CANADIAN TIRE CORPORATION, LIMITED

2012 Annual Information Form

February 21, 2013

ANNUAL INFORMATION FORM
CANADIAN TIRE CORPORATION, LIMITED
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CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This Annual Information Form, and the documents incorporated by reference herein, contain forward-looking information that reflects management's current expectations related to matters such as future financial performance and operating results of the Company. Forward-looking statements are provided for the purposes of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of our financial position, results of operation and operating environment. Readers are cautioned that such information may not be appropriate for other circumstances.

All statements in this Annual Information Form and the documents incorporated herein by reference, other than statements of historical facts, may constitute forward-looking information, including, but not limited to, statements concerning management's current expectations relating to possible or assumed future prospects and results, the Company's strategic goals and priorities, its actions and the results of those actions, and the economic and business outlook for the Company. 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, 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.

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 assumptions may not be correct and that the Company's expectations and plans will not be achieved. Although the Company believes that the forward-looking information in this Annual Information Form and the documents incorporated herein by reference are based on information and assumptions which are current, reasonable and complete, this information is necessarily subject to a number of factors that could, for a variety of reasons, cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking information. Some of the factors, many of which are beyond the Company's control and the effects of which can be difficult to predict, include (a) credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates; (b) the ability of the Company to attract and retain high quality employees, Associate Dealers, Canadian Tire Petroleum agents, PartSource, Mark's Work Wearhouse Ltd., and FGL Sports Ltd. store operators and franchisees, as well as the Company's financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at the Company's stores or acquire the Company's financial products and services; (d) the Company's margins and sales and those of its competitors; (e) risks and uncertainties relating to information management, technology, supply chain management, product safety, changes in law, competition, seasonality, commodity prices and business disruption, the Company's relationships with suppliers and manufacturers, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by the Company and the cost of store network expansion and retrofits; and (f) the Company's capital structure, funding strategy, cost management programs and share price.

The key risks and uncertainties, and the material factors and assumptions applied in preparing forward-looking information, that could cause actual results to differ materially from predictions, forecasts, projections, expectations or conclusions are discussed in the "Risk Factors" section of this Annual Information Form and also in the following sections of the Company's Management's Discussion and Analysis ("MD&A") for the year ended December 29, 2012: sections 7.5.1.2 (Retail segment business risks) and 7.5.2.2 (Financial Services segment business risks) and all subsections thereunder. 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 on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and at www.corp.canadiantire.ca.

The Company cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors 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 is based on certain factors and assumptions made as of the date hereof or the date of the relevant document incorporated herein by reference, as applicable. The Company does not undertake to update the 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, except as required by applicable securities laws.

Information contained in or otherwise accessible through the websites referenced in this Annual Information Form or the documents incorporated by reference herein (other than the Company's profile on SEDAR at www.sedar.com) does not form part of this Annual Information Form or the documents incorporated by reference herein and is not incorporated by reference into this Annual Information Form. All reference to such websites are inactive textual references and are for information only.

ANNUAL INFORMATION FORM

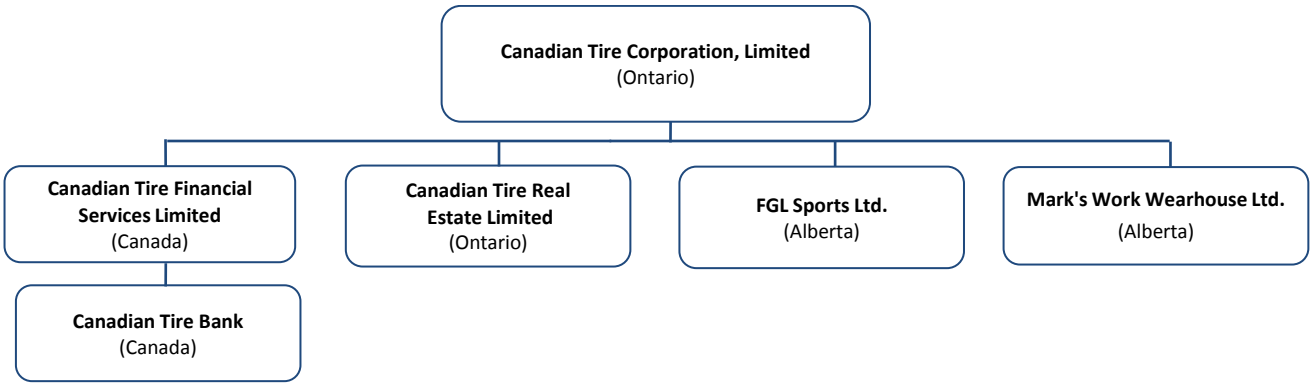
CANADIAN TIRE CORPORATION, LIMITED

Unless otherwise specified herein, the information in this Annual Information Form is presented as at December 29, 2012 (the last day of the Company's most recently completed financial year) and all dollar amounts are expressed in Canadian dollars.

1. CORPORATE STRUCTURE

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. The corporate structure of the Company, including its principal subsidiaries and their applicable governing corporate jurisdictions, is as follows:



Each of Canadian Tire Financial Services Limited ("CTFS"), Canadian Tire Bank ("CTB"), Canadian Tire Real Estate Limited ("CTREL"), FGL Sports Ltd. ("FGL Sports") and Mark's Work Wearhouse Ltd. ("Mark's") is wholly-owned, either directly or indirectly, by the Company.

2. DESCRIPTION OF THE BUSINESS

The Company has been in business for 90 years, now offering a range of products and services to Canadians through a portfolio of the leading retail brands and banners in Canada including Canadian Tire®, Mark's®, Sport Chek™ and Sports Experts®. The Company's retail business is supported and strengthened by its financial services business which markets financial and other products and services including credit cards, in-store financing, product warranties, retail deposits and home services.

2.1 Retail Business

Canadian Tire Retail

Canadian Tire Retail ("CTR") is one of Canada's most shopped general merchandise retailers. Its stores are easily identified by the Canadian Tire name and trade-mark and have established a strong reputation and high recognition throughout the communities they serve. The Company has created a distinctive image for Canadian Tire stores – offering consumers over 136,000 Stock Keeping Units ("SKUs") of auto parts and accessories, sports and leisure products and home products at its Canadian Tire stores located throughout Canada. Substantially all Canadian Tire stores also contain service bays for automobiles. The products sold at Canadian Tire stores are primarily those of nationally known manufacturers or suppliers, although 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.

The retail selling space of Canadian Tire stores ranges from approximately 3,200 square feet to approximately 88,700 square feet and, at the end of 2012, totaled approximately 19.9 million square feet across all 490 stores. Canadian Tire stores are located in each of the provinces and territories in Canada (except Nunavut) as follows:

Province or Territory	Number of Canadian Tire stores
British Columbia	52
Alberta	54
Saskatchewan	14
Manitoba	14
Ontario	200
Quebec	99
New Brunswick	19
Nova Scotia	21
Prince Edward Island	2
Newfoundland and Labrador	13
Yukon	1
Northwest Territories	1
Nunavut	0
Total	490

CTR Associate Dealers – Canadian Tire stores are operated by independent third parties known as Associate Dealers. The Company's relationship with each Dealer is governed by an individual Dealer contract pursuant to which each Dealer agrees to operate the retail business of a Canadian Tire store under the Canadian Tire name and to use his or her best efforts personally to manage his or her Canadian Tire store at its maximum capacity and efficiency. Each Dealer owns the fixtures, equipment and inventory of, and is responsible for the store staff and operating expenses for, the Canadian Tire store he or she operates. Each Dealer agrees to comply with the policies, marketing plans and operating standards prescribed by CTR, including purchasing merchandise primarily from the Company and offering merchandise for sale at prices not exceeding those set by the Company. In return, the Company supports Associate Dealers with marketing, supply chain management, purchasing, administrative, financial and information services. Except in limited circumstances, the Company owns or leases the premises on which the Canadian Tire stores are located and licenses such premises to individual Associate Dealers. Each individual Dealer contract is in a standard form, all of which expire on June 30, 2014 (subject to a renewal term). The Company is currently in discussions with representatives of Canadian Tire Associate Dealers on a new form of contract to be signed by individual Associate Dealers.

The Company provides store and operations support to Associate Dealers, including training and programs to improve the in-store customer experience, retail concept implementation, store operational support and training,

monitoring operational and financial performance of Associate Dealers, managing the Dealer mobility and changeover process and developing and executing on the Dealer performance audit process. The Company also provides specified support for a financing program that enables Associate Dealers to access the majority of the financing they require for their store operations in an efficient and cost effective way.

CTR Marketing – CTR is engaged in a broad range of marketing activities which includes advertising and promotional programs, customer loyalty programs, market research, and various ancillary marketing support services. In conjunction with the Associate Dealers, CTR builds customer awareness and traffic in Canadian Tire stores by: distributing weekly promotional flyers, electronic "flyers" available over the internet and short catalogues; advertising through radio, television, social media, newspaper, magazine and internet media; and event sponsorship. The weekly Canadian Tire flyer is one of the Company's most significant sales drivers and one of Canada's most highly read flyers, with delivery to over 11.7 million households each week. The Company's website, available at www.canadiantire.ca, has also become a significant source of product information for consumers, providing broad access to information about the CTR assortment, including up-to-date product features, benefits and pricing. In addition, the Company sells tires and wheels online through its e-commerce capability that was rolled out in 2011.

A unique feature of Canadian Tire's marketing program is the issuance of its well known Canadian Tire 'Money'®, which is given to customers paying by cash, cheque, debit card, traveller's cheque, Canadian Tire gift card or Canadian Tire 'Money' award at Canadian Tire Petroleum ("Petroleum") outlets and Canadian Tire stores. The Canadian Tire 'Money' awards may be used as a cash substitute for future purchases of merchandise and services at Canadian Tire stores. In addition, the Company operates the Canadian Tire 'Money' on the Card® loyalty program which 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 awards on future purchases of merchandise and services at Canadian Tire stores. During the past three years, CTR has developed a redesigned and enhanced loyalty offering currently operating in its first phase in Nova Scotia called the Canadian Tire 'Money' Advantage™ program and a customer-centric retailing approach, as more fully described in section 3.1 of this Annual Information Form entitled "General Development of the Business – Canadian Tire Retail – Strategic Initiatives".

CTR Distribution – CTR's supply chain is responsible for managing the flow of information and goods among approximately 2,550 sources of supply, 490 Canadian Tire stores and 87 PartSource branded stores across Canada. Supply chain uses a number of distribution channels, facilities and modes of transportation and is involved in most aspects of product replenishment and product information flow at Canadian Tire. 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. under agreements with the Company). CTR also engages other third party logistics companies to provide distribution capability in Toronto, Halifax and Vancouver and utilizes additional space that it owns or leases primarily for product storage and returns processing. CTR also operates three auto parts distribution centres located in Calgary, Montreal, and northern Toronto. These facilities 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. To facilitate the prompt distribution of its products, CTR owns or leases approximately 2,260 trailers, 4,200 chassis and 5,900 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.

New CTR Products – CTR's objective is to launch new products with innovative features, at compelling prices, that enhance its unique mix of automotive, home and leisure products and are not sold by any other retailer in this combination. In recent years CTR has introduced new products such as Stanley® FatMax XTREME® Air and Mechanics tools, Broadstone™ Pop-Up Tent, Bauer® Vapor JT-19 (Jonathan Toews) hockey sticks, Fiskars® Cuts + More™ Scissors, Greenworks® 16" / 40V Lithium ion cordless mower, Essex™ hard topped Gazebo, Hankook®

Optimo 4S and Goodyear® tires, Mobil® 10W20 Synthetic Motor Oil, Windex® –40° Windshield Washer Fluid, Cataclean™, STP® Motor Treatment, Sylvania® Silverstar ZXE Headlamp, Garmin® automotive GPS, Karcher® X Series 200 PSI Pressure Washer, Briggs & Stratton™ 2700 PSI Gas Powered Pressure Washer, Coleman® 1600 Pressure Washer, For Living® RTA furniture with Assemblease™ and Fit Quick™ technology, Cesar Milan™ branded pet accessories, The Original Baby Bullet®, expanded offering of Ninja® branded kitchen products, the Shark® portable steam cleaners and RCA® 32" LCD HDTV.

CTR Competitive Conditions – Associate Dealers compete against global, national and regional retailers in all markets across Canada including significant recent entrants into the Canadian market. There is no single organization or type of business that competes directly with all product categories of Canadian Tire stores, although many 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, home improvement warehouses 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. Additional information on the competitive position of the Retail Business Segment is provided in section 2.3 (Competitive landscape) of the Company's MD&A for the year ended December 29, 2012.

CTR Foreign Operations – In 2012, approximately 42% of the value of CTR's inventory purchases was sourced directly from vendors outside North America, primarily from Asia. The Company operates representative offices in Hong Kong and Shanghai which provide access to foreign manufacturers and import sourcing support for CTR. 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.

CTR Information Technology – 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.

For many years, the Associate 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 Associate 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 Associate Dealers.

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. There are 87 PartSource stores in operation, composed of 63 corporate stores and 24 franchise stores. PartSource stores typically comprise over 7,200 square feet and offer a broad selection of brand name auto parts and accessories, with access to tens of thousands of

additional products generally available on a same-day basis. PartSource also supplies auto parts to Canadian Tire stores through its “hub” format stores (“Hub Stores”) which are larger than traditional stores and designed to carry a broader assortment of products. PartSource stores are conveniently located, feature competitive pricing and are generally staffed with 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.

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.

Petroleum – Petroleum is one of Canada’s largest independent retailers of gasoline with 299 retail gas bars including 16 new state-of-the-art gas bars and associated convenience stores located along busy Ontario highways (Highway 401 and Highway 400). Most of the gas bars sell convenience products to the public and some also offer propane, car wash services and oil change services. The gas bars are operated by independent agents pursuant to agreements governing the sale of petroleum products using the Canadian Tire name and logo. Petroleum competes with other gas bars, convenience stores and car washes. For the 2012 and 2011 financial years, the sale of petroleum to end consumers by Petroleum accounted for approximately 17.6% and 18.7% of the Company’s total consolidated revenues, respectively.

Petroleum currently sources its fuel from one primary national supplier at competitive prices and maintains a secondary supplier in each region to cover minor disruptions in supply that may occur from time to time. Like other retailers in the industry, Petroleum is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance, including those relating to the availability and pricing of adequate fuel supply.

Petroleum competes with other gas bars, convenience stores and car washes. Petroleum sells significantly more gasoline per site than the Canadian industry average, primarily because of the attractiveness of the Canadian Tire ‘Money’ and Canadian Tire ‘Money’ on the Card loyalty programs and 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.

Real Estate – Real estate and construction services required by the Company are primarily provided by CTREL, a subsidiary of the Company. The Company, through CTREL, 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. Additional information on CTREL is provided in section 3.6 (Real estate management expertise) of the Company’s MD&A for the year ended December 29, 2012.

FGL Sports

FGL Sports is the largest sporting goods retailer in Canada, selling footwear, sports equipment and apparel through a network of corporately owned and franchised retail banners. FGL Sports’ primary retail banners are supported by interactive websites which provide customers with store and merchandise information and, in the case of its Sport Chek banner, permit online sales of sporting goods. FGL Sports also operates a wholesale business pursuant to which it sells such products through other retail customers.

FGL Sports Corporate Store Operations – FGL Sports’ corporately owned retail stores operate under three primary banners, Sport Chek®, Atmosphere® and National Sports®. Sport Chek is a specialty retailer of sports equipment and athletic, leisure and recreational footwear and apparel, offering an assortment of brand name and private-label products. Sport Chek’s apparel merchandising standards and marketing strategies target the brand at a youthful demographic. Some Sport Chek stores also include Nevada Bob's Golf®, Hockey Experts, and soccer "concept stores" within the larger Sport Chek format. Atmosphere is a specialty retailer of brand name, high-end,

outdoor technical gear, casual clothing, footwear and accessories and private-label apparel. National Sports is an Ontario-based sporting goods retail chain focusing on footwear, sports equipment and apparel and has a strong position in the hockey and team sports categories.

FGL Sports also operates under a number of other corporately owned retail banners including Sport Mart, Athletes World and Hockey Experts. In 2012, the Company announced plans to accelerate its growth strategy for FGL Sports' corporate banners by aggressively expanding its Sport Chek and Atmosphere banners across the country. The Sport Mart, Athletes World and Hockey Experts banners are planned to be converted to Sport Chek or Atmosphere stores, or closed, during 2013.

As at the end of 2012, the number of stores operating under each corporately owned retail banner was as follows:

Corporately owned Retail Banners	Number of stores
Sport Chek	161
Atmosphere	15
National Sports	18
Sport Mart	41
Athletes World	44
Hockey Experts	2
Fitness Source	2
Total	283

FGL Sports Franchise Operations – FGL Sports acts as a franchisor, administering five retail franchise banners within its franchise division: Sports Experts, Intersport®, Atmosphere, Hockey Experts and S3®. The Sports Experts banner is the largest sporting goods retailer in Québec, offering a broad assortment of branded and private-label products, including equipment, apparel and footwear. Intersport is a banner known for its specialized knowledge in selected sports, similar to that of a neighborhood specialty store, with big-box store pricing. Atmosphere is a big-box franchise banner specializing in outdoor sports, including snowboarding, cross-country and telemark skiing, cycling and camping. Hockey Experts is a banner that specializes in hockey equipment, apparel and related merchandise and accessories. S3 is a retail chain specializing in branded surf, snow and skate footwear, apparel and accessories and is targeted at the 15 to 24 year old demographic.

As at the end of 2012, the number of stores operating under each franchise retail banner was as follows:

Retail Banner	Number of stores
Sports Experts	72
Intersport	47
Atmosphere	42
Hockey Experts	20
S3	11
Total	192

FGL Sports negotiates a franchise agreement with prospective franchisees that generally has an initial term of ten years, with a minimum term of five years, and sets forth the terms upon which a franchisee is entitled to operate one or more franchise store locations under a particular franchise banner. Generally, the agreements provide franchisees with rights to operate under a particular franchise banner, and obligate the franchisee to purchase merchandise from FGL Sports, adhere to company policies, participate in certain marketing and merchandising programs and operate the franchise location in accordance with standards established by FGL Sports. FGL Sports' franchisees are contractually obligated to pay a royalty based on a percentage of their retail sales. Franchisees pay FGL Sports additional fees for services rendered for buying, distribution and administration services. FGL Sports supervisors regularly visit franchise locations with a view to maintaining company standards and to assist franchisees with store appearance, merchandise displays and profitability. FGL Sports also provides full accounting

services to approximately 148 franchise stores, allowing it to monitor operations and the financial position of those franchisees.

In addition to the franchisee stores, there are an additional 20 store locations that are buying members only and do not participate in all of the other programs offered to franchisees of FGL Sports. The status of "buying member" is often employed to test new concepts or evaluate independent retailers prior to them becoming franchisees. The buying member agreement typically allows the buying member to purchase products required for the operation of their business, subject to availability, in accordance with policies established by FGL Sports. Buying members typically undertake their own merchandising, purchasing, transportation and general administration.

FGL Sports Wholesale Operations – FGL Sports operates its wholesale business through its wholly owned subsidiary, INA International Ltd. ("INA"). INA develops, sources and imports private-label brands and exclusive licensed brands for FGL Sports for sale in the North American market. FGL Sports' private label and exclusive licensed brand business is developed through INA in conjunction with Intersport International Corporation, one of the world's largest buying groups and retailers of leisure apparel, athletic apparel and sports equipment, of which FGL Sports is a member. Through this arrangement, and through direct ownership of certain trade-marks, INA offers a number of different hardgoods, apparel and footwear products carrying private-label brand names such as Firefly®, McKinley™, TECNO Pro®, Nakamura®, EXP™, Vic Hockey™, Hespeler®, and Matrix®. Currently, these private-label brands are available in Sport Chek, Sport Mart, Sports Experts, Intersport®, Atmosphere and National Sports, Canadian Tire and Mark's stores as well as certain third party retail customers serviced by INA.

INA also undertakes FGL Sports' licensed "opportunity-buy" businesses. In its licensed business, INA licenses brands from their owners and designs and sells products bearing those brands. The trade-marks to which INA currently has license rights in certain jurisdictions include Airwalk®, Powerbuilt®, Sims™, Diadora®, Avalanche®, Silence, M3®, Ram Golf™, Ultra Wheels®, Lego® and Rage™. In its "opportunity-buy" business, INA sources, purchases and subsequently re-sells manufacturers' excess capacity product.

In 2012, INA acquired Golden Viking Sports LLC ("GVS"), the exclusive licensee of Diadora® soccer footwear, apparel and accessories in the U.S. for the past three years. This provides INA the North American license for Diadora® and a base for further servicing its existing U.S. customers and the opportunity to expand Diadora® and other licensed brands owned by INA in the U.S. market. Before the acquisition of GVS, INA had the Diadora® license only for Canada.

FGL Sports Distribution – FGL Sports' warehousing operations for franchise and corporate stores are consolidated in Mississauga, Ontario in a leased facility of approximately 475,000 square feet. The company's INA International Ltd. subsidiary, as part of the GVS acquisition, now has two warehouse facilities in Kent, Washington of approximately 46,000 square feet and 60,000 square feet.

New FGL Sports Products – FGL Sports continuously introduces enhanced products from the leading brands/suppliers in the industry as technological improvements are put into production. New products/technologies introduced in FGL Sports various banners in 2012, include the reintroduction of the Jordan® Retro Basketball Shoe, Roxy™ sandals and casual footwear, Casual boots from The North Face®, Timberland® and Sorel®, Crossfit training footwear from Reebok®, Nike® Shield protective athletic footwear, Under Armour® Cold Black® Performance Apparel, Nike® Hyperwarm Performance Apparel, Under Armour® Studio Lux Athletic Apparel, Under Armour® Bra, Lightweight Insulated Jackets, Ripzone Recycled Materials Insulated Jackets, Shaun White skateboard and BMX® bike, GT BMX®, Road and Mountain Bikes, TaylorMade Rocketballz™ Drivers, Fairway Woods, Hybrids and Irons, Callaway® Razr Fit Driver and Fairway Wood, Callaway® Razr X Black Driver, Fairway Woods and Irons, TaylorMade R11S Driver and Fairway Wood, Adidas® Euro Cup Soccer equipment and Apparel, Nike® VR_S Driver and Irons, expansion of snowboard and ski assortments, Smith io Recon (Elite Ski Goggle in 10 doors), CCM RBZ One-Piece Composite Sticks, Easton® Stealth RS One-Piece Composite Sticks, Bauer® Supreme NXG One-Piece Composite Sticks, Warrior DT One-Piece Composite Sticks, Reebok® 20K One-Piece Composite Sticks and Bauer® Re-Akt Hockey Helmet.

FGL Sports Competitive Conditions – The sporting goods retail industry is highly fragmented and very competitive in terms of price, quality, service, selection, fashion, location and store environment. FGL Sports competes directly or indirectly with large format sporting goods stores; traditional sporting goods stores and chains; specialty sporting goods stores and pro shops; mass merchandisers; discount stores and department stores; and catalogue and internet-based retailers. FGL Sports operates a combination of "big box" general sporting goods stores, with several specialty "small box" banners, in both corporate and franchise environments. Within these stores, FGL Sports offers a full range of sporting goods and active apparel at various price points in order to appeal to a range of sporting goods consumers. The merchandise offered by FGL Sports includes, in most cases, one or more of the leading manufacturers in each category. FGL Sports' objective is not only to offer leading brands, but a full range of products within each brand, including several premium items in various categories. As beginners move to higher levels in their sports, FGL Sports aims to be prepared to meet their needs. FGL Sports believes that the broad geographic coverage provided by its corporate and franchise stores in Canada and the merchandise it offers distinguishes it from its competitors. Additional information on the competitive position of the Retail Business Segment is provided in section 2.3 (Competitive landscape) of the Company's MD&A for the year ended December 29, 2012.

FGL Sports Foreign Operations – In 2012, approximately 4% of the value of FGL Sports inventory purchases was sourced directly from vendors outside North America, primarily from Asia. As with CTR, FGL Sports is exposed to risks associated with foreign suppliers including but not limited to currency fluctuations, the stability of manufacturing operations, transportation and port disruptions**.**

FGL Sports Information Technology – FGL Sports maintains its information system facilities for corporate stores at its office in Calgary, Alberta. All corporate and franchise stores have point-of-sale terminals, with price look-up capabilities, and transmit sales results daily. Price changes can be transmitted by FGL Sports on a daily basis if necessary. The Company maintains continuous inventory status by product, size, colour and location which is updated daily upon receipt of sales data. The franchise network operate its inventory management processes on a proprietary software system, maintained in Laval, Quebec. The Company maintains a warehouse management system and put-to-light system in its Mississauga distribution centre that fully automates the process of distributing product to its corporate retail stores.

Mark's

Mark's is one of the largest specialty apparel retailers in Canada, offering casual and industrial clothing and footwear to men and women for work and leisure. 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®".

Mark's operates 386 stores across Canada under the Mark's Work Wearhouse, Mark's and Work World banners. At the end of 2012 the number of stores operating under each banner was as follows:

Retail Banner	Number of stores
Mark's corporate stores	347
Mark's franchise stores	37
Work World franchise stores	2
Total	386

As of the end of 2012, 65 Mark's stores were co-located within a Canadian Tire store. In these co-located 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 co-located stores bring the high customer traffic of a Canadian Tire store directly to a Mark's store and function to lower on-site construction and occupancy costs.

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 Franchise Operations – Mark's acts as a franchisor, administering three retail franchise banners within its franchise division: Mark's, Mark's Work Wearhouse and Work World. Mark's established a franchise operation in the recognition that expansion into single store Canadian markets is best accomplished in the hands of a proprietor. Mark's franchise program enables the Company to access certain markets that it may otherwise not have accessed and provides the Company with increased purchasing power for merchandise acquired from suppliers. As at December 29, 2012, the franchise operations consisted of 37 Mark's franchise stores and 2 Work World franchise stores located in single store markets in most provinces. Generally, each Mark's franchisee owns only one store, but there are a few multiple Mark's store owners. The Work World franchisees noted above own one store each.

Mark's Distribution – 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 from domestic suppliers directly to its stores. 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 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.

New Mark's Products – 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, jackets, gloves and hand warmers using the Thermalectric™ technology for increased warmth, 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. Mark's has also introduced innovative Clothes That Work® products including: quick-dry men's summer swimwear, ladies dress boots to which Duraguard® anti-salt stain protection has been added for easy care and lasting wear, anti-slip work gloves, Quad Comfort® traction system with a special heel added to the Tarantula® anti-slip footwear used primarily in the hospitality industry, T-Max Heat™ men's and women's wear including thermals, tights, ladies t-shirts and men's sweaters for improved warmth and thermal regulation, Don't Sweat It® men's woven and knit shirts to prevent sweat stains, X-Toe® external safety toe on men's safety footwear to improve comfort and fit, heated winter boots, Quad Lite™ work boots reducing the weight of work boots significantly, T-Max® socks that provide even more warmth than Mark's famous Below Zero® socks, ladies winter vests with temperature regulating T-Max® insulation and HD1® water-repellent-fleece hoodies in men's wear. Mark's has also made several improvements to existing products including changing the compound in industrial and casual rubber boots to make them more flexible and pliable in cold weather and further engineering of Denver Hayes® dri-wear® underwear for fit, comfort and superior moisture management. Through the use of Aerogel™ technology, an ingredient in T-Max® insulation, Mark's further enhanced the protection against cold in footbeds and stadium/arena seats.

Mark's Competitive Conditions – 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 addresses 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 the competitive position of the Retail Business is provided in section 2.3 (Competitive landscape) of the Company's MD&A for the year ended December 29, 2012.

Mark's Foreign Operations – In 2012, approximately 40% 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. 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.

Mark's Information Technology – Mark's centrally-managed 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 Enterprise 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.

2.2 Financial Services Business

Financial Services is composed of CTFS and CTB and markets a range of Canadian Tire-branded credit cards, including the Canadian Tire Options MasterCard, the Cash Advantage® MasterCard®, the Gas Advantage® MasterCard® and the Sport Chek® MasterCard®. CTB, a wholly-owned subsidiary of CTFS, is a federally regulated bank that issues Canadian Tire's consumer MasterCard, Visa® and retail credit cards, as well as managing and financing an existing block of Canadian Tire branded personal loan and line of credit portfolios. In addition, CTB offers and markets high interest savings accounts and GICs (both within and outside tax free savings accounts) and offers GICs through third-party brokers.

Financial Services also markets various insurance and warranty products to Canadian Tire customers. CTFS Bermuda Ltd. ("CTFS Bermuda"), a wholly-owned reinsurance subsidiary of CTFS, reinsures the risk associated with creditor insurance and warranty coverages purchased by Canadian Tire MasterCard and retail card customers as well as Accident and Dismemberment Insurance. Further information about CTFS Bermuda is set out in the section of this Annual Information Form entitled "Description of the Business – Financial Services Business – Foreign Operations".

Information concerning Canadian Tire 'Money' on the Card is set out in section 2.1 of this Annual Information Form entitled "Retail Business - Canadian Tire Retail - CTR Marketing".

New Financial Services Products – During 2012, Financial Services continued to advance its in store financing program, offering deferred and installment financing programs on purchases in Canadian Tire and Sport Chek stores as well as on home services offered by CTFS. CTB also issued the Sport Chek MasterCard in 2012 and plans to issue its Canadian Tire Options World MasterCard in 2013. In addition, Financial Services introduced home services programs during the period and launched a driving school pilot. The initial home service offerings were garage door opener and central vacuum installation services and HVAC installed sales. Future products and services, some of which are currently being offered in pilot markets, will include hot water tank, garden shed, and painting service sales and installation.

Financial Services Competitive Conditions – The Canadian Tire-branded 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 credit card market. The total Canadian credit card market (which is comprised of all MasterCard and Visa branded credit cards as reported by the Canadian Bankers Association) has experienced small sales declines over the past several years. 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 increase the number of credit card customers that purchase other Canadian Tire products and services. Canadian Tire branded deposit products compete with 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 markets 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 card-related 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 the competitive position of the Financial Services is provided in section 2.3 (Competitive landscape) of the Company's MD&A for the year ended December 29, 2012.

Financial Services Customer Contact Centres – The customer contact centres at Financial Services manage inbound and outbound customer calls with respect to the CTR and Mark's retail business and provide customer support on various services, including roadside assistance and credit card inquiries. With a team dedicated to customer service excellence, the customer contact centres have earned five contact centre of the year titles and seven world class customer satisfaction awards over the past decade. Additional information on the Company's customer contact centres is provided in section 3.9 (World-class customer contact centres) of the Company's MD&A for the year ended December 29, 2012.

Financial Services Foreign Operations – 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.

CTFS owns CTFS Bermuda, a Bermuda resident reinsurance company which is regulated by the Bermuda Monetary Authority. CTFS Bermuda has entered into reinsurance agreements with three 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.

Financial Services Information Technology – Financial Services is supported by a centrally-managed technology department. 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.

2.3 Seasonality of the Business

The Company derives a significant amount of its revenues from the sale of seasonal merchandise. 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**,** FGL Sports and Mark's and the timing of marketing programs. CTR experiences a degree of sales volatility from abnormal weather patterns and mitigates the risk, to the extent possible, through the breadth of its product mix as well as effective procurement and inventory management practices. Similarly, the FGL Sports and Mark's businesses are seasonal. FGL Sports strives to minimize the impact of the seasonality of the business by altering its merchandise mix at certain times of the year to reflect consumer demand. Mark's relies on detailed sales reporting and merchandise planning modules to assist in mitigating the risks and uncertainties associated with unseasonable weather and consumer behavior during the important Christmas selling season because inventory orders, especially for a significant portion of merchandise purchased offshore, must be placed

well ahead of the season. However, any decrease in retail sales due to a slower holiday shopping season, unseasonable weather conditions, economic conditions or otherwise, could adversely affect the Company's business performance. The following tables show the quarterly financial performance of the Company over the last two years.

CTR's Quarterly Results	2012					2011				
(C$ in millions)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue[1]	$ 1,184.8	$ 1,651.3	$ 1,395.4	$ 1,548.2	$ 5,779.7	$ 1,103.7	$ 1,598.1	$ 1,496.1	$ 1,573.6	$ 5,771.5
% of full year Revenue	20.5%	28.6%	24.1%	26.8%	100.0%	19.1%	27.7%	25.9%	27.3%	100.0%

FGL Sports' Quarterly Results[2]	2012					2011				
(C$ in millions)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue	$ 341.8	$ 335.2	$ 429.1	$ 444.2	$ 1,550.3	$ -	$ -	$ 219.5	$ 426.1	$ 645.6
% of full year Revenue	22.0%	21.6%	27.7%	28.7%	100.0%	0.0%	0.0%	34.0%	66.0%	100.0%

Mark's Quarterly Results	2012					2011				
(C$ in millions)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue	$ 191.5	$ 222.4	$ 200.2	$ 402.5	$ 1,016.6	$ 182.5	$ 211.7	$ 197.3	$ 388.0	$ 979.5
% of full year Revenue	18.8%	21.9%	19.7%	39.6%	100.0%	18.6%	21.6%	20.1%	39.7%	100.0%

Footnotes:

(1) CTR Revenue does not include revenues relating to Petroleum.

(2) FGL Sports was acquired by the Company on August 18, 2011.

2.4 Intangible Properties

The Company 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 numerous trade-marks associated with the Company's retail brands. Protection of the Canadian Tire trade-mark and associated design presentations is a high priority of the Company. Other trade-marks and intellectual property rights associated with Canadian Tire's retail brands and the brands associated with Financial Services, Petroleum, PartSource, FGL Sports and Mark's are considered to be important assets of the Company and are defended vigorously where appropriate. The Company licenses the use of certain trade-marks to CTFS, CTB and certain other entities.

The Company owns a number of domain names, which generally reflect its trade-marks and related slogans. The domain names are used in connection with the Company's on-line presence. The registrations for the Company's trade-marks and domain names are renewable. Procedures are in place to ensure timely renewals.

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

2.5 Economic Dependence

The Company has entered into a standard form individual contract with all of the 481 Associate Dealers who operate the 490 Canadian Tire stores, each of which expires on June 30, 2014. The Company is not dependent upon any one of these contracts with any Dealer. Please see section 2.1 of this Annual Information Form entitled "Retail Business – Canadian Tire Retail – CTR Associate Dealers" for further information.

Petroleum sources fuel from leading Canadian suppliers. Please see section 2.1 of this Annual Information Form entitled "Retail Business – Canadian Tire Retail – Petroleum" for further information.

2.6 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, securities issued or guaranteed by highly rated corporations of financial institutions 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 branded MasterCard and Visa credit cards, retail 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.

2.7 Financing of the Business

The Company funds its growth through a combination of financing sources including internal cash generation and accessing the public and private financial markets, as appropriate. CTB funds its growth through a combination of GICs offered through deposit brokers, retail deposits including high interest savings accounts and GICs (both of which can be held in tax free savings accounts), and securitization of credit card receivables. Additional information concerning the Company's financing sources can be found under section 8.3 (Financing) of the Company's MD&A for the year ended December 29, 2012.

2.8 Risk Factors

The Company is exposed to a variety of risk factors and has identified the principal risks inherent in its businesses. 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.

- Market Place – Change in economic conditions, competitive landscape, domestic or international political environments, the demographics of the Canadian population, consumer behaviour, and the introduction of new 'technologies' could have a significant negative impact on the Company's sales, market share, operating margins, and/or ability to achieve its strategic objectives.

- Key Business Relationships – The scope, complexity, materiality and/or criticality of key business relationships can potentially affect customer service, procurement, product and service delivery, and can result in legal disputes which may have a significant negative impact on the Company's earnings, cost of operations, reputation and brand. The Company is currently in discussions with representatives of Canadian Tire Associate Dealers on a new form of Dealer contract. The existing contract expires on June 30, 2014 and it is anticipated that agreement on a new contract will be reached prior to that date, but there is no assurance that this will take place.

- People – External pressures and/or ineffective internal human resource practices can negatively impact the Company's ability to attract and retain sufficiently appropriately skilled people who have the expertise to support the achievement of the Company's strategic objectives.

- Execution of Strategy – Failure to identify, plan, resource, execute, and achieve the full benefits of strategic initiatives could have a negative impact on the Company's mid to long term success as an organization, including loss in revenue, market share or investor confidence.

- Technology (including information systems) – Failure to invest in technology, ensure the availability of systems and secure systems and information may have an adverse affect on the ability to achieve strategic objectives, operate effectively and support regulatory requirements.

- Operations – Failure of the Company's business operations and processes (merchandising, supply chain, store networks and financial services) may have an adverse effect on the Company's ability to support its key business objectives. Failed processes in terms of design, integration and execution can result in financial loss, theft or fraud, damages to assets, poor service delivery, negative customer experiences or regulatory related issues.

- 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 (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 product pricing, gross margins and net interest expense. In addition, inappropriate hedging strategies for mitigating foreign exchange, interest rate and equity exposures could cause a significant negative impact on earnings.

- Legal – Failure to comply with laws and regulations could result in sanctions and financial penalties that may negatively impact the Company's earnings, reputation and business activities.

- Financial Reporting – Failure to adhere to financial accounting and presentation standards and securities regulations relevant to financial reporting may result in regulatory sanctions, loss in share value, and reputational damage.

- Business Continuity – Unplanned events or prolonged business interruptions may compromise the safety of employees or customers, prevent the Company from communicating with its customers, employees, stakeholders and shareholders, and limit the Company's ability to provide products and services, resulting in a significant financial loss and damage to its reputation.

- Consumer Lending – Failure or inability to accurately predict the creditworthiness or credit behaviour of customers and economic factors that could impact consumer debt levels may significantly affect the earnings of Financial Services.

Information Management is an integral risk mitigation component for all the principal risks. Effective management of information addresses sufficiency, integrity, availability and safeguarding of information and must be managed in an integrated manner across the Company.

The Company maintains an enterprise risk management program and an internal control culture throughout the organization for the monitoring and management of risks. The Company's risk mitigation strategies employ various practices including policies, controls, processes, management activities, contractual arrangements and insurance to assist with reducing the nature, exposure and impact of risks on the organization.

Further information about 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 7.5.1.2 (Retail segment business risks), 7.5.2.2 (Financial Services segment business risks), 11.2 (Principal risks), 11.3 (Financial risks), 11.4 (Legal risks) and 11.5 (Other risks) of the Company's MD&A for the year ended December 29, 2012.

The Company cautions that the preceding discussion of risks is not exhaustive. When considering whether to purchase or sell 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.

2.9 Employees

As of the end of 2012, the number of full-time and part-time employees (excluding seasonal temporary help) of the Company was approximately as follows:

	Full-Time Employees	Part-Time Employees
CTC – Corporate Centre	3,867	56
CTR	472	6
PartSource	476	563
Financial Services	792	223
Petroleum	54	0
Mark's	1,358	1,831
FGL	3,164	9,663
Total	10,183	12,342

In addition, there are approximately 65,500 full and part-time employees of Canadian Tire Stores and FGL Sports and Mark's franchises who are employed by the Canadian Tire Associate Dealers and FGL Sports and Mark's franchisees, respectively.

The Company employs highly qualified individuals specializing in marketing, category management, supply chain, store operations and design, information technology, finance, and customer service. Financial Services also employs highly qualified individuals in credit risk management. 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 employees through internal and external courses.

2.10 Social and Environmental Policies

Corporate Social Responsibility – The Company allocates funds for social investments on an annual basis, with a corporate donations policy in place to guide the allocation process. 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 Company supports a variety of social causes but the largest single beneficiary is Canadian Tire Jumpstart Charities. The Charity is an independent, non-profit charitable organization committed to assisting financially challenged families and children in communities across Canada, primarily in funding costs associated with the children participating in organized sport and recreation. Please see section 13.2 (Community activities (Canadian Tire Jumpstart Charities)) of the Company's MD&A for the year ended December 29, 2012 for additional information.

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. Compliance with the Supplier Code is monitored through periodic assessments of suppliers, including third-party audits where appropriate. The Company also has an internal 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. The Company's Business Conduct Compliance Office 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: Business Conduct Compliance Office. The codes are also available at www.corp.canadiantire.ca and on SEDAR at www.sedar.com.

Business Sustainability – The Company is committed to business sustainability with three primary aspirations — to profitably grow the business without increasing the net carbon footprint of the economy, to eliminate unnecessary packaging while sending zero waste to landfills, and to provide innovative products and services that meet customers' needs without compromising the ability of future generations to meet their needs. The Company's business sustainability strategy is overseen by the Social Responsibility Committee of the Company's Board of Directors and by the Executive Business Sustainability Committee. The specific sustainability measures derived from the Company's business sustainability strategy are reported in relation to three key segments of the business operations: Retail Products, Product Transportation and Building and Operations. Within these areas, the Company reports on the implementation of process improvements and upgrades and the forecasted annual economic and environmental benefits they will deliver related to annual avoided cost, energy use, greenhouse gas emissions and waste. The Company discloses its business sustainability performance each quarter and the Company's energy and carbon footprint is disclosed annually. Please see section 13.3 (Business sustainability) of the Company's MD&A for the year ended December 29, 2012 for additional information.

Environmental Compliance – The Company has established Environmental policies and practices to support ongoing compliance with applicable laws and regulations and develop consistent practices across the organization. The Company requires its Associate Dealers, agents and franchisees to comply with all laws and regulations applicable to their business operations and expects them to implement appropriate Environmental programs. Environmental protection requirements related to the business of the Company do not, and are not expected to, have a significant financial or operational effect on the capital expenditures, earnings or competitive position of the Company during 2013. Additional information about environmental risks can be found under section 7.5.1.2 (Retail segment business risks – Environmental risk) of the Company's MD&A for the year ended December 29, 2012.

3. GENERAL DEVELOPMENT OF THE BUSINESS

In 2010, the Company announced a new, five-year Strategic Plan for growth, highlighting four overriding strategic objectives as set out in section 5.1 (Strategic objectives and initiatives) of the Company's MD&A for the year ended December 29, 2012. Over the past three years, the Company has aligned its annual business plans with the four strategic objectives and has reported its key achievements during the year in its annual MD&A. The following section of this Annual Information Form discusses the development of the Company's business over the past three years.

3.1 Retail Business Developments

Canadian Tire Retail

Strategic Initiatives – CTR has focused on four major strategic initiatives over the last three years to strengthen the core retail business - the CTR Store Renewal Program, an enhanced Customer Loyalty Program, the CTR Change Program and the Automotive Infrastructure Program.

CTR Store Renewal Program – The purpose of the CTR Store Renewal Program is to renew the CTR store network through building, replacing, retrofitting or expanding Canadian Tire stores with a greater focus on improving sales and productivity at a lower capital cost or allowing CTR to enter incremental markets. The following table shows the number of Canadian Tire stores that the Company built, replaced, retrofitted or expanded in 2010, 2011 and 2012 respectively:

	2010	2011	2012
New Builds	6	4	4
Replacements	3	5	4
Retrofits/Expansions	61	61	75

A key driver of the Program is the continued rollout of the "Smart" store format which highlights CTR's category strength in key heritage businesses (Tools, Automotive, Sports, Housewares, Hardware and Backyard) and provides an improved customer experience with a focus on sales and productivity. As at the end of 2012, 247 Smart stores have been developed. CTR also introduced a new Automotive Concept store that features a combination of merchandising changes, new customer facing technology, additional employee training programs on the retail floor and auto service area and quick lube automotive services. Four Automotive Concept stores were introduced in 2011. Key innovations from the Concept stores were incorporated into a limited number of existing stores in 2012 and will be incorporated into the CTR Store Renewal Program as new stores are developed.

CTR also continued its rollout of the "Small Market" format used to replace existing small, traditional stores in their markets and to allow CTR to enter new incremental markets. Small Market stores incorporate a Mark's outlet and a Petroleum gas bar where feasible. As at the end of 2012 there were 19 Small Market stores.

Customer Loyalty Program – In 2010, CTR began development of a redesigned and enhanced loyalty program and customer-centric retailing approach to provide customer insights. This included measuring and utilizing Customer Service Index feedback from customers to improve the customer experience and analyzing other available data to begin optimizing key retail processes such as pricing, assortment and integrated marketing based on the customer insights. Since 2010, the Company has remerchandised a number of its categories as a result of the customer insights gained and completed the loyalty program redesign and enhancement. The first phase of the new Canadian Tire 'Money' Advantage program was launched in Nova Scotia in February 2012. The objective of the first phase is to measure the program's ability to increase sales at CTR and to gather data on individual customers. The customer-level data collected is being used to build retail strategies and relationships with CTR's loyal customers over the long term. The seasonality of CTR's product offering and the wide assortment of SKUs sold at Canadian Tire stores is providing a unique view of Canadian household, rather than category-specific, purchasing patterns and preferences.

CTR Change Program – The "CTR Change" program is a multi-year initiative aimed at improving and upgrading the Company's marketing and merchandising capabilities by enhancing the systems, processes and operational and organizational structures that support them. The program included the introduction of a new pricing system and the implementation of systems for financial planning in the merchandising area. In addition, the promotion planning process was streamlined and new capabilities were introduced. The components of the program that were planned for completion in 2012 and 2013 include: (i) the standardization of vendor engagement processes throughout the vendor management lifecycle, optimizing acquisition costs and vendor support programs; (ii) the standardization of policies and processes resulting in improved cost management, consumer quality perception and reduced defective claims; and (iii) the standardization and enhancement of the assortment management process to create and maintain a product assortment that is relevant to the Canadian Tire consumer and supports the financial goals of CTR.

Automotive Infrastructure Program – Over the past three years, CTR continued its Automotive Infrastructure initiative that was intended to strengthen the Company's automotive businesses and improve the automotive customer experience at Canadian Tire and PartSource stores. The initiative was comprised of three primary components: (i) significantly expanding the automotive parts assortment and replacing aging assortment planning technology with the best commercially available decision rule and predictive modeling based solution; (ii) 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 an improved customer experience; and (iii) creating a network of PartSource hub stores ("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. CTR has also undertaken work to improve assortment planning capabilities which will provide the basis upon which to deliver an improved customer experience.

Other Key Initiatives – CTR has built market share in key categories within its "Driving", "Living", "Fixing" and "Playing" lines of business, with the result that it currently holds a leading market position in the majority of its lines of business. Its strong marketing capabilities have continued to evolve CTR's brand and product marketing

activities and to expand those activities across marketing mediums. Its operational excellence, product quality and productivity initiatives have also achieved positive results.

Driving – During the past three years, CTR has focused significant resources on the integration of, as well as the strengths and opportunities for, its Automotive assets with the goal of renewing and improving its identity as "Canada's Automotive Authority." As part of this effort, the Automotive business has created a new set of skills and specialties within its team. It completed the training of over 3,000 front line staff in the automotive management system (part of the Automotive Infrastructure initiative) and over 4,000 front line staff in tires and preventative maintenance. CTR has also worked to expand its reach beyond automotive enthusiasts by sourcing and developing exclusive and innovative products that meet the needs of all Canadian drivers. Following the success of its Canadian automotive product search program, which included an open invitation to existing and new vendors to present products to a panel of Canadian Tire automotive executives, CTR expanded the search to a global vendor base through its "Combustion Chamber" series, which challenges vendors to bring CTR industry-leading product innovations.

In 2011, CTR launched its "Tires Online" program, which allows customers to select and purchase a wide assortment of regular and special order tires online for pick up in Canadian Tire stores. As of the end of 2012, over 41,300 product descriptions were posted and over 700 tires and wheels were available for purchase on the Company's website. To improve the in-store experience for drivers, CTR developed a "tire wall" which provides increased product information and visibility to customers. In addition, during 2011, CTR published two issues and distributed 4.5 million copies of a new Canadian Tire Automotive catalogue, showcasing hard parts assortments.

CTR has continued to invest in new technology and supply chain infrastructure and has expanded the warehouse capacity of designated PartSource stores across Canada to drive growth at CTR and PartSource. PartSource is currently used by approximately 263 Canadian Tire stores for emergency auto parts deliveries. PartSource has also developed 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 2012, it innovated the "Super Satellite" format, which has replaced investments in new Hub Stores.

CTR's Petroleum division, has continued the execution of its plans over the past three years, which has 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 gas bar kiosks. In 2010, Petroleum entered into an agreement to build and operate 23 state-of-the-art gas bars and associated convenience centres located along Ontario highways (Highway 401 and Highway 400), of which 16 were in operation as of the end of 2012. As of the end of 2012, 299 gas bars, 294 convenience stores and kiosks, 80 car washes, six vehicle lubrication facilities and 90 propane stations carried the Canadian Tire brand. All of the gas bars are operated by independent agents pursuant to agreements governing the sale of petroleum products using the Canadian Tire name and logo.

Living – Canadian Tire is the market leader in key categories of the home management business, including cookware, home organization and small appliances. This category is core to the CTR business and a fundamental part of the shopping experience Canadians have come to expect from Canadian Tire over the last 90 years. While continuing to bring Canadians the latest and most innovative product assortment, CTR is also focused on evolving the in-store customer experience to provide Canadians with everything they need for the jobs and joys of life in Canada. CTR has continued to expand the product assortment available in its "Living" departments as well invest in the physical layout of the CTR store to ensure that the strength of its exclusive, national and private label brands are highlighted.

Building on its success from prior years in the home organization solutions and products area, CTR has during the past three years continued to focus on organization solutions and expanded the presence and impact of storage and organization assortments. Also in 2010, CTR commenced a new integrated marketing initiative to build the backyard segment. In 2011, CTR added a wider assortment of products from brands such as KitchenAid, Cuisinart, Lagostina and Miele. In addition, CTR tested a new strategy for its "Living" line of business focused on the "home manager" with expanded assortments, inspirational displays and improved product adjacencies. Drawing on the

findings from the kitchen program pilot, CTR integrated these into a national store redesign to deliver the best product assortment and customer experience in the market and has implemented the design in 83 stores.

Fixing – CTR has improved signage and simplified navigation in its hardware departments. It has also made investments to upgrade its in-store paint technology, installing the most modern automatic paint tinters available and increasing employee training in order to deliver an industry-leading customer experience. In 2012, CTR expanded its paint selection to include an exclusive top quality brand, Benjamin Moore, across its store network.

Playing – Over the past three years CTR grew its fitness segment through an expanded store presence, a balanced emphasis between equipment and accessories and focused promotional activity. Following a successful test in 2011, CTR rolled out a hunting and fishing "store within a store" concept in key markets. In 2012, CTR launched 15 Fishing Pro Shop, 22 Hunting Pro Shop and 14 combined Fishing and Hunting Pro Shop concepts. These concepts have helped CTR be more locally relevant with its customers by having customized store assortments for their regional needs and customized regional floor plans. In addition, CTR has continued to expand its selections of sporting goods. As part of its focus on hockey merchandising, CTR entered into sponsorship arrangements in 2010 with the National Hockey League® and with all-star hockey player Jonathan Toews. The sponsorship includes the launch of The Canadian Tire Hockey School™ and the naming of Mr. Toews as founding member and official spokesperson of the school. Sports Association partnerships launched in 2013 are intended to help CTR build on its positioning in its heritage sports business.

Marketing – During the last three years CTR focused on its key heritage businesses (Tools, Automotive, Sports, Housewares, Hardware and Backyard) as it continued to evolve its integrated approach to brand and product marketing. It has continued to emphasize brand advertising, tying the Canadian Tire triangle to its positioning as the retailer that understands the jobs and joys of life in Canada. Canadian Tire's brand anthem underscores that it is "Canada's Store" and focuses on the breadth of its product assortment and deep knowledge of the communities in which it operates. The Company's commitment to Canadians and the unique nature of Canadian culture and life is demonstrated across marketing mediums, which include expanded digital and mass marketing platforms. CTR successfully launched its "Canada's Store" campaign in 2012, which was preceded by the "Bring it On" marketing campaign. To support the brand campaign, a series of 'Destination Guides' were developed that showcase how products from across the "Automotive", "Living", "Fixing" and "Playing" lines of business complement the activities of Canadian households.

CTR has integrated its print, digital and mass advertising to inspire customers and motivate purchases within key product categories. Significant upgrades and improvements to the Canadian Tire website, www.canadiantire.ca, have been completed and the site is an effective launch point for targeted and mass outreach to customers. Customers can customize the site to reflect their preferred CTR store and can confirm product availability locally. In 2012, there were more than 100 million visits to the website and 20 million visits to the digital flyer. CTR continues to expand its online offering and has expanded its marketing efforts to include a fully interactive mobile application and social media vehicles like Facebook, where it achieved 650,000 'likes' in 2012.

CTR's digital initiatives are designed to draw on the national reach and scale of the existing network of Canadian Tire stores. In 2012, CTR commenced a project to advance its capabilities as an omni-channel retailer by establishing sound foundations in platforms and online retail capabilities as well as developing organizational talent for digital interactions.

The strength of CTR's product assortment is evident in its selection of national and private label brands. To further drive private label brand growth, CTR is focused on improving the quality and assortment of its private label portfolio. CTR will continue to invest in store brands such as MasterCraft, MotoMaster and Yardworks, which are pillars of the CTR assortment.

Customer Experience - The success of the "Smart" store rollout has been augmented by CTR's operational excellence program which further improves in-store operations. CTR also launched a number of new customer experience programs that have been well received by its customers and have increased the overall level of

customer satisfaction with the Canadian Tire store experience. In 2012 it rolled out new product inquiry technology to stores to provide improved customer service. CTR has also focused on improving product quality. This resulted in a significant reduction in product defects and store returns in 2012.

Other Developments – CTR reviews opportunities for significant productivity improvements on an ongoing basis. During 2012, the division redesigned and improved certain processes for procuring merchandise and non-merchandise services. Most significantly, CTR developed and deployed a capability to apply best practices to the ongoing acquisition of product. Another example of a significant productivity initiative is the implementation of "voice pick" technology in CTR's Distribution Operations over the last several years. This technology uses computer generated voice commands to direct order fillers on their pick paths through the Distribution Centres. The technology offers enhanced flexibility, productivity and safety over previous processes, and in combination with carton size scanning technology, has reduced the number of filling errors by more than 60%. The reduction in filling errors has made a measurable difference in the shipping service level performance of the Distribution Centres and contributed positively to in-stock positions in Canadian Tire stores.

Canadian Tire's sustainability initiatives are generating productivity improvements. During the past three years, CTR completed 1,760 sustainability initiatives, forecasted to avoid $11.5 million in costs, 4,928 tonnes of waste and 30,262 tonnes of greenhouse gas emissions annually. It also generated revenues from its sustainability initiatives, some of which are expected to recur in future years.

In 2010, the Corporation commenced discussions with representatives of Canadian Tire Associate Dealers on a new form of contract to be signed by individual Associate Dealers. The existing Dealer contract expires on June 30, 2014 (subject to a renewal term).

FGL Sports

FGL Sports, formerly known as The Forzani Group Ltd., was acquired by the Company in August 2011 and is the largest sporting goods retailer in Canada, selling footwear, sports equipment and apparel. During 2012, FGL Sports continued to focus on driving sales, expanding its successful "store within a store" concept, seeking innovative new ways to connect with customers and realizing the synergies identified during the acquisition. In May, 2012 it announced an accelerated growth strategy for its corporate banners that focuses on aggressive expansion, primarily of Sport Chek as its most-strategic and best-positioned corporate banner. As part of the strategy, FGL Sports will expand its footprint significantly. Outside of Quebec, Sport Chek will be the key "super brand." FGL Sports will also grow Atmosphere as its outdoor lifestyle banner across the country. In total, it intends to add more than 100 new Sport Chek and Atmosphere stores or more than two million square feet of new retail space under those banners over the next five years – equivalent to more than 50 per cent additional retail space. In particular, new concept, large, urban flagship Sport Chek stores are expected to be opened, starting in 2013. A number of under-performing, nonstrategic corporate banners such as Sport Mart and Athlete's World will be closed. The retail expansion will also include an aggressive "super branding" strategy to build brand affinity and customer loyalty. As of the end of 2012, 39 non-strategic banner locations had been closed and 11 new or converted Sport Chek and two new or converted Atmosphere stores opened as part of the execution of the banner rationalization strategy. Sports Association partnerships launched early in 2013 are intended to help FGL solidify its positioning in the sporting goods market.

On November 28, 2012, FGL Sports announced its intention to purchase Pro Hockey Life Sporting Goods Inc, which has annual sales of approximately $95 million. The proposed acquisition is subject to the approval of the Competition Bureau.

Mark's

Mark's is one of the largest specialty apparel retailers in Canada, offering casual and industrial clothing and footwear to men and women for work and leisure. During the past three years, Mark's continued to build its brand by pursuing its strategic initiatives, the three most significant of which were re-branding its stores, expanding its

business to business sales through its Imagewear division, and launching and developing an improved e-commerce capability.

Rebranding – The re-branding initiative involves truncating the name of Mark's Work Wearhouse stores to simply "Mark's" and includes a new logo, tagline, colour scheme and font, a better customer experience including more outfit based merchandising, more and better showcasing of merchandising, wider aisles and cleaner sightlines, brighter interiors, larger fitting rooms, interactive features and greater style and fashion in casual apparel and footwear assortments, and increased marketing to build awareness of Mark's as a casual apparel and footwear retailer in addition to the very strong awareness of Mark's as an industrial apparel and footwear retailer.

Imagewear – The Imagewear business to business division of Mark's has grown at a compound average growth rate of more than 13% over the past three years. This growth has been fuelled by aggressive pursuit of new accounts and strong account development leading to growth in sales to existing accounts.

E-commerce – In 2011, the Corporation invested in a new e-commerce platform, www.marks.com, which became operational in the fall of that year. In 2012, it enhanced the visual look and feel of the site and increased the site's features, interactive capabilities and integration with social networking sites. The e-commerce upgrade also improved in-store availability of product offered on the site and resulted in faster fulfillment and delivery of e-commerce orders.

Mark's other strategic initiatives during the past three years included further development of its four merchandising divisions (industrial wear and accessories, footwear, men's apparel and women's apparel), gross margin rate improvement through better sourcing and improved gross margin management tools, development of consumer awareness of the Mark's brand and the Mark's "Clothes that Work®" and "Smart Clothes, Everyday Living®" messages, and store network expansion, where possible with Mark's stores co-located with Canadian Tire stores. Over the past three years Mark's has rebranded 100 stores, opened 24 new corporate stores, relocated 14 corporate stores, bought back four franchise stores and closed one franchise and nine corporate stores. As of the end of 2012, there were 386 Mark's stores (347 corporate and 39 franchise stores), of which 65 were co-located within Canadian Tire stores.

3.2 Financial Services Business Developments

The Financial Services segment is comprised of CTFS and CTB. During the past three years, Financial Services has continued to strengthen its Canadian Tire branded credit card portfolio by focusing on credit card growth through increasing average account balances, acquiring new accounts and expanding its in-store financing programs. During the period, CTB introduced the Sport Chek MasterCard and expanded its deferred payment and equal payment programs. CTB plans to issue the Canadian Tire Options World MasterCard in the first quarter of 2013. Also during the period, Financial Services launched a services business which initially was limited to a driving school pilot and the provision of certain home services including garage door opener, HVAC and central vacuum installation services. Financial Services intends to continue expanding the array of products and services offered through its home services program in 2013, including shed installation and painting services.

3.3 Other Business Developments

Significant Sponsorships – The Company entered into a sponsorship agreement with the Canadian Olympic Team pursuant to which it will act as a Premier National Partner. The Sponsorship allows CTR, Sport Chek and Sports Experts to participate in marketing and promotional activities relating to the Olympics and Olympic team athletes for a period ending in 2020. The Company also entered into a number of partnerships with major Canadian sports organizations.

Capital Expenditures – During the last three years, the Company has focused capital investment on leveraging current assets and maintained capital expenditures in line with targeted levels, including real estate investments

and investments in technology. With the completion of the information technology infrastructure builds for the Automotive business and the Loyalty Program (currently in its first phase), the 2013 information technology project agenda will include fewer large scale projects. This will allow the Corporation to invest in smaller scale, high impact initiatives, including those that will advance the digital customer experience.

Financing Developments – The Company funds its growth through a combination of financing sources. Recent developments relating to such sources are set out below.

Committed Bank Lines of Credit – As of the end of 2012, the Company had $1.5 billion in committed bank lines of credit, $1.2 billion of which is available under a four-year syndicated credit agreement dated June 29, 2012. The syndicated credit facility is available to the Company until June 2016 and can be extended by mutual agreement for an additional 364 day period in June 2013 and each year thereafter. The remaining lines of credit have been established pursuant to bi-lateral credit agreements that are available to the Company until late 2013. Each quarter the Company has the ability to request that the term of each of the bilaterial credit agreements be reset to 364 days.

Medium Term Notes Program – In March 2011, 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 amount of $750 million. The Company has not issued any medium term notes pursuant to the shelf prospectus. Medium term notes in the amount of $1.05 billion were outstanding as of the end of 2012. The Company intends to renew the program in 2013 by filing a new shelf prospectus.

CTB Deposit Products – Deposit products are a funding source available to CTB. As a member of the Canada Deposit Insurance Corporation ("CDIC"), CTB's GIC and retail deposit products are eligible for CDIC insurance coverage. CTB's GICs are offered in one-month to five-year terms and all issued broker GICs are non-redeemable prior to maturity (except in certain limited circumstances). By the end of 2012, CTB had approximately $1.6 billion in short and long-term broker GIC deposits outstanding. Retail deposits consist of High Interest Savings Accounts and retail GIC deposits. At the end of 2012, the amount of retail deposits held by CTB was in excess of $843 million. Retail deposits provide an alternative, cost-effective 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 MasterCard credit card receivables to Glacier Credit Card Trust® ("GCCT"). CTB acts as servicer of the receivables subject to the co-ownership interest and is obligated to use its best efforts to service and administer the receivables and the proceeds therefrom. However, GCCT is not owned or controlled by the Company and GCCT's recourse in connection with the receivables is generally limited to CTB's and CTFS's earned and unearned income on the receivables and any contractual recourse it may have against those entities. 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. CTB assumed the rights and obligations of Financial Services' in organizing GCCT and, as such, may be considered to be a "promoter" of GCCT within the meaning of the securities legislation of certain provinces of Canada.

In 2010, GCCT repaid in full $365 million of five-year GCCT-issued Senior and Subordinated Asset-Backed Notes that matured and issued Senior and Subordinated Asset-Backed Notes resulting in net proceeds of approximately $265 million. In 2011, GCCT repaid in full $317 million of five-year GCCT-issued Senior and Subordinated Asset-Backed Notes that matured and issued $200 million of Asset-Backed Commercial Paper. In 2012, GCCT issued Senior and Subordinated Asset-Backed Notes resulting in net proceeds of approximately $635 million and repaid approximately $184 million of Asset Backed Commercial Paper. While no GCCT term notes matured in 2012, $635 million in GCCT term notes will mature in early 2013. At the end of 2012, GCCT's undivided co-ownership interests in the pool of receivables totaled approximately $1.5 billion and GCCT had outstanding approximately $1.8 billion of Senior and Subordinated Asset-Backed Promissory Notes and approximately $119 million of Asset-Backed Commercial Paper.

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.

Shared Services – During the last three years the Company has made substantial progress in the centralization of key support functions within the organization, including the Finance, Human Resources and Technology functions.

Re-Organization – In 2010, CTC Capital Corp., CTC Promotions, Inc. and CTC F.I. (all of which were domiciled in the United States) were merged into CTC Capital Corp., a wholly owned subsidiary of CTC Holdings, Inc. CTC Capital Corp. carries on a factoring business, using some of its funds to purchase dealer receivables from CTC, with the remainder of its funds being lent to the Company and other subsidiaries. In January, 2011, the Company changed the capital structure of its financial services subsidiaries to more closely align with the capital structure of similar financial services companies. In January, 2013 CTFS amalgamated with one of its subsidiaries, Canadian Tire Financial Services (Delaware) Inc.

4. CAPITAL STRUCTURE

4.1 Description of 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 77,720,401 Class A Non-Voting Shares and 3,423,366 Common Shares were issued and outstanding as at February 21, 2013. For additional information with respect to the Company's outstanding share capital, please see section 8.4 (Equity) of the MD&A and Note 28 of the notes to the Company's Financial Statements for the year ended December 29, 2012.

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 meeting of shareholders proposed to be held on May 9, 2013 and on the appointment of auditors. Each Common Share carries one vote. In addition, each holder of a Common Share at any time 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. For a full statement of such conditions, reference should be made to the Company's articles of amendment dated December 15, 1983.

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 to be elected at the annual meeting of shareholders proposed to be held on May 9, 2013. Each Class A Non-Voting Share carries one vote. With the exception of the entitlement to vote for the election of three directors, or, if the number of directors of the Company exceeds 17, four 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 the applicable securities legislation 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 above 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, however, 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 as at February 21, 2013, 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. The foregoing is a summary of certain of the conditions attached to the Class A Non-Voting Shares of the Company, including voting rights. For a full statement of such conditions, reference should be made to the Company's articles of amendment dated December 15, 1983.

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" in section 5 below.

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.

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 and Class A Non-Voting Shares cannot be increased without the prior approval of the holders of at least two-thirds of the shares of each such class represented and voted at a meeting of shareholders called for the purpose of considering such an increase.

4.2 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. The price ranges and volumes of Common Shares and Class A Non-Voting Shares of the Company traded on the TSX on a monthly basis from January 2012 to and including December 2012 were as follows:

Common Shares (CTC)

	High ($)	Low ($)	Volume Traded
January 2012	74.25	70.35	7,324
February 2012	74.99	71.06	15,819
March 2012	73.29	70.70	7,744
April 2012	76.99	72.20	6,837
May 2012	78.99	74.10	7,862
June 2012	78.11	76.00	8,216
July 2012	78.14	74.03	5,003
August 2012	80.00	74.17	13,005
September 2012	82.00	78.00	8,610
October 2012	81.41	78.11	8,205
November 2012	82.69	75.11	16,923
December 2012	81.99	74.68	10,876

Class A Non-Voting Shares (CTC.a)

	High ($)	Low ($)	Volume Traded
January 2012	66.13	62.17	3,858,286
February 2012	66.82	62.68	7,838,955
March 2012	66.40	62.40	4,875,835
April 2012	69.48	64.29	4,238,266
May 2012	71.55	65.80	6,358,384
June 2012	69.62	66.03	3,833,662
July 2012	71.15	65.70	3,416,189
August 2012	72.40	66.21	4,554,550
September 2012	73.46	69.32	4,303,411
October 2012	72.37	68.94	3,361,939
November 2012	72.29	65.80	4,573,307
December 2012	70.55	64.63	4,855,249

5. 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 dividend policy was amended in November 2010 to provide for dividend payments equal to approximately 20% to 25% (previously 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 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:

Year	Annual Dividend Per Share
2010	$0.905
2011	$1.125
2012	$1.250

On November 7, 2012, the Board of Directors approved an increase in the quarterly dividend per share (on each Common and Class A Non-Voting share) from $0.30 effective for the dividends paid in the four quarters of 2012 to $0.35 per quarter effective commencing with the dividend declared on March 1, 2013.

The dividends declared in 2012 and 2013 to date are as follows:

Dividend Amount	Declaration Date	Payable to Holders of Record As Of	Payable Date
$0.30	09-Feb-12	30-Apr-12	01-Jun-12
$0.30	10-May-12	31-Jul-12	01-Sep-12
$0.30	09-Aug-12	31-Oct-12	01-Dec-12
$0.35	07-Nov-12	31-Jan-13	01-Mar-13
$0.35	21-Feb-13	30-Apr-13	01-Jun-13

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 which are due in 2015, 2016 and 2035 pursuant to a trust indenture dated March 14, 2005 which does not contain any restrictions concerning dividend declaration and payment.

6. SECURITY 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):

Security	Rating
Commercial Paper	DBRS R-2 (high)
Unsecured and Medium Term Notes	DBRS BBB (high)
Commercial Paper	S&P A-1 (low) (CDN)
Senior Unsecured Debt and Medium Term Notes	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 rate long term debt instruments, such as the Company's medium term notes, by rating categories ranging from a high of AAA to a low of D. A DBRS rating from AA to C may be modified by the addition of a "(high)" or "(low)" to indicate the relative standing within the major rating categories and the absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category. An S&P rating from AA to CCC may be modified by the addition of a plus "(+)" or minus "(-)" sign to indicate the relative standing within the major rating categories.

Long term debt rated in the BBB category by DBRS is considered to be of adequate credit quality, with the obligor exhibiting acceptable capacity for the payment of its financial obligations. Companies rated in the category may be vulnerable to future events. Long term debt instruments rated in the BBB category by S&P exhibit adequate capacity by the obligor, subject to adverse economic conditions, to meet its financial commitments. 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 (high) to a low of D. Short-term debt rated R-2 (high) by DBRS is considered to be on the upper end of adequate credit quality with the obligor having acceptable capacity for the payment of short term financial obligations as they fall due. Companies rated in the

category may be vulnerable to future events. 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 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 DBRS and S&P in the future if, in their judgment, circumstances so warrant. If either such rating is so revised or withdrawn in relation to its Medium Term Program, the Company will disclose such revised or withdrawn rating in the pricing supplement(s) relating to subsequent sales of securities.

7. 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), Calgary (Alberta) and Vancouver (British Columbia).

CIBC Mellon Trust Company ("CIBC Mellon") c/o BNY Trust Company of Canada ("BNYTCC") is the registrar and transfer agent for the Company's medium term notes. BNYTCC 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.

8. DIRECTORS AND OFFICERS

Members of the Board of Directors

The names, provinces or states and countries of residence, year first elected as a director, and present principal occupations of the directors of the Company as at February 21, 2013 are as follows:

Name and Province or State and Country of Residence	Year First Elected as a Director[1]	Present Principal Occupation[2]
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	Corporate Director
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
H. Garfield Emerson, Q.C. Ontario, Canada	2007	Principal, Emerson Advisory, an independent advisory firm; and Corporate Director

Name and Province or State and Country of Residence	Year First Elected as a Director[1]	Present Principal Occupation[2]
John A. F. Furlong British Columbia, Canada	2011	Corporate Director
James L. Goodfellow Ontario, Canada	2010	Corporate Director
Jonathan Lampe Ontario, Canada	2012	Partner, Goodmans LLP, a law firm
Claude L'Heureux Ontario, Canada	2011	President, Gestion Claude L'Heureux, which operates a Canadian Tire store
Frank Potter Ontario, Canada	1998	Corporate Director
Timothy R. Price Ontario, Canada	2007	Chairman, Brookfield Funds, Brookfield Asset Management Inc., an asset management company
Alan P. Rossy Quebec, Canada	2011	President and CEO, Groupe Copley, a real estate company
Peter B. Saunders Florida, U.S.A.	2009	Corporate Director
Graham W. Savage[3] Ontario, Canada	1998	Corporate Director
George A. Vallance British Columbia, Canada	2011	President, G.A. Vallance Holdings Limited, which operates a Canadian Tire store
Stephen G. Wetmore Ontario, Canada	2003	President and Chief Executive Officer of the Company

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 held the principal occupation indicated opposite his or her name during the past five years except:

   (a) I.C. Aitchison, who prior to January 2011 was President, "K" Line Total Logistics, LLC and President and CEO, Century Distribution Systems, Inc., international transportation and logistics companies in the U.S.A.;
   (b) O.G. Billes, who prior to September 2008 was a Canadian Tire Dealer-in-Training;
   (c) J.A.F. Furlong, who prior to December 2012 served as the Chief Executive Officer of the Vancouver Organizing Committee for the 2010 Vancouver Olympic and Paralympics Games;
   (d) J.L. Goodfellow, who prior to May 2008 was a senior partner and Vice-Chairman of Deloitte & Touche LLP (now Deloitte LLP);
   (e) F. Potter, who prior to April 2010 served as Chairman of Emerging Market Advisors, Inc., a consulting firm dealing with international direct investment;
   (f) P.B. Saunders, who prior to 2009 and 2008 served as Chairman and CEO, respectively, of The Body Shop International PLC; and
   (g) S.G. Wetmore, who prior to November 2008 was President and CEO, Bell Aliant Regional Communications Income Fund.

3. 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.

Committees of the Board of Directors

As of the end of 2012, the Board of Directors had four committees: the Audit Committee, the Management Resources and Compensation Committee, the Governance Committee, and the Social Responsibility Committee. The present members of the Company's Audit Committee are G.W. Savage (Chairman), H.G. Emerson, J.L. Goodfellow and A.P. Rossy. The present members of the Company's Management Resources and Compensation Committee are F. Potter (Chairman), I.C. Aitchison, M.G. Billes, and P.B. Saunders. The present members of the Company's Governance Committee are J. Lampe (Chairman), M.G. Billes, F. Potter, T.R. Price and G.W. Savage. The present members of the Company's Social Responsibility Committee are T.R. Price (Chairman), O.G. Billes, J.A.F. Furlong, J.L. Goodfellow, C. L'Heureux and G.A. Vallance.

Audit Committee

The Audit Committee Mandate and Charter is attached hereto as Annex A. As noted above, the Audit Committee is comprised of Graham W. Savage, H. Garfield Emerson, James L. Goodfellow and Alan P. Rossy. The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is described below:

Member	Experience
Graham Savage, Chairman	Mr. Savage is a Corporate Director and has 40 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, a number of which he has chaired. Mr. Savage holds an undergraduate degree and an M.B.A. from Queen's University.
H. Garfield Emerson	As a securities and corporate lawyer, investment banker and corporate director, Mr. Emerson has over 40 years experience in corporate finance, financial transactions, and reviewing and analyzing financial statements, including advising public corporations on financial reporting. He served as the Vice-Chair of the Auditing and Assurance Standards Board and as chair and member of audit committees of public, private, not-for-profit and Crown corporations for over 25 years. As an investment banker advising public and Crown corporations, he provided financial advisory services, including evaluation of financial statements of large public corporations. Mr. Emerson is a graduate of the University of Toronto and the University of Toronto Law School, has been a member of the Law Society of Upper Canada since 1968, and is a faculty member of the Directors College, DeGroote School of Business, McMaster University.
James L. Goodfellow	Mr. Goodfellow is a Chartered Accountant with over 40 years experience in public accounting. He was a senior partner and Vice-Chairman of Deloitte & Touche LLP (now Deloitte LLP) and has also been an active contributor to the accounting profession. Mr. Goodfellow is past Chairman of the Canadian Institute of Chartered Accountants' Accounting Standards Board and its Canadian Performance Reporting Board. He was made a Fellow of the Ontario Institute of Chartered Accountants in 1986 for distinguished service to the profession and, in 2009, was awarded the Ontario Institute's Distinguished Order of Merit, the highest honour given by the Institute. He is a frequent speaker on both governance issues and matters related to auditing financial reporting. He has authored various articles and professional publications.
Alan P. Rossy	Mr. Rossy held an executive position in his family's retailing business from 1985 to 2007. In 1991, he became Executive Vice President of Store Operations at Dollarama. He is currently President and Chief Executive Officer of Groupe Copley, a real estate leasing and development company. Mr. Rossy currently also serves as a member of the audit, finance and risk committee and the human resources and compensation committee of Aimia (formerly Group Aeroplan). He graduated from McGill University in 1985 with a Bachelor of Arts, majoring in Economics.

Each member of the Audit Committee is financially literate within the meaning of such definition set out in National Instrument 52-110 – *Audit Committees* ("NI-52-110"). Subject to the disclosure below, each member of the Audit Committee is also independent pursuant to NI 52-110.

On April 4, 2012, the Company was granted temporary relief, pursuant to Part 8 of NI 52-110, from the additional independence requirements prescribed by section 1.5 of NI 52-110, to allow summer employment of the adult child of an Audit Committee member. Pursuant to section 1.5 of NI 52-110, temporary employment by the Company of a summer intern who was the adult child of a member of the Company's Audit Committee and the

payment to the summer intern of a salary for his summer employment is deemed to be an indirect acceptance of compensation by the member of the Audit Committee and creates a "material relationship", for the purposes of NI 52-110, between the member of the Audit Committee and the Company. Accordingly, upon employment of the Audit Committee member's child, absent the relief, the Audit Committee member could no longer have been considered "independent" for the purposes of NI 52-110 and the Company would not have been able to satisfy the audit committee composition and independence requirements of section 3.1(3) of NI 52-110.

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, and 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 the total fees charged by the auditors for audit and non-audit services during the past year.

Executive Officers of the Company

The names, provinces and countries of residence, and present principal occupations of the executive officers of the Company as at February 21, 2013 are as follows:

Name and Province and Country of Residence	Present Principal Occupation[1]
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
Marco Marrone[2] Ontario, Canada	Chief Operating Officer, Canadian Tire Retail and Executive Vice-President , Canadian Tire Corporation, Limited
Michael B. Medline Ontario, Canada	President, FGL Sports Ltd. and Mark's and Executive Vice-President, Canadian Tire Corporation, Limited
Dean McCann Ontario, Canada	Executive Vice-President, Finance and Chief Financial Officer
Mary L. Turner Ontario, Canada	Chief Operating Officer, Canadian Tire Financial Services Limited
Harry P. Taylor Alberta, Canada	Chief Operating Officer, Mark's Work Wearhouse Ltd.
Robyn A. Collver Ontario, Canada	Senior Vice-President, Secretary and General Counsel
Douglas B. Nathanson Ontario, Canada	Senior Vice-President and Chief Human Resources Officer
Eugene Roman Ontario, Canada	Senior Vice-President and Chief Technology Officer
John Salt Ontario, Canada	Senior Vice-President, Supply Chain
Kenneth Silver Ontario, Canada	Senior Vice-President, Corporate Strategy and Real Estate

Name and Province and Country of Residence	Present Principal Occupation[1]
Duncan Fulton Ontario, Canada	Senior Vice-President, Communications and Corporate Affairs
Candace A. MacLean Ontario, Canada	Vice-President and Treasurer

1. Each of the officers who is not a director of the Company has held the principal occupation referred to opposite his or her name or has held other positions and offices within the Company during the past five years except:
   (a) M.B. Medline, who between November 2010 and August 2011 served as a consultant to the Company;
   (b) H.P. Taylor, who from August 2008 to November 2010 served as Chief Financial Officer at Holt Renfrew Limited;
   (c) D.B. Nathanson, who prior to August 2009 served as Vice-President and Associate General Counsel at MI Developments Inc.;
   (d) D. Fulton, who prior to November 2009 served as Senior Partner and General Manager of Fleishman-Hillard International, a global communication firm; and
   (e) E. Roman, who from 2002 to 2008 served as Group President, Systems and Technology at Bell Canada Enterprises and who from 2008 to 2009 and 2009 to 2012 served as Chief Information Officer and then as Chief Technology Officer of Open Text Corporation.

2. 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.

As at December 29, 2012, the individuals listed below served as executive officers of the Corporation, but ceased to be executive officers following the Company's fiscal year-end. With the exception of the holding of other positions and offices within the Company, these former executive officers held the principal occupation referred to opposite his or her name during the past five years.

Name and Province and Country of Residence	Principal Occupation (as at December 29, 2012)
Michael Arnett Ontario, Canada	Executive Vice-President, Corporate Development
Glenn Butt Ontario, Canada	Executive Vice-President, Customer Experience and Automotive
Kristine Freudenthaler Ontario, Canada	Senior Vice-President, Process Innovation

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

As at February 21, 2013, all directors and executive officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 2,101,152 Common Shares of the Company (approximately 61.4% of the issued and outstanding Common Shares of the Company) and 886,244 Class A Non-Voting Shares of the Company (approximately 1.1% of the issued and outstanding Class A Non-Voting Shares of the Company). These figures do not include the Common Shares and Class A Non-Voting Shares in the CTC Share Fund held in connection with the Company's Deferred Profit Sharing Plan ("DPSP"), in which the Company's executive officers have rights as part of the Company's compensation program. In addition, as at February 21, 2013, two executive officers of the Company serve as members of the Company's DPSP Capital Accumulation Plan Committee (the "DPSP CAP Committee") with respect to the exercise of voting and various other rights of the shares held in relation to the DPSP. As a result, as at February 21, 2013, the DPSP CAP Committee exercised control or direction over 419,280 of the Common Shares of the Company (approximately 12.2% of the issued and outstanding Common Shares of the Company) and 888,504 of the Class A Non-Voting Shares of the Company (approximately 1.1% of the issued and outstanding Class A Non-Voting Shares of the Company) held in relation to the DPSP.

Conflicts of Interest

Other than as described below, to the best of the Company's knowledge, no director or officer has an existing or potential material conflict of interest with the Company or any of its subsidiaries. The Company is presently in discussions with representatives of Canadian Tire Associate Dealers on a new form of contract to be signed by individual Associate Dealers. The existing Dealer contract expires on June 30, 2014 (subject to a renewal term). Three members of the Board of Directors are currently also Canadian Tire Associate Dealers. The three members of the Board of Directors who are also Canadian Tire Associate Dealers will recuse themselves from voting on the new form of Dealer contract.

9. INTERESTS OF EXPERTS

Deloitte 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.

Audit Fees – the aggregate fees billed by the Company's external auditors for audit services in the financial years ended December 31, 2011 and December 29, 2012 were $3,018,599 and $3,110,699, respectively.

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 in the preceding paragraph for the financial years ending December 31, 2011 and December 29, 2012 were $3,371,085 and $790,828, respectively. These services related primarily to new and existing accounting guidance issued by the Canadian Institute of Chartered Accountants and to due diligence.

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 December 31, 2011 and December 29, 2012 were $478,124 and $521,418, respectively. These services related primarily to tax advice in connection with foreign operations and the Canadian tax implications thereof, transfer pricing and indirect tax and tax compliance.

All Other Fees – the aggregate fees billed by the Company's external auditors for services other than those reported above for the financial years ending December 31, 2011 and December 29, 2012 were $20,111 and $3,756,054, respectively. These fees related primarily to the Company's implementation of a merchandise line review process. Deloitte was selected through a request for proposal process. Management and the Audit Committee concluded that these services provided by Deloitte were not restricted services, and implemented monitoring safeguards to ensure independence was maintained. The implementation of the aforementioned was completed in December 2012.

10. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company and certain of its subsidiaries are party to a number of legal proceedings, two of which are briefly described below. The Company believes that, except as set out below, 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.

CTB is the subject of two class action proceedings regarding allegations that certain fees charged on CTB issued credit cards are not permitted under the Quebec Consumer Protection Act (CPA). The first proceeding (the Desjardins-Emond Action) involves a class action that was certified against CTB and a number of other banks in October, 2004 by the Quebec Superior Court. The Plaintiff alleges that cash advance transaction fees charged by CTB (and other banks) are not permitted under the Quebec CPA and is seeking a return of all fees assessed against class members, plus punitive damages of $200 per class member. The class in the Desjardins-Emond Action is

comprised of all persons in Quebec who have a credit card agreement with CTB and who have paid CTB fees for cash advances in Canada or abroad from October 1, 2001 to September 30, 2010. The second proceeding (the Marcotte Action) involves a motion filed in December, 2010 with the Quebec Superior Court for authorization to proceed with a class action against CTB and a number of other banks alleging that the mark up on the exchange rate charged by CTB (and other banks) on credit card transactions made in a foreign currency are not permitted under the Quebec CPA and is seeking a return of all fees assessed against class members, plus punitive damages of $25 per class member. The class in the Marcotte Action is comprised of all residents of Quebec who have a credit card agreement with CTB and who have paid CTB amounts relating to a mark up for credit card transactions made in a foreign currency since January 1, 2008. CTB believes it has a solid defense to both actions 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. Accordingly, no provision has been made for amounts, if any, that would be payable in the event of an adverse outcome. If adversely decided, as of end of 2012, the total aggregate exposure to CTB is expected to be approximately $17.7 million in the Desjardins-Emond Action and $8.5 million in the Marcotte Action.

During the 2012 Financial Year: (i) there have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (ii) 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 (iii) the Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

11. ADDITIONAL INFORMATION

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 10, 2012, which is available on SEDAR at www.sedar.com. Additional financial information is provided in the Company's Consolidated Financial Statements and MD&A for the financial year ended December 29, 2012, which are also available on SEDAR at www.sedar.com. Other additional information relating to the Company may also be obtained on SEDAR at 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) <u>Financial Reporting and Disclosure Duties of the Board</u>

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 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.