, monitor, manage and respond to Risks;
- (5) conducting an annual review of the ERM Process and considering and approving any changes thereto;
- (6) considering and approving policies regarding the management of the Corporation's Principal Risks;
- (7) at least semi-annually, obtaining from management a report addressing the Corporation's exposure to each Principal Risk;
- (8) obtaining from management an annual report on compliance with the ERM Policy and ERM Process, as well as any other policies of the Corporation that address the management of Risks;
- (9) obtaining from the internal auditor biennial reports regarding management's implementation and maintenance of an effective ERM Process and the management of the Corporation's Principal Risks; and
- (10) reviewing the adequacy of insurance coverages maintained by the Corporation.

In addition, the Committee shall:

- (1) review regularly with management, the external auditors and the Corporation's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements;
- (2) approve counterparties to derivative transactions with long term investment grade ratings pursuant to the Securities and Derivatives Board Policy;
- (3) approve continuing transaction limits in the event of a downgrade of financial institutions rated "AA" or "A" pursuant to the Securities and Derivatives Board Policy; and

- (4) approve equity hedging activity proposed by management in the absence of an Equity Risk Management Policy.

#### Financial Controls and Control Deviations

- (1) regularly assess the Corporation's system of internal financial controls and the Corporation's control environment to gain reasonable assurance that such controls are effective and efficient and to assist the Board in assessing whether senior management has created a culture of integrity and an effective control environment throughout the organization.
- (2) review the plans of the internal and external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;
- (3) receive regular reports from management, the external auditors and the Corporation's legal advisors on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

#### Disclosure Controls and Deviations

- (1) satisfy itself that management has developed and implemented a system to ensure that the Corporation meets its continuous disclosure obligations;
- (2) receive regular reports from management and the Corporation's legal advisors on the functioning of the disclosure compliance system, including any significant instances of non-compliance with such system, in order to satisfy itself that such system may be reasonably relied upon.

#### Compliance with Laws and Regulations

- (1) review regular reports from management and others (e.g., internal and external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:
  - (a) tax and financial reporting laws and regulations;
  - (b) legal withholding requirements;
  - (c) environmental protection laws and regulations;
  - (d) other laws and regulations which expose directors to liability;
- (2) review the status of the Corporation's tax returns and those of its subsidiaries;
- (3) review regular reports from management and others with respect to the Corporation's compliance with laws and regulations and gain reasonable assurance that the Corporation's policies, procedures and programs in relation thereto are operating effectively and that the Corporation's provisions with respect to such matters are sufficient and appropriate;

- (4) (a) approve a Code of Business Conduct that is comprised of standards reasonably designed to promote integrity and to deter wrongdoing and that addresses the following issues:
    - (i) conflicts of interest, including transactions and agreements in respect of which a director or member of management has a material interest;
    - (ii) protection and proper use and exploitation of the Corporation's assets and opportunities;
    - (iii) confidentiality of private information relating to the business and affairs of the Corporation;
    - (iv) fair and ethical dealing with the Corporation's security holders, customers, suppliers, competitors and employees;
    - (v) compliance with applicable laws, rules and regulations; and
    - (vi) reporting of any illegal or unethical behavior or other breaches of the Code of Business Conduct;
  - (b) gain reasonable assurance that waivers of compliance with the Code of Business Conduct granted for the benefit of any director or executive officer are being granted only by the Board or an appropriately empowered Board committee;
  - (c) review annually the process for monitoring compliance with and communication of the Code of Business Conduct to the Corporation's employees and directors and gain reasonable assurance that such process is operating effectively;
- (5) discuss with the General Counsel any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the business and affairs of the Corporation, or on the compliance policies of the Corporation.

Relationship with External Auditors

- (1) recommend to the Board the nomination of the external auditors and the remuneration and the terms of engagement of the external auditors;
- (2) if necessary, recommend the removal by the shareholders of the current external auditors and replacement with new external auditors;
- (3) review the performance of the external auditors annually or more frequently as required;
- (4) receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;
- (5) receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;

- (6) establish a policy under which management shall bring to the attention of the Chairman of the Committee all requests for non-audit services to be performed by the external auditors for the Corporation and its subsidiaries before such work is commenced. The Chairman is authorized to approve all such requests, but if any such service exceeds \$250,000 in fees, or the service is of a sensitive or unusual nature, the Chairman shall consult with the Committee before approving the service. The Chairman has the responsibility to inform the Committee of all pre-approved services at its next meeting;
- (7) discuss with management and the external auditors the timing and the process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner;
- (8) review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the external audit can be coordinated with internal audit activities and the materiality levels which the external auditors propose to employ;
- (9) meet regularly with the external auditors in the absence of management to determine, *inter alia*, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
- (10) establish effective communication processes with management and the Corporation's internal and external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee;
- (11) oversee the work of the external auditors and the resolution of disagreements between management and the external auditors with respect to financial reporting; and
- (12) request that the external auditors provide to the Committee, at least annually, an oral and/or written report describing the external auditors' internal quality assurance policies and procedures as well as any material issues raised in the most recent internal quality assurance reviews, quality reviews conducted by the Canadian Public Accountability Board, or any inquiry or investigation conducted by government or regulatory authorities.

#### Internal Auditor

- (1) review the Internal Auditor's terms of reference;
- (2) review the annual plan of the Internal Auditor;
- (3) review the reports of the Corporation's Internal Auditor with respect to control and financial Risk, and any other matters appropriate to the Committee's duties. The Committee shall review the adequacy and appropriateness of management's response, including the implementation thereof;
- (4) review and approve the reporting relationship of the Internal Auditor to ensure that an appropriate segregation of duties is maintained and that the Internal Auditor has an obligation to report directly to the Committee on matters affecting the Committee's duties, irrespective of his or her other reporting relationships;
- (5) approve the appointment, replacement, reassignment or dismissal of the Internal Auditor;

- (6) in consultation with management, review and approve the annual compensation payable to the Internal Auditor.

Other Responsibilities

- (1) periodically review the form, content and level of detail of financial reports to the Board;
- (2) review annually the expenses of the Chairman of the Board and the Chief Executive Officer for the purpose of gaining reasonable assurance as to the reasonableness of such expenses;
- (3) after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources;
- (4) review in advance the appointment of the Corporation's Chief Financial Officer and its other senior financial executives;
- (5) investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
- (6) review reports from the Internal Auditor, the external auditors, and/or other Committee Chairmen on their review of compliance with the Corporation's Code of Business Conduct, and the Corporation's policies on political donations and payments to suppliers or others;
- (7) review and approve the Corporation's policies with respect to the hiring of partners, employees and former partners and employees of the current and former external auditors;
- (8) (a) establish procedures for:
  - (i) the confidential receipt, retention and treatment of complaints received by the Corporation regarding the Corporation's accounting, internal accounting controls or auditing matters; and
  - (ii) the confidential anonymous submission, retention and treatment of concerns by employees regarding questionable accounting or auditing matters; and(b) require that all such matters be reported to the Committee together with a description of the resolution of the complaints or concerns;
- (9) review management's reports on compliance with, and proposed changes to, all Board level policies that have been approved by the Board from time to time.

Accountability

- (1) review and assess this Mandate and Charter at least once every three years, or more frequently if necessary, or at the request of the Secretary or Assistant Secretary of the Corporation as a result of legislative or regulatory changes, taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Corporation has a reporting relationship and, if appropriate, recommend changes to the Mandate and Charter to the Governance Committee for recommendation to the Board for its approval, except for minor technical amendments to this Mandate and Charter, authority for which is delegated to the Secretary or Assistant Secretary of the Corporation, who will report any such amendments to the Board at its next regular meeting.
- (2) from time to time, as requested by the Board, disclose its Mandate and this Charter in the Corporation's statement of corporate governance practices and in its annual information form.
- (3) review the description of the Committee's activities as set forth in the Corporation's statement of corporate governance practices.