CANADIAN TIRE CORPORATION, LIMITED

2013 Annual Information Form

February 13, 2014

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 Canadian Tire Corporation, Limited (including its subsidiaries). 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 the financial position, results of operation and operating environment of CTC (as hereinafter defined). 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, CTC's strategic goals and priorities, its actions and the results of those actions, and the economic and business outlook for CTC. 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 CTC to make assumptions and is subject to inherent risks and uncertainties, which give rise to the possibility that CTC's assumptions may not be correct and that CTC's expectations and plans will not be achieved. Although CTC 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 CTC'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 CTC to attract and retain high quality employees for all of its businesses, Associate Dealers, Canadian Tire Petroleum agents and Mark's Work Wearhouse Ltd. and FGL Sports Ltd. franchisees, as well as CTC's financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at CTC's stores or acquire CTC's financial products and services; (d) CTC's margins and sales and those of its competitors; (e) the changing consumer preferences toward e-commerce, online retailing, and the introduction of new technologies; (f) risks and uncertainties relating to information management, technology, property management and development, supply chain management, product safety, changes in law, competition, seasonality, weather patterns, commodity prices and business disruption, CTC's relationships with suppliers, manufacturers, partners, and other thirds parties, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by CTC and the cost of store network expansion and retrofits; and (g) CTC'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 CTC's Management's Discussion and Analysis ("MD&A") for the year ended December 28, 2013: sections 7.4.1.3 (Retail segment business risks), 7.4.2.3 (CT REIT segment business risks) and 7.4.3.3 (Financial Services segment business risks) and all subsections thereunder. For more information on the risks, uncertainties and assumptions that could cause CTC's actual results to differ from current expectations, please also refer to CTC's public filings available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and at www.corp.canadiantire.ca.

CTC 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 CTC'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. CTC 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 CTC'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

In this document, the term "CTC" refers to Canadian Tire Corporation, Limited, its predecessor corporations and all of its subsidiaries and their collective businesses unless the context otherwise requires. This document also refers to CTC's three reportable segments: the "Retail" segment; the "CT REIT" segment and the "Financial Services" segment.

The Retail segment is comprised of businesses operated under CTC's retail banners which include Canadian Tire, PartSource, Petroleum, Mark's, Sport Chek, Sports Experts and Atmosphere.

"Canadian Tire" refers to the retail businesses carried on under the "Canadian Tire" name and trademarks, namely CTC's general merchandise retail business, its home services business and the retail business carried on under the "PartSource" name and trade-marks. "Canadian Tire stores" and "Canadian Tire gas bars" refer to stores and gas bars (which may include convenience stores, car washes and propane stations), respectively, operated under the "Canadian Tire" and "Gas +" names and trade-marks, and "PartSource stores" refer to stores (including hub stores) operated under the "PartSource" name and trade-marks.

"CT REIT" refers to CT Real Estate Investment Trust and its subsidiaries (unless the context otherwise requires), which together comprise the CT REIT segment.

"CTB" refers to Canadian Tire Bank, a subsidiary of CTFS.

"CTFS" refers to Canadian Tire Financial Services Limited, which together with its subsidiaries comprise the Financial Services segment.

"FGL Sports" refers to the retail business carried on by FGL Sports Ltd., a wholly-owned subsidiary of the Company and "FGL Sports stores" includes stores operated under the "Sport Chek", "Sports Experts" and "Atmosphere" names and trade-marks.

"Mark's" refers to the retail business carried on by Mark's Work Wearhouse Ltd., a wholly-owned subsidiary of CTC and "Mark's stores" includes stores operated under the "Mark's", "Mark's Work Wearhouse", "Work World" and "L'Equipeur" names and trade-marks.

"Petroleum" refers to the retail petroleum business carried out under the "Canadian Tire" and "Gas +" names and trade-marks.

Other terms that are capitalized in this document are defined the first time they are used.

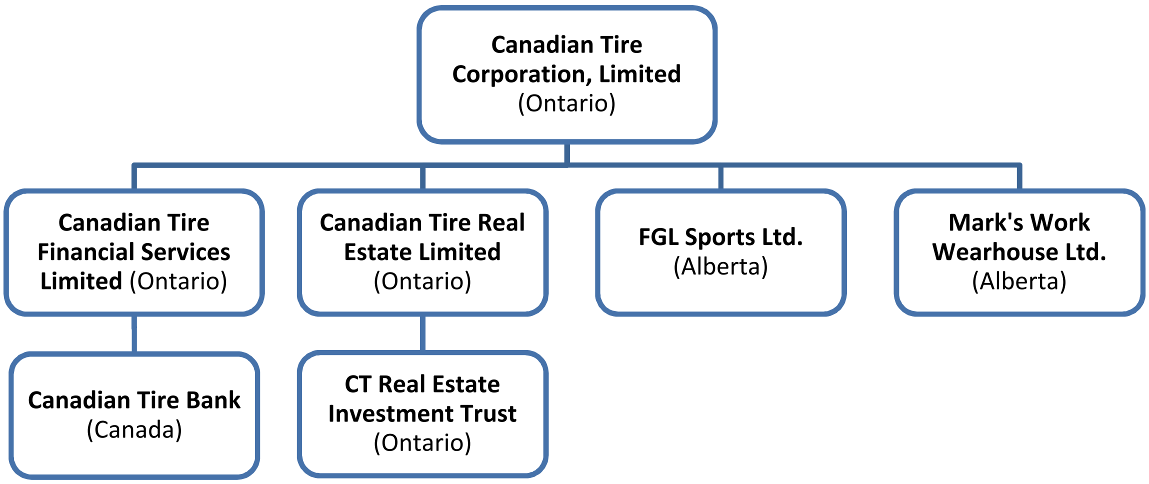
Unless otherwise specified herein, the information in this Annual Information Form is presented as at December 28, 2013 (the last day of CTC's most recently completed financial year) and all dollar amounts are expressed in Canadian dollars.

1. CORPORATE STRUCTURE

Canadian Tire Corporation, Limited 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). CTC was amalgamated with four of its wholly owned subsidiaries pursuant to Articles of Amalgamation which became effective January 1,

1980. CTC's articles were amended effective December 15, 1983 to reorganize the capital structure of CTC, among other things.

The registered and principal office of CTC is located at 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario, M4P 2V8. CTC's corporate website address is www.corp.canadiantire.ca. The corporate structure of CTC, including its principal subsidiaries and their applicable governing corporate jurisdictions, is as follows:



Each of CTFS, CTB, Canadian Tire Real Estate Limited ("CTREL"), FGL Sports and Mark's is wholly-owned, either directly or indirectly, by CTC. CTC holds, indirectly, an approximate 83.1% effective interest in CT REIT, an unincorporated closed-end real estate investment trust established on July 15, 2013 pursuant to a Declaration of Trust under, and governed by, the laws of the Province of Ontario, as amended and restated as at October 22, 2013. CTC's interest in CT REIT is through ownership of 59,711,094 units of CT REIT and all of the Class B limited partnership units of CT REIT Limited Partnership, which are economically equivalent to and exchangeable for units of CT REIT.

2. DESCRIPTION OF THE BUSINESS

CTC has been in business for over 90 years, offering a range of products and services to Canadians through a portfolio of the leading retail banners in Canada including Canadian Tire®, Mark's®, Sport Chek® and Sports Experts®. CTC'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 and retail deposits. CTC also holds an approximate 83.1% effective interest in CT REIT, which owns 258 commercial properties consisting largely of stand-alone Canadian Tire stores, properties anchored by a Canadian Tire store and containing one or more stores operating under other Canadian Tire banners and/or third party tenants, a distribution centre and development lands.

2.1 Retail Segment

Canadian Tire

Canadian Tire is one of Canada's most shopped general merchandise retail banners. 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 retail selling space of Canadian Tire stores ranges from approximately 3,200 square feet to approximately 88,700 square feet and, as at the end of 2013, totaled approximately 20.2

million square feet across all 491 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	202
Quebec	98
New Brunswick	19
Nova Scotia	21
Prince Edward Island	2
Newfoundland and Labrador	13
Yukon	1
Northwest Territories	1
Nunavut	0
Total	491

Canadian Tire has created a distinctive image for Canadian Tire stores. The stores offer consumers over 136,000 Stock Keeping Units ("SKUs") in Living, Fixing, Playing, Automotive and Seasonal & Gardening categories. Substantially all Canadian Tire stores also contain service bays for automobiles. The products sold at Canadian Tire stores are primarily those of well-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.

Canadian Tire Associate Dealers – Canadian Tire stores are operated by independent third parties known as Associate Dealers. Canadian Tire'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 Canadian Tire, including purchasing merchandise primarily from Canadian Tire and offering merchandise for sale at prices not exceeding those set by Canadian Tire. In return, Canadian Tire supports Associate Dealers with marketing, supply chain management, purchasing, administrative, financial and information services. Except in limited circumstances, the premises on which the Canadian Tire stores are located are owned or leased by CTC and licensed to individual Associate Dealers. Individual Dealer contracts are all in a standard form, each of which generally expires on December 31, 2024.

Canadian Tire 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. Canadian Tire 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.

Canadian Tire Marketing – Canadian Tire 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 Associate Dealers, Canadian Tire 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 and sports sponsorships. Additional information on CTC's sports sponsorships is provided in section 3.4 of this Annual Information Form entitled "Other Business Developments – Significant Sponsorships". The weekly Canadian Tire flyer is one of its most significant sales drivers and one of Canada's most highly read flyers, with delivery to over 11 million households each week. Canadian Tire's website, available at www.canadiantire.ca, and its mobile application have become a significant source of product information for consumers, providing broad access to information about product assortment, including up-to-date product features, benefits and pricing. Canadian Tire currently offers the ability to purchase tires and wheels online through its website nation-wide and, during 2013, launched an e-commerce platform in four test markets featuring a broader range of products.

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, traveler's cheque, Canadian Tire gift card or Canadian Tire 'Money' at Petroleum outlets and Canadian Tire stores. Canadian Tire 'Money' may be used as a cash substitute for future purchases of merchandise and services at Canadian Tire stores. In addition, the Canadian Tire 'Money' on the Card® loyalty program provides electronic-based Canadian Tire 'Money' awards to customers who use the Canadian Tire Options® and Canadian Tire retail credit cards to purchase merchandise and services at Canadian Tire stores. 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. Canadian Tire 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 "Retail Business Developments – Canadian Tire – Strategic Initiatives".

Canadian Tire Distribution – Canadian Tire's supply chain function is responsible for managing the flow of information and goods among approximately 2,900 sources of supply, 491 Canadian Tire stores and 90 PartSource stores across Canada. The supply chain function 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 and PartSource. Most of Canadian Tire's products are distributed through the A.J. Billes Distribution Centre and the Brampton Distribution Centre (both operated by Canadian Tire) and the Montreal Distribution Centre and the Calgary Distribution Centre (both operated by GENCO Distribution System of Canada, Inc.). Canadian Tire intends to replace one of its current Brampton facilities, with a view to construct a distribution centre in Bolton, Ontario. Canadian Tire 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. Canadian Tire 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 on an expedited basis. To facilitate the prompt distribution of its products, Canadian Tire owns or leases approximately 2,285 trailers, 4,203 chassis and 5,877 intermodal containers. Canadian Tire 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 Canadian Tire Products and Services – Canadian Tire's objective is to launch new products with innovative features at compelling prices that enhance its unique mix of products. In recent years Canadian Tire has introduced new products such as the Greenworks® 40V Lithium Ion Brushless Cordless Chainsaw and Leaf Blower Vac, Cake Boss™ Baking Accessories, Reflex™ -49C Windshield Washer Fluid, CIL Golfgreen® 1-Step Lawn Makeover and Coleman® Instant Tent and Dual Burner BBQ. In addition, Canadian Tire launched 17 new home services programs in 2013 including roofing, windows and doors, landscaping, kitchen and bath refacing, garage doors, flooring, carpet cleaning, custom closets and installation services for select products sold by Canadian Tire. Canadian Tire also continued its driving school pilot during 2013.

Canadian Tire 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 as well as online retailers. 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 Canadian Tire 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 segment is provided in section 2.2 (Competitive landscape) of CTC's MD&A for the year ended December 28, 2013.

Canadian Tire Foreign Operations – In 2013, approximately 43**%** of the value of Canadian Tire's inventory purchases was sourced directly from vendors outside North America, primarily from Asia. CTC operates representative offices in Hong Kong and Shanghai which provide access to foreign manufacturers and import sourcing support for Canadian Tire. Canadian Tire's supply chain uses internal resources and third-party logistics providers to manage supply chain technology and the movement of foreign-sourced goods from suppliers to its distribution centres and to Canadian Tire stores. Like other retailers who source products internationally, Canadian Tire is exposed to risks associated with foreign suppliers which can include, but are not limited to, currency fluctuations, the stability and safety of manufacturing operations in other countries and transportation and port disruptions. Canadian Tire requires suppliers to comply with the Canadian Tire Supplier Code of Conduct in the provision of goods and services. Canadian Tire uses internal resources and third-party quality assurance providers to proactively manage product quality with vendors in the foreign sourcing regions. CTC believes that its business practices are appropriate to mitigate the risks associated with Canadian Tire's foreign operations. Additional Information regarding Canadian Tire's sourcing practices is provided in section 13.4 (Responsible sourcing practices) of CTC's MD&A for the year ended December 28, 2013.

Canadian Tire Information Technology – Canadian Tire'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. Canadian Tire 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 Canadian Tire's information technology continue to be implemented so as to achieve the desired functions and processes that are key to future cost improvements and enhanced customer experience at Canadian Tire stores.

Associate Dealers use 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 at a Canadian Tire store. There are 90 PartSource stores, all of which are operated by Canadian Tire. 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 PartSource stores and are 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 300 retail gas bars including 19 state-of-the-art gas bars and associated convenience stores located along major Ontario highways (Highway 401 and Highway 400). The majority of the retail gas bar sites are owned or leased by CTC, although a small number of sites are owned by the operator of the retail gas bar. For the 2013 and 2012 financial years, the sale of petroleum to end consumers by Petroleum accounted for approximately 17.6% and 17.9% of CTC'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, which CTC attributes to 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 – The premises on which Canadian Tire and PartSource stores and Petroleum gas bars are located are either owned by CTC; including through CTREL, or leased to CTREL by CT REIT or third party landlords. Additional information about CT REIT is provided in sections 2.2 and 3.2 of this Annual Information Form and additional information about CTREL is provided in section 3.0 (Core capabilities - Real estate management expertise) of CTC's MD&A for the year ended December 28, 2013.

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, Sport Chek, Sport Experts and Atmosphere, 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, through its wholly owned subsidiaries INA International Ltd. ("INA") and Golden Viking Sports LLC, also operates a wholesale business pursuant to which it sells products to other retailers.

FGL Sports Corporate Store Operations – FGL Sports' corporately owned retail stores operate under four banners: Sport Chek®, Atmosphere®, National Sports® and Pro Hockey Life® (with two banners in Quebec, "L'Entrepot du Hockey®" and "Sports Rousseau®"). Sport Chek is a specialty retailer of sports equipment and athletic, leisure and recreational footwear and apparel, primarily offering an assortment of brand name, private-label, licensed and controlled brand 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 with a strong position in the hockey, licensed apparel and team sports categories. Pro Hockey Life Sporting Goods Inc. ("Pro Hockey Life"), which was acquired by FGL Sports in 2013, operates high-end hockey stores mostly in "big box" retail formats located in urban centres in five provinces.

As at the end of 2013, the number of stores operating under each corporately owned retail banner was as follows:

Corporately owned Retail Banners	Number of stores
Sport Chek	171
Atmosphere	25
Pro Hockey Life	23
National Sports	18
Total	237

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 that offers a narrow product range with depth in certain categories and stores that are tailored to local market needs. Atmosphere is a specialty retailer of brand name, high-end, outdoor technical gear, casual clothing, footwear and accessories and private-label apparel. 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 equipment, footwear, apparel and accessories.

As at the end of 2013, the number of stores operating under each franchise retail banner was as follows:

Retail Banner	Number of stores
Sports Experts	72
Intersport	45
Atmosphere	41
Hockey Experts	17
S3	9
Total	184

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 that 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 assists franchisees with store appearance and merchandise displays and also provides full accounting services to approximately 140 franchise stores.

In addition to the franchisee stores, there are an additional 17 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 evaluate independent retailers prior to offering them a franchisee opportunity. 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, advertising, transportation and general administration.

FGL Sports Wholesale Operations – FGL Sports operates its wholesale business through its wholly owned subsidiary, 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®, Energetics™ and Matrix®. Currently, these private-label brands are available in Sport Chek, Sports Experts, Intersport®, Atmosphere, National Sports, Canadian Tire and Mark's stores as well as through certain third party retail customers serviced by INA.

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™, Tommy Armour®, Lotto Sports Italia®, Hot Wheels® and Ultra Wheels®. INA also undertakes FGL Sports' "opportunity-buy" businesses. In its "opportunity-buy" business, INA sources, purchases and subsequently re-sells excess capacity product.

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. FGL Sports operates a second leased facility in Brampton, Ontario, of approximately 185,000 square feet, for corporate distribution overflow and INA wholesale Canadian distribution operations. INA, through its wholly owned subsidiary Golden Viking Sports LLC, also has two warehouse facilities in Kent, Washington of approximately 46,000 square feet and 60,000 square feet. With the acquisition of Pro Hockey Life in August 2013, FGL Sports also operates a small warehouse facility in Laval, Quebec that distributes product exclusively for Pro Hockey Life retail banner stores.

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 2013 include Adidas Spring Blade running shoes, Nike Lunar Flyknit and Free Flyknit runners, Under Armour Speedform runners, Adidas Boost runners, Hoka One runners, Inov8 footwear, Nike Hypervenom soccer shoes, Adidas Crazy Quick footwear, 2013 Bauer Vapor skates with new Tuuk lightspeed Edge holder/runner system, TaylorMade SLDR Driver, Digital Fitness, Infrared from Under Armour, Omni Freeze from Columbia, Water Proof Down from Arc'teryx, Marmot and Mountain Hardwear and GoPro Hero 3+ Black.

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 segment is provided in section 2.2 (Competitive landscape) of CTC's MD&A for the year ended December 28, 2013.

FGL Sports Foreign Operations – In 2013, approximately 7% of the value of FGL Sports inventory purchases was sourced directly from vendors outside North America, primarily from Asia. As with Canadian Tire, FGL Sports is exposed to risks associated with foreign suppliers including but not limited to currency fluctuations, the safety and stability of manufacturing operations, transportation and port disruptions. CTC believes that its business practices are appropriate to mitigate these risks. Additional Information regarding FGL Sports' sourcing practices is provided in section 13.4 (Responsible sourcing practices) of CTC's MD&A for the year ended December 28, 2013.

FGL Sports Information Technology – FGL Sports maintains its information system facilities for corporate stores at its office in Calgary, Alberta and, in the case of National Sports, Toronto, Ontario. 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. FGL Sports maintains continuous inventory status by product, size, colour and location which is updated daily upon receipt of sales data. The franchise network operates its inventory management processes on a proprietary software system maintained in Laval, Quebec. FGL Sports maintains a warehouse management 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 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 has a significant presence in the retailing of men's casual apparel and footwear. In recent years, Mark's has also built a market position in women's casual apparel and footwear. In addition, Mark's offers assortments of health care industry and business-to-business apparel. Mark's has established private labels including WindRiver®, Denver Hayes® and Dakota® that have achieved market share in excess of many national brands. Mark's operates 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 385 stores across Canada under the Mark's Work Wearhouse, Mark's and Work World banners. As at the end of 2013, the number of stores operating under each banner was as follows:

Retail Banner	Number of stores
Mark's corporate stores	348
Mark's franchise stores	36
Work World franchise stores	1
Total	385

As at the end of 2013, 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.

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 franchise program enables it to access certain markets that it may otherwise not have accessed and provides Mark's with increased purchasing power for merchandise acquired from suppliers. As at December 28, 2013, the franchise operations consisted of 36 Mark's franchise stores and 1 Work World franchise store located in single store markets in most provinces. Generally, each Mark's franchisee owns only one store, however there are a limited number of multiple Mark's store owners.

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 Canadian Tire's network of third-party logistics companies. Mark's also receives domestic transportation services from other third-party logistics companies.

New Mark's Products and Innovations – Mark's continuously introduces new or improved apparel and footwear. In recent years Mark's has introduced new products and innovations such as the Tarantula® anti-slip footwear, T-Max Heat™ men's and women's wear, Don't Sweat It® men's woven and knit shirts, X-Toe® external safety toe on men's safety footwear, Quad Lite™ work boots, T-Max®, Thermalectric™ rechargeable heated boots, dri-Wear® technology, Quad Comfort® traction system, and Z-Flex™ flexible construction in industrial footwear. 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.

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, some of which are online and 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 and by offering products across most price points. Additional information on the competitive position of the Retail Business is provided in section 2.2 (Competitive landscape) of CTC's MD&A for the year ended December 28, 2013.

Mark's Foreign Operations – In 2013, approximately 50% 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 Canadian Tire to manage supply chain technology and movement of goods for most of the product sourced by Mark's in Asia. CTC 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. Information regarding Mark's sourcing practices is provided in section 13.4 (Responsible sourcing practices) of CTC's MD&A for the year ended December 28, 2013.

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 the provision of some IT services. Over the course of 2014, externally managed global sourcing of information technology services is planned to be transitioned to internal teams. These teams will manage the delivery of infrastructure and application support services for FGL Sports and Mark's. Global sourcing of technology services will continue where it provides a cost or service level advantage to Mark's. In addition, technology supporting the Mark's business, currently located in data centres in Calgary, Alberta, will be transitioned to CTC's data centres located in Winnipeg, Manitoba and Brampton, Ontario.

2.2 CT REIT Segment

CTC holds an approximate 83.1% effective interest in CT REIT, an unincorporated closed-end real estate investment trust established to own, develop and lease income producing commercial properties located primarily in Canada. As at December 31, 2013, CT REIT's portfolio was comprised of 258 properties totaling more than 19 million square feet of gross leasable area. The portfolio consists of properties operating as stand-alone Canadian Tire stores, properties anchored by a Canadian Tire store and containing one or more stores operating under other Canadian Tire banners and/or third party tenants, a distribution centre and development lands. CT REIT competes with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for real estate property investments, thereby increasing purchase prices and reducing the yield on them.

2.3 Financial Services Segment

Financial Services is comprised of CTFS and its subsidiaries, including CTB and CTFS Bermuda Ltd. ("CTFS Bermuda"). CTFS markets a range of Canadian Tire-branded credit cards, including Canadian Tire Options MasterCard, Options World MasterCard, Cash Advantage® MasterCard®, Gas Advantage® MasterCard® and Sport Chek® MasterCard®. CTB is a federally regulated bank that is the issuer of Canadian Tire's consumer MasterCard, Visa® and retail credit cards and also manages and finances 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.

CTFS also markets various insurance and identity theft products to Canadian Tire customers and has an existing block of warranty products. CTFS Bermuda, a wholly-owned reinsurance subsidiary of CTFS, reinsures the risk associated with creditor insurance and warranty coverages purchased by Canadian Tire credit card customers as well as Accident and Dismemberment Insurance. Further information about CTFS Bermuda is set out in section 2.3 of this Annual Information Form entitled “Financial Services Segment – Foreign Operations”.

New Financial Services Products – During 2013, 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 Canadian Tire. CTB also issued its Canadian Tire Options World MasterCard in 2013.

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.

CTFS markets a number of insurance and identity theft products to Canadian Tire customers and has an existing block of warranty products. As a result of its strong customer service and in-store customer acquisition channels, CTFS has achieved a leading position in terms of percentage of credit card customers enrolled in card-related insurance and is continuing to acquire customers for its identity theft products. Strong enrollment and retention programs are the key factors contributing to this performance.

Additional information on the competitive position of the Financial Services segment is provided in section 2.2 (Competitive landscape) of CTC’s MD&A for the year ended December 28, 2013.

Financial Services Customer Contact Centres – The customer contact centres at Financial Services manage inbound and outbound customer calls with respect to the Canadian Tire and Mark’s businesses 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 from Service Quality Measurement Group, a North American research firm. Additional information on Financial Services’ customer contact centres is provided in section 3.0 (Core Capabilities - World-class customer contact centres) of CTC’s MD&A for the year ended December 28, 2013.

Financial Services Foreign Operations – CTFS indirectly 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 CTC is of the view that this risk is appropriately managed.

Financial Services Information Technology – Financial Services is supported by a centrally-managed technology department. The 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. Financial Services currently operates payment processing platforms for Canadian Tire, PartSource and Petroleum and a project is underway to migrate FGL Sports and Mark's to the same platform.

2.4 Seasonality of the Business

CTC derives a significant amount of its retail revenue from the sale of seasonal merchandise. Canadian Tire 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 of its merchandise and the timing of marketing programs. Canadian Tire 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 with the strongest results typically in the fourth quarter. FGL Sports and Mark's attempt to minimize the impact of the seasonality of their businesses through detailed sales reporting, merchandise planning modules and by altering its merchandise mix at certain times of the year to reflect consumer demand. Any decrease in retail sales due to a slower holiday shopping season, unseasonable weather conditions, economic conditions or otherwise, could adversely affect business performance within the Retail segment. The following tables show the quarterly financial performance within the Retail segment over the last two years.

Canadian Tire's Quarterly Results	2013					2012				
(C$ in millions)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue[1]	$ 1,174.3	$ 1,668.2	$ 1,479.6	$ 1,593.4	$ 5,915.5	$ 1,184.8	$ 1,651.3	$ 1,395.4	$ 1,548.2	$ 5,779.7
% of full year Revenue	19.9%	28.2%	25%	26.9%	100.0%	20.5%	28.6%	24.1%	26.8%	100.0%

FGL Sport's Quarterly Results	2013					2012				
(C$ in millions)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue	$ 367.4	$ 337.4	$ 432.8	$ 519.2	$ 1,656.8	$ 341.8	$ 335.2	$ 429.1	$ 444.2	$ 1,550.3
% of full year Revenue	22.2%	20.4%	26.1%	31.3%	100.0%	22.0%	21.6%	27.7%	28.7%	100.0%

Mark's Quarterly Results	2013					2012				
(C$ in millions)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue	$ 194.1	$ 237.0	$ 210.4	$ 419.3	$ 1,060.8	$ 191.5	$ 222.4	$ 200.2	$ 402.5	$ 1,016.6
% of full year Revenue	18.3%	22.3%	19.8%	39.5%	100.0%	18.8%	21.9%	19.7%	39.6%	100.0%

Footnotes
(1) Canadian Tire revenue does not include revenues relating to Petroleum.

2.5 Intangible Properties

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

CTC owns a number of domain names, which generally reflect its trade-marks and related slogans. The domain names are used in connection with its various retail, financial services and other activities. The registrations for these 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 cards.

CTC has agreements in place with the Canadian Olympic Committee and a number of Canadian National Sport Organizations that permit CTC and its affiliates to use the Canadian Olympic Committee, Canadian Olympic Team and Sport Organization trade-marks in connection with marketing, advertising and promotional activities.

2.6 Economic Dependence

There are no contracts upon which CTC's business is substantially dependent. Canadian Tire has entered into a standard form individual contract with all of the 483 Associate Dealers who operate the 491 Canadian Tire stores, each of which generally expires on December 31, 2024. CTC 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 – Canadian Tire 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 – Petroleum” for further information.

2.7 Lending

CTC arranges for short-term and medium-term loans to, from and between its subsidiaries at market rates. CTC’s short-term investments are restricted to Canadian and U.S. government guaranteed securities, securities issued or guaranteed by highly rated corporations or 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. CTB’s credit card 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.

2.8 Financing of the Business

CTC funds its activities 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 CTC’s financing sources can be found under section 8.3 (Liquidity and Financing) of CTC’s MD&A for the year ended December 28, 2013.

2.9 Risk Factors

CTC recognizes the importance of protecting and maintaining its brand as a valuable business asset. Brand and reputational risk is viewed as a consequence of each of the 11 principal risks and, accordingly, is an important consideration in the assessment of each principal risk. The effective management of CTC's principal risks, both individually and collectively, will help maintain, promote and grow CTC's brands and maintain its reputation.

CTC is exposed to a variety of risk factors and has identified 11 principal risks inherent in its businesses. The relative seriousness of these inherent principal risks is impacted by the external environment and CTC's business strategies and, therefore, will vary from time to time.

- Marketplace – Change in economic conditions, competitive landscape, domestic or international political environments, the demographics of the Canadian population, consumer behaviour, weather patterns, and the introduction of new 'technologies' may result in a negative impact on CTC's revenue, market share, operating margins, and/or ability to achieve its strategic objectives.

- Execution of Strategy – Failure to identify, plan, resource, execute, and achieve the full benefits of strategic initiatives may have a negative impact on CTC's revenue, market share, operating margins, or investor confidence.

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

- Key Business Relationships –The scope, complexity, materiality and/or criticality of key business relationships which include, partnerships, and affiliations with such parties as dealers, agents, franchisees, vendors, suppliers, and other third parties, may affect customer service, procurement, product and service delivery, and can potentially result in legal disputes which may have a significant negative impact on CTC's earnings, and cost of operations.

- Technology – Failure to invest in technology, ensure the availability, recoverability, and security of systems, infrastructure, and information may result in corruption or loss of data, regulatory related issues, litigation, or prevent CTC from achieving its strategic objectives.

- Operations – Failure of CTC's business operations and processes may have an adverse effect on CTC's ability to support its key business objectives. Failed processes in terms of design, integration, and/or execution may result in incremental financial expenditures, losses, theft or fraud, damages to assets, poor service delivery, negative customer experiences or regulatory related issues.

- Financial Markets – Fundamental changes in the economic environment, 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, net interest expense or impact the value of real estate related investments and on CTC's share value. In addition, inappropriate hedging strategies for mitigating foreign exchange, interest rate and equity exposures may cause a significant negative impact on CTC's earnings.

- Financial Reporting – Inadequate explanation of CTC's operating performance, failure to maintain an effective system of internal controls, or failure to adhere to financial accounting and presentation standards and securities regulations relevant to financial reporting may result in regulatory sanctions and loss in share value.

- Legal – Failure to comply with laws and regulations could result in sanctions and financial penalties that may negatively impact CTC's earnings or capital, regulatory relationships and business activities.

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

- Consumer Lending – Failure or inability to accurately predict the creditworthiness or credit behaviour of customers and economic or market factors that could impact consumer debt levels may result in a negative impact to CTC's earnings.

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 CTC.

CTC maintains an enterprise risk management program and an internal control culture throughout the organization for the monitoring and management of risks. CTC'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 CTC manages them, and other risk factors that may cause actual results or events to differ materially from those forecast, can be found under sections 7.4.1.3 (Retail segment business risks), 7.4.2.3 (CT REIT segment business risks), 7.4.3.3 (Financial Services segment business risks), 11.2 (Principal Risks), 11.3 (Financial risks), 11.4 (Legal risk) and 11.5 (Other risks) of CTC's MD&A for the year ended December 28, 2013.

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

2.10 Employees

As at the end of 2013, the number of full-time and part-time employees (excluding temporary help) of CTC was approximately as follows:

	Full-Time Employees	Part-Time Employees
CTC – Corporate Centre	1,452	24
Canadian Tire	2,642	25
PartSource	765	646
Financial Services	1,093	278
Petroleum	53	0
Mark's	1,492	1,895
FGL	3,097	9,309
Total	10, 594	12,177

CTC 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.

2.11 Social and Environmental Policies

Corporate Social Responsibility – CTC 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 Brand and Values Committee (formerly, the Social Responsibility Committee) of the Board of Directors. CTC 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 in communities across Canada by funding costs associated with the children participating in organized sport and recreation. Please see section 13.2 (Community activities (Canadian Tire Jumpstart Charities)) of CTC's MD&A for the year ended December 28, 2013 for additional information.

CTC's Supplier Code of Business Conduct (the "Supplier Code") sets out the social compliance principles and practices of ethical business conduct that CTC 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. CTC reviews all factory audit findings and, where circumstances warrant, works with suppliers on corrective action plans which may include the termination of a vendor. Over the past 2 years, CTC has hosted vendor training in China with over 130 vendors participating each year. In July 2013, CTC became one of the founding members of the Alliance for Bangladesh Worker Safety Initiative which is intended to lead to fire and building safety improvements for factory workers in Bangladesh. Suppliers to INA, a subsidiary of FGL Sports, participate in the Business Social Compliance Initiative ("BSCI"). BSCI was established by the Foreign Trade Association in 2003, creating a common platform for companies' Supplier Codes of Conduct and social compliance monitoring systems. Suppliers participating in the BSCI are audited by professional firms accredited by Social Accountability Accreditation Services, to assess their compliance with the BSCI Code of Conduct. Further information regarding CTC's vendor selection process can be found under section 13.4 (Responsible sourcing practices) of CTC's MD&A for the year ended December 28, 2013.

CTC also has an internal Code of Business Conduct which addresses the ethical business standards and expectations of its directors, officers and all employees in relation to compliance with all laws and commitment to integrity, honesty and respect when dealing with each other, business partners and communities. CTC'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 – CTC is committed to business sustainability with four primary imperatives — optimize productivity throughout the product and operations value chain, innovate to design better solutions to processes, products and services, protect and enhance banner brands and corporate reputation, and engage employees and inspire integration of sustainable business practices into everyday business operations. CTC's business sustainability strategy is overseen by the Brand and Values Committee of the Board of Directors and by the Executive Business Sustainability Committee. The specific sustainability measures derived from CTC's business sustainability strategy are reported in relation to three key segments of the business operations: Product and Packaging, Product Transportation and Business and Retail Operations. Within these areas, CTC 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. CTC discloses its business sustainability performance each quarter and CTC's energy and carbon footprint is disclosed annually. Please see section 13.3 (Business sustainability) of CTC's MD&A for the year ended December 28, 2013 for additional information.

Environmental Compliance – CTC has established environmental policies and practices to support ongoing compliance with applicable laws and regulations and develop consistent practices across the organization. CTC 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 CTC do not, and are not expected to, have a significant financial or operational effect on the capital expenditures, earnings or competitive position of CTC during 2014. Additional information about environmental risks can be found under section 7.4.1.3 (Retail segment business risks – Environmental risk) of CTC's MD&A for the year ended December 28, 2013.

3. GENERAL DEVELOPMENT OF THE BUSINESS

Over the past three years, CTC has continued its growth and development in alignment with its four key strategic objectives:

(1) Strengthen Core Retail – achieve growth in Canadian Tire through a customer-centric approach;
(2) Align all Business Units to Reinforce the Core – operate as "One Company"
(3) Build a High-Performing Organization – establish a corporate culture of continuous improvement; and
(4) Create New Platforms for Growth – identify and evaluate new growth opportunities.

3.1 Retail Business Developments

Canadian Tire

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

Canadian Tire Store Renewal Program – The purpose of the Canadian Tire Store Renewal Program is to renew the Canadian Tire 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 Canadian Tire to enter incremental markets. Over the past three years, Canadian Tire has built 10 stores, replaced 16 stores, retrofitted or expanded 192 stores and refreshed 8 stores.

A key driver of the Program is the continued rollout of the "Smart" store format which highlights Canadian Tire's category strength in key heritage businesses, including automotive, sporting goods and tools, and provides an improved customer experience with a focus on sales and productivity. As at the end of 2013, 308 Smart stores are in operation.

Canadian Tire also continued its rollout of the "Small Market" format used to replace existing small, traditional stores in their markets and to allow Canadian Tire 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 2013, there were 21 Small Market stores.

Canadian Tire also opened its first "Express" store in August 2013 in an urban area of Toronto. The store has a smaller retail footprint than the typical Canadian Tire store and is run as a satellite operation to an existing Canadian Tire store. The Canadian Tire Express store concept allows Canadian Tire to expand into key urban infill centres with an assortment that is customized to the neighbourhood. The Canadian Tire Express store carries about 35% of Canadian Tire's largest store assortment base.

Customer Loyalty Program – In 2010, Canadian Tire 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 customer data to begin optimizing key retail processes such as pricing, assortment and integrated marketing based on the customer insights. Canadian Tire has continued to remerchandise 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 was to gather data on individual customers to increase sales through direct marketing and through optimizing key retail processes such as pricing, assortment and integrated marketing based on the customer insights. The customer-level data collected is being used to build retail strategies and relationships with Canadian Tire's loyal customers over the long term. Management continues to test and learn from the existing pilot program and will be exploring additional customer-centric opportunities in 2014.

Canadian Tire Change Program – The Canadian Tire Change Program is a multi-year initiative aimed to improve and upgrade Canadian Tire'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 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 Canadian Tire. In 2013, Canadian Tire launched its e-commerce platform in key test markets. Canadian Tire will consider opportunities to expand this capability in 2014.

Automotive Infrastructure Program – Over the past three years, Canadian Tire continued its Automotive Infrastructure initiative to strengthen CTC'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 Canadian Tire'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 and super satellite stores across Canada to enhance supply of auto parts at the local market level and training Canadian Tire front-line automotive staff on associated new processes. Over the past three years, Canadian Tire has also undertaken work to improve assortment planning capabilities which has provided the basis for an improved customer experience and supported continued growth in the auto service and parts business.

Other Key Initiatives – Canadian Tire has built market share in key categories within its "Driving", "Living", "Fixing", "Playing" and "Seasonal & Gardening" categories, with the result that it currently holds a leading market position in many of its categories. Its strong marketing capabilities have continued to evolve Canadian Tire's brand and product marketing activities and to expand those activities across marketing mediums.

Driving – During the past three years, Canadian Tire has focused significant resources on the integration of, as well as the strengths and opportunities for, its automotive assets with the goal of establishing 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 and has rolled out training to the front line staff in the automotive management system (part of the Automotive Infrastructure initiative) and the front line staff in tires and preventative maintenance. Canadian Tire 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.

In 2011, Canadian Tire launched its "Tires Online" program, which allows customers to select and purchase a wide assortment of regular and special order tires and wheels online for pick up in Canadian Tire stores. To improve the in-store experience for drivers, Canadian Tire developed a "tire wall" which provides increased product information and visibility to customers. Canadian Tire published two issues and distributed approximately 4.5 million copies of a new Canadian Tire Automotive catalogue to showcase its hard parts assortments.

Canadian Tire 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 Canadian Tire and PartSource. PartSource is currently used by approximately 278 Canadian Tire stores for emergency auto parts deliveries. In 2012, it developed the "Super Satellite" format, which has replaced investments in new Hub Stores, and in 2013 Canadian Tire converted all remaining PartSource stores to the corporate store model from the franchise model.

Petroleum 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. During that time, Petroleum also introduced new state-of-the-art gas bars and associated convenience centres located along Ontario highways (Highway 401 and Highway 400), of which 19 were in operation as at the end of 2013. Over the past three years, Petroleum has opened 17 new gas bars (including 11 highway locations), rebranded 12 competitor sites, upgraded branding at 96 locations and performed major rebuilds at 12 gas bars. As at the end of 2013, 300 gas bars, 295 convenience stores and kiosks, 82 car washes, 5 vehicle lubrication facilities and 89 propane stations carried Canadian Tire brands. All of the gas bars are operated by independent retailers pursuant to agreements governing the sale of petroleum products under the Canadian Tire and Gas + names and logos.

Living – This category includes cookware, home organization and small appliances and is core to the Canadian Tire business as it is a fundamental part of the shopping experience Canadians have come to expect from Canadian Tire. While continuing to bring Canadians the latest and most innovative product assortment, Canadian Tire 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. Canadian Tire has continued to expand the product assortment available in its "Living" departments as well as invest in the physical layout of the Canadian Tire 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, Canadian Tire has continued to focus on organization solutions and expanded the presence and impact of storage and organization assortments. In 2011, Canadian Tire added a wider assortment of products from brands such as KitchenAid, Cuisinart, Lagostina and Miele. In 2013, Canadian Tire rolled out a new strategy for its "Living" category focused on the "home manager" with expanded assortments, inspirational displays and improved product adjacencies. Drawing on the findings from the kitchen program pilot, Canadian Tire integrated these into a national store redesign to deliver improved product assortment and customer experience.

In 2012, Canadian Tire has also 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. Since the launch, the home services business has expanded to include services such as painting, roofing, windows and doors, landscaping, kitchen and bath refacing, garage doors, flooring, carpet cleaning, gazebos, BBQ gas lines, play sets, toilets and faucets, window ACs, flat panel TVs, portable shelters and electric fireplaces.

Fixing – Canadian Tire has improved signage and simplified navigation in its hardware departments. It has also made investments to upgrade its in-store paint technology, installing modern automatic paint tinters and increasing employee training. Since 2012, Canadian Tire has expanded its paint selection to include an exclusive top quality brand, Benjamin Moore, across its store network. Canadian Tire intends to continue to develop its product assortment in the "Fixing" category.

Playing – Over the past three years Canadian Tire has grown its fitness business through an expanded store presence, a balanced emphasis between equipment and accessories and focused promotional activity. Following a successful test in 2011, Canadian Tire rolled out a hunting and fishing "store within a store" concept in key markets. As at the end of 2013, Canadian Tire launched 17 Fishing ProShop, 66 Hunting ProShop and 37 combined Fishing and Hunting ProShop concepts. These concepts have helped Canadian Tire be more locally relevant with its customers by having customized store assortments for their regional needs and customized regional floor plans. In addition, Canadian Tire has continued to expand its selections of sporting goods. As part of its focus on hockey merchandising, Canadian Tire benefits from CTC's continued sponsorship arrangements with the National Hockey League® and with all-star hockey player Jonathan Toews. Partnerships with the Canadian Olympic Committee and key sports associations introduced in 2013 are intended to help Canadian Tire build on its positioning in its heritage sports business. Additional information regarding CTC's sports sponsorships is provided in section 3.4 entitled "General Development of the Business –Other Business Developments".

Seasonal & Gardening - Canadian Tire's Seasonal & Gardening category ranges from Fall to Winter businesses, which include Christmas decor and snow throwers, and from Spring to Summer businesses, which include patio furniture, BBQ's and grass seed. Over the last 3 years, one of Canadian Tire's key priorities has been to develop innovation, address customer needs and continue to enhance customer value through the introduction of new products such as the Greenworks® 40V Lithium Ion Brushless Cordless Chainsaw and Leaf Blower Vac. In addition, Canadian Tire has been working on ways to create more inspirational displays within stores, with initiatives such as pre-decorated Christmas trees.

Marketing – During the last three years Canadian Tire has focused on its key heritage businesses, including automotive, sporting goods and tools, as it has 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 makes the jobs and joys of life in Canada easier. Canadian Tire's brand 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. Canadian Tire'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.

In 2013, Canadian Tire launched its "We all Play for Canada™" and "Active at School™" campaigns designed to create a rallying cry for Canadians to get kids more active and to bring back play. The campaigns are premised on Canadian Tire's view that strong children create strong families and communities which lead to a stronger nation. Canadian Tire believes that play provides invaluable life skills for children and that inactivity is an issue that it can play an integral role in helping families overcome.

Also in 2013, Canadian Tire also launched its "Tested for life in Canada™" campaign with the launch of the Coleman tent Carwash ad. This was the first of many ads in the second half of 2013 where Canadian Tire reinforces its commitment to rigorous testing, including testing by its customers, to bring innovative high quality products to its customers. Prior to that, Canadian Tire successfully launched its "Canada's Store™" campaign in 2012, which was preceded by the "Bring it On™" marketing campaign. To support these campaigns, a series of "Destination Guides" were developed that showcase how products from across the "Automotive", "Living", "Fixing", "Playing" and "Seasonal & Gardening" categories complement the activities of Canadian households. Further focus and investment will be placed on this campaign in 2014 to reinforce CTC's quality and innovation credentials.

Canadian Tire's digital initiatives are designed to draw on the national reach and scale of the existing network of Canadian Tire stores. In 2013, Canadian Tire commenced a project to improve its capabilities as an omni-channel retailer by establishing sound foundations in platforms and online retail capabilities as well as developing organizational talent to build digital interactions.

Significant upgrades and improvements to the Canadian Tire website, www.canadiantire.ca, and underlying foundational technology platforms 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 Canadian Tire store and can confirm local product availability. In 2013, there were more than 190 million visits to the website and 20 million visits to the digital flyer where over 450 million pages were viewed. Canadian Tire 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 1 million fans in 2013. In late 2013, Canadian Tire piloted eCommerce for select categories beyond tires and wheels in key test markets. Canadian Tire intends to expand this capability nationally in 2014.

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

Customer Experience - The success of the "Smart" store rollout has been augmented by Canadian Tire's operational excellence program, which further improves in-store operations. Canadian Tire launched a number of new customer experience in-store programs in 2013 that have been well received by customers and store staff and have increased the overall level of customer satisfaction with the Canadian Tire store experience. These include a number of store ordering system enhancements and a new product locator capability for store employees, which will continue to improve Canadian Tire's in-stock position to its customers. In addition, to further improve the customer experience in its stores, Canadian Tire also rolled out 2,500 new in-store customer facing devices which allow customers to quickly search and find products while in the store as well as view Canadian Tire's digital flyer and new digital catalogue. Canadian Tire has also focused on improving product quality which has resulted in a significant reduction in product defects and store returns.

Other Developments – Canadian Tire reviews opportunities for significant productivity improvements on an ongoing basis. Since 2011, Canadian Tire has redesigned and improved certain processes for procuring merchandise and non-merchandise services. Most significantly, Canadian Tire has 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 Canadian Tire's distribution centres 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 65%. 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. Business Sustainability initiatives completed in the past 3 years were forecasted to annually avoid approximately $13.1 million in costs, 6,100 tonnes of waste, 31,900 tonnes of greenhouse gas emissions and 2,300 cubic metres of water. It also generated $4.7 million in revenue and 17,500 gigajoules of low-carbon energy from its on-grid solar initiative.

In 2013, CTC entered into new individual Dealer contracts with each Canadian Tire Associate Dealer. Individual Dealer contracts are all in a standard form, each of which generally expires on December 31, 2024. Further information about the Dealer contract is provided at section 2.1 entitled "Canadian Tire – Canadian Tire Associate Dealers".

FGL Sports

FGL Sports, formerly known as The Forzani Group Ltd., was acquired by CTC in August 2011 and is the largest sporting goods retailer in Canada, selling footwear, sports equipment and apparel. Since the acquisition, FGL Sports has continued to focus on driving sales, expanding its successful "store within a store" concept, seeking innovative and new ways to connect with customers and realizing the synergies identified during the acquisition. In May, 2012, FGL Sports announced an accelerated growth strategy for its corporate banners that focuses on aggressive expansion of Sport Chek and other key banners. As part of the strategy, FGL Sports is expanding 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 retail stores, or approximately 1.4 million square feet of net new retail selling space, over a five-year time period. In particular, 1 new concept lab store was opened in 2013 and a further 2 large, urban flagship Sport Chek stores are planned in 2014. The retail expansion will also include an aggressive "super branding" strategy to build brand affinity and customer loyalty. Also as part of its strategy, FGL Sports initiated a banner rationalization program pursuant to which a number of under-performing, nonstrategic corporate banners such as Sport Mart and

Athlete's World have been closed. Since CTC's acquisition, FGL Sports has opened approximately 13 franchise and 64 corporate stores, relocated and renovated 30 franchise and 13 corporate stores and closed 20 franchise and 134 corporate stores, primarily as part of the banner rationalization program.

CTC's Canadian Olympic Team and Sports Association partnerships launched early in 2013 are intended to help FGL Sports solidify its positioning in the sporting goods market. On August 12, 2013, CTC announced that it had completed the purchase of Pro Hockey Life. Additional information concerning the purchase of Pro Hockey Life can be found under section 8.2.3 (Acquisition of Pro Hockey Life Sporting Goods Inc.) of CTC's MD&A for the year ended December 28, 2013.

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 has 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 in stores 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. It also includes 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 – Mark's has continued to expand its Imagewear business which focuses on business apparel sales. Mark's has continued to aggressively pursue new accounts and strengthen and develop existing accounts.

E-commerce – In 2011, CTC 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, increased consumer awareness of the Mark's brand and the "Ready For This" message, and store network expansion. Over the past three years, Mark's has opened 13 new corporate stores, relocated/renovated 24 corporate stores, bought back 7 franchise stores and closed 7 franchise and 10 corporate stores. As at the end of 2013, there were 385 Mark's stores (348 corporate and 37 franchise stores), of which 65 were co-located within Canadian Tire stores.

3.2 CT REIT Business Development

CT REIT, an unincorporated closed-end, real estate investment trust established to own income producing commercial properties, primarily in Canada commenced operations on October 23, 2013 with the completion of its initial public offering of units (the "Closing"). On Closing, CT REIT acquired from CTC 256 properties totaling approximately 19 million square feet of gross leasable area and representing 72% of CTC's owned real estate portfolio (measured by square feet) for a purchase price of $3.5 billion. The portfolio consisted of 255 retail properties and one distribution centre. Subsequent to the initial purchase, CT REIT acquired development lands in St. John's, Newfoundland and Charlottetown, Prince Edward Island for an aggregate purchase price of approximately $9.0 million. CTC has an approximate 83.1% interest in CT REIT. Additional Information about the business development of CT REIT can be found under section 8.2.4 (CT Real Estate Investment Trust) of CTC's MD&A for the year ended December 28, 2013.

3.3 Financial Services Business Developments

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 commenced issuing the Options World Card and Sport Chek MasterCard and expanded its deferred payment and equal payment programs. During the period, CTFS launched two new identity theft products available to cardholders.

On August 8, 2013, CTC announced its intention to seek a financial partnership for its credit card assets and related funding liabilities of its financial services business.

3.4 Other Business Developments

Significant Sponsorships – In 2012, CTC entered into a sponsorship agreement with the Canadian Olympic Committee pursuant to which it has been granted "Premier National Partner" status as a sponsor of the Canadian Olympic Team. The sponsorship allows Canadian Tire, 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. CTC also entered into a number of partnerships with major Canadian sports organizations.

Capital Expenditures – During the last three years, CTC has focused capital investment on 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 2014 information technology project agenda will continue further investments in information technology and digital initiatives both in the Company's store network and legacy systems that support the Company's operations.

Financing Developments – CTC 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 at the end of 2013, CTC had $1.7 billion in committed bank lines of credit, of which $1.2 billion is available under a four-year syndicated credit agreement dated June 29, 2012, as amended by the first amendment dated May 22, 2013. $300 million of the lines have been established pursuant to bilateral credit agreements and $200 million is available to CT REIT under a senior unsecured revolving credit facility. The $1.2 billion syndicated credit facility is available to CTC until June 2017 and can be extended by mutual agreement for an additional 364 day period in June 2014 and each year thereafter. The $300 million bilateral credit lines are available to CTC until late 2014 and each quarter CTC has the ability to request that the term of each of the bilaterial credit agreements be reset to 364 days. The CT REIT $200 million facility is available to the REIT until October 2017. A request to extend the facility can be made at any time and all lenders must agree.

Medium Term Notes Program – In March 2013, CTC'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 CTC to issue medium term notes up to an aggregate amount of $750 million. CTC 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 at the end of 2013.

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 broker 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 2013, CTB had approximately

$1.5 billion in short and long-term broker GIC deposits outstanding. Retail deposits consist of High Interest Savings Accounts and retail GIC deposits. As at the end of 2013, the amount of retail deposits held by CTB was in excess of $790.3 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 CTC 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 CTC, may be found on SEDAR at www.sedar.com. CTB assumed the rights and obligations of CTFS 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 2011, GCCT repaid in full $317 million of asset-backed term notes that matured and issued $200 million of asset-backed commercial paper. In 2012, GCCT issued asset-backed notes resulting in net proceeds of approximately $635 million and repaid approximately $184 million of asset backed commercial paper. In 2013, GCCT repaid in full $635 million in asset-backed term notes and issued $265 million asset-backed term notes. As at the end of 2013, GCCT's undivided co-ownership interests in the pool of receivables totaled approximately $1.5 billion and GCCT had outstanding approximately $1.4 billion of asset-backed term notes and approximately $120 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.

Re-Organization – In January, 2011, CTC changed the capital structure of its financial services subsidiaries to more closely align with the capital structure of similar financial services companies and in January, 2013, CTFS amalgamated with one of its subsidiaries, Canadian Tire Financial Services (Delaware) Inc.

In July, 2013, CTC established CT REIT, a closed-end real estate investment trust, formed to own income producing commercial properties, primarily in Canada. In October, 2013, CTC sold 255 retail properties and one distribution centre for an aggregate purchase price of approximately $3.5 billion. CTC holds an approximate 83.1% effective interest in CT REIT.

4. CAPITAL STRUCTURE

4.1 Description of Capital Structure

The authorized capital of CTC consists of 100,000,000 Class A Non-Voting Shares and 3,423,366 Common Shares, of which 76,560,851 Class A Non-Voting Shares and 3,423,366 Common Shares were issued and outstanding as at February 13, 2014. For additional information with respect to CTC's outstanding share capital, please see section 8.4 (Equity) of the MD&A and Note 28 of the notes to CTC's Financial Statements for the year ended December 28, 2013.

Material Characteristics of Common Shares – The holders of Common Shares of CTC 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 8, 2014 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 CTC. For a full statement of such conditions, reference should be made to CTC'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 CTC 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 8, 2014. Each Class A Non-Voting Share carries one vote. With the exception of (i) the entitlement to vote for the election of three directors, or, if the number of directors of CTC exceeds 17, four directors; (ii) the entitlement to vote in the circumstances referred to under the heading "Change in Class A Non-Voting Shares and Common Shares" below; and, (iii) 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 CTC. However, the articles of CTC 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 13, 2014, the Class A Non-Voting Shares would represent approximately **[95.7]**% 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 CTC, including voting rights. For a full statement of such conditions, reference should be made to CTC'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 CTC's dividend policy is set out in section 5 of this Annual Information Form entitled "Dividends".

Rights Upon Liquidation, Dissolution or Winding-Up – In the event of the liquidation, dissolution or winding-up of CTC, whether voluntary or involuntary, or any other distribution of assets of CTC among its shareholders for the purpose of winding-up its affairs, all of the property of CTC 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 CTC 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 CTC traded on the TSX on a monthly basis from January 2013 to and including December 2013 were as follows:

Common Shares (CTC)

	High ($)	Low ($)	Volume Traded
January 2013	82.00	78.30	11,276
February 2013	82.59	79.55	8,180
March 2013	86.00	80.00	11,334
April 2013	94.95	85.71	8,463
May 2013	98.99	86.92	17,528
June 2013	96.55	88.16	8,223
July 2013	99.99	92.50	9,057
August 2013	109.85	98.00	13,309
September 2013	128.00	110.99	10,227
October 2013	127.99	122.04	12,296
November 2013	127.93	122.00	13,453
December 2013	124.40	117.00	9,306

Class A Non-Voting Shares (CTC.a)

	High ($)	Low ($)	Volume Traded
January 2013	71.50	67.16	3,559,602
February 2013	70.54	66.49	4,816,928
March 2013	73.53	68.03	5,420,706
April 2013	74.99	70.03	3,889,271
May 2013	87.45	72.82	8,584,802
June 2013	84.42	77.11	4,622,534
July 2013	85.84	78.85	2,797,633
August 2013	91.46	83.33	4,848,609
September 2013	94.93	90.28	3,863,958
October 2013	99.51	90.46	2,595,463
November 2013	101.05	96.01	5,742,896
December 2013	100.36	94.11	3,786,841

5. DIVIDENDS

Dividends are declared at the discretion of the Board of Directors of CTC after consideration of earnings available for dividends, financial requirements and other conditions prevailing from time to time. CTC's dividend policy was amended in November 2013 to provide for dividend payments equal to approximately 25% to 30% (previously 20% to 25%) 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.

CTC has declared the following dividends during the last three years:

Year	Annual Dividend Per Share
2011	$1.125
2012	$1.25
2013	$1.4875

On November 7, 2013, the Board of Directors approved an increase in the quarterly dividend per share (on each Common and Class A Non-Voting Share) from $0.35 effective for the dividends paid in the four quarters of 2013 to $0.4375 per quarter effective commencing with the dividend to be paid on March 1, 2014.

The dividends declared in 2013 and 2014 to date are as follows:

Dividend Amount	Declaration Date	Payable to Holders of Record As Of	Payable Date
$0.35	February 21, 2013	April 30, 2013	June 1, 2013
$0.35	May 9, 2013	July 31, 2013	September 2, 2013
$0.35	August 8, 2013	October 31, 2013	December 1, 2013
$0.4375	November 7, 2013	January 31, 2014	March 1, 2014
$0.4375	February 13, 2014	April 30, 2014	June 1, 2014

The June 4, 1993 Trust Indenture pursuant to which CTC issued medium term notes due in 2028 and 2034, as well as CTC's committed bank lines of credit, contain restrictions on the ability of CTC to declare and pay dividends. The financial position of CTC is such that these restrictions do not practically limit the payment of dividends by CTC at this time. CTC 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

CTC'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 CTC'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, CTC will disclose such revised or withdrawn rating in the pricing supplement(s) relating to subsequent sales of securities.

7. TRANSFER AGENTS AND REGISTRAR

Computershare Trust Company of Canada ("Computershare") is the registrar and transfer agent for the Common Shares and Class A Non-Voting Shares of CTC. 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 CTC'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) 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 or appointed as a director, and present principal occupations of the directors of CTC as at February 13, 2014 are as follows:

Name, Province or State and Country of Residence	Year First Elected/Appointed as a Director[1]	Present Principal Occupation[2]
Maureen J. Sabia Ontario, Canada	1985	Non-Executive Chairman of the Board of CTC; 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
Pierre Boivin[3] Quebec, Canada	2013	President and Chief Executive Officer, Claridge Inc., a private investment firm
H. Garfield Emerson, Q.C. Ontario, Canada	2007	Principal, Emerson Advisory, an independent advisory firm; and Corporate Director
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
Peter B. Saunders Florida, U.S.A.	2009	Corporate Director
Graham W. Savage[4] 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	Chief Executive Officer of CTC

NOTES:

1. Each director of CTC holds office until the next annual meeting of shareholders of CTC 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 CTC.

2. Each of the directors of CTC 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) P. Boivin, who prior to September 2011 was President and CEO of the Montreal Canadiens and evenko, an entertainment promotion and production company and a division of L'Aréna des Canadiens Inc.;

(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) F. Potter, who prior to April 2010 served as Chairman of Emerging Market Advisors, Inc., a consulting firm dealing with international direct investment;

(e) P.B. Saunders, who prior to 2009 and 2008 served as Chairman and CEO, respectively, of The Body Shop International PLC; and

(f) S.G. Wetmore, who prior to November 2013 also served as President of CTC.

3. Mr. Boivin served as a director of Toptent Inc. ("Toptent") from August 2007 until November 2009. On May 7, 2010, Toptent filed a proposal under the *Bankruptcy and Insolvency Act* (Canada), which was subsequently accepted by Toptent's creditors on May 10, 2010.

4. Mr. Savage was a director of Sun-Times Media Group, Inc. ("Sun Times"), formerly Hollinger International Inc. ("Hollinger"). He served as a director of that company from July 2003 until November 2009. On June 1, 2004, the Ontario Securities Commission issued a permanent management cease trade order (the "Ontario Cease Trade Order") against the insiders of Hollinger for failing to file its interim financial statements and interim MD&A for the three-month period ended March 31, 2004 and its annual financial statements, MD&A and Annual Information Form for the year ended December 31, 2003. In addition, the British Columbia Securities Commission issued a cease trade order against an insider of Hollinger resident in British Columbia on May 21, 2004, as updated on May 31, 2004 (the "BC Cease Trade Order"). The Ontario Cease Trade Order was allowed to expire on January 9, 2006 and is no longer in effect. The BC Cease Trade Order was revoked on February 10, 2006 and is no longer in effect. Sun Times filed for protection under Chapter 11 of the United States Bankruptcy Code in April 2009. The principal operating assets of Sun Times were subsequently sold.

Committees of the Board of Directors

As at the end of 2013, the Board of Directors had four committees: the Audit Committee, the Management Resources and Compensation Committee, the Governance Committee, and the Brand and Values Committee (formerly, the Social Responsibility Committee). The present members of CTC's Audit Committee are G.W. Savage (Chairman), Pierre Boivin, H.G. Emerson and J.L. Goodfellow. The present members of CTC's Management Resources and Compensation Committee are J. Goodfellow (Chairman), I.C. Aitchison, M.G. Billes, Pierre Boivin and P.B. Saunders. The present members of CTC's Governance Committee are J. Lampe (Chairman), M.G. Billes, J. Goodfellow, T.R. Price and G.W. Savage. The present members of CTC's Brand and Values Committee are T.R. Price (Chairman), O.G. Billes, J.A.F. Furlong, 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, Pierre Boivin, H. Garfield Emerson and James L. Goodfellow. 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.
Pierre Boivin	Mr. Boivin is a corporate director with board and executive experience in multiple industries, including private investment, sporting goods and entertainment. Mr. Boivin is President and Chief Executive Officer of Claridge Inc., a private investment firm in Montreal, and serves on the boards of CH Group, which owns the Montreal Canadiens, and the National Bank of Canada, where he is also a member of the Risk Management Committee. He is a former corporate director and chairman of the Audit Committee of Sirius XM Canada Holdings Inc. and served for five years as a corporate director and member of the Audit Committee of Questerre Energy.
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 has 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

Member	Experience
	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 Professional 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.

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

The names, provinces and countries of residence, and present principal occupations of the executive officers of CTC as at February 13, 2014 are as follows:

Name, Province and Country of Residence	Present Principal Occupation[1]
Maureen J. Sabia Ontario, Canada	Non-Executive Chairman of the Board; President, Maureen Sabia International, a consulting firm; and Corporate Director
Stephen G. Wetmore Ontario, Canada	Chief Executive Officer
Michael B. Medline Ontario, Canada	President
Dean McCann Ontario, Canada	Executive Vice-President and Chief Financial Officer
James R. Christie Ontario, Canada	Executive Vice-President
Allan MacDonald Ontario, Canada	Chief Operating Officer, Canadian Tire
Harry P. Taylor Alberta, Canada	Chief Operating Officer, Mark's
Mary L. Turner Ontario, Canada	Chief Operating Officer, Financial Services

Name, Province and Country of Residence	Present Principal Occupation[1]
Duncan Fulton Ontario, Canada	Senior Vice-President, Communications and Corporate Affairs
Robert Mongeau Ontario, Canada	Senior Vice-President, Real Estate
Douglas B. Nathanson Ontario, Canada	Senior Vice-President and Chief Corporate Strategy and Human Resources Officer
Eugene Roman Ontario, Canada	Senior Vice-President and Chief Technology Officer
John Salt Ontario, Canada	Senior Vice-President, Supply Chain
Candace A. MacLean Ontario, Canada	Vice-President and Treasurer

1. Each of the officers who is not a director of CTC has held the principal occupation referred to opposite his or her name or other positions and offices within CTC, if applicable, during the past five years except:
    (a) M.B. Medline, who between November 2010 and August 2011 served as a consultant to CTC;
    (b) J. Christie, who prior to October 2013 was a senior partner of Blake, Cassels & Graydon LLP and also served as that firm's Chairman from 2001 to 2009;
    (c) A.A. MacDonald, who prior to April 2009 served as Vice-President, Bell West at Bell Canada;
    (d) H.P. Taylor, who from August 2008 to November 2010 served as Chief Financial Officer at Holt Renfrew Limited;
    (e) D.B. Nathanson, who prior to August 2009 served as Vice-President and Associate General Counsel at MI Developments Inc.;
    (f) D. Fulton, who prior to November 2009 served as Senior Partner and General Manager of Fleishman-Hillard Toronto; and
    (g) E. Roman, who from 2002 to 2008 served as Group President, Systems and Technology at Bell Canada Enterprises and as Chief Information Officer (2008-2009) and as Chief Technology Officer (2009-2012) of Open Text Corporation.

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

As at February 12, 2014, all directors and executive officers of CTC as a group beneficially owned, directly or indirectly, or exercised control or direction over 2,101,152 Common Shares of CTC (representing approximately 61.4% of the issued and outstanding Common Shares of CTC) and 872,689 Class A Non-Voting Shares of CTC (representing approximately 1.1% of the issued and outstanding Class A Non-Voting Shares of CTC). These figures do not include the Common Shares and Class A Non-Voting Shares held in connection with CTC's Deferred Profit Sharing Plan ("DPSP"), in which CTC's executive officers have rights under CTC's compensation program. In addition, as at February 12, 2014, two executive officers of CTC serve as members of CTC'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 12, 2014, the DPSP CAP Committee exercised control or direction over 419,280 of the Common Shares of CTC (representing approximately 12.2% of the issued and outstanding Common Shares of CTC) and 786,420 of the Class A Non-Voting Shares of CTC (representing approximately 1.0% of the issued and outstanding Class A Non-Voting Shares of CTC) held in relation to the DPSP.

Conflicts of Interest

Other than as described below, to the best of CTC's knowledge, no director or officer has an existing or potential material conflict of interest with CTC or any of its subsidiaries. Three members of the Board of Directors are currently Canadian Tire Associate Dealers. CTC is a party to a contract with each such board member pursuant to which each operates the retail business of a Canadian Tire store. Mr. Wetmore, a director and executive officer of CTC and Mr. McCann, an executive officer of CTC, are trustees of CT REIT.

9. INTERESTS OF EXPERTS

Deloitte LLP are the auditors of CTC and are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.
Audit Fees – the aggregate fees billed by CTC's external auditors for audit services in the financial years ended December 29, 2012 and December 28, 2013 were $3,110,699 and $3,325,006, respectively.

Audit-Related Fees – the aggregate fees billed by CTC's external auditors for assurance and related services that were reasonably related to the performance of the audit or review of CTC's financial statements and were not reported in the preceding paragraph for the financial years ended December 29, 2012 and December 28, 2013 were $1,215,059 and $2,217,283, 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 CTC's external auditors for professional services related to tax compliance, tax advice and tax planning for the financial years ended December 29, 2012 and December 28, 2013 were $521,418 and $413,491, 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 CTC's external auditors for services other than those reported above for the financial years ended December 29, 2012 and December 28, 2013 were $3,756,054 and $236,675, respectively. These fees related primarily to CTC's implementation of a merchandise line review process. Deloitte was selected to provide these services 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 merchandise line review process was completed in December 2013.

10. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

CTC and certain of its subsidiaries are party to a number of legal proceedings, two of which are briefly described below. CTC believes that, except as set out below, each such proceeding constitutes a routine legal matter incidental to the business conducted by CTC. CTC 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 is 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 at the end of 2013, the total aggregate exposure to CTB is expected to be approximately $17.7 million in the Desjardins-Emond Action and $10.6 million in the Marcotte Action.

During the 2013 financial year: (i) there have been no penalties or sanctions imposed against CTC 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 CTC that would likely be considered important to a reasonable investor in making an investment decision; and (iii) CTC 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 CTC's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in CTC's Management Information Circular prepared in connection with the Annual Meeting of Shareholders of CTC that was held on May 9, 2013, which is available on SEDAR at www.sedar.com. Additional financial information is provided in CTC's Consolidated Financial Statements and MD&A for the financial year ended December 28, 2013, which are also available on SEDAR at www.sedar.com. Other additional information relating to CTC 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) <u>Risk Management Duties of the Board</u>

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) <u>Legislative and Regulatory Compliance Duties of the Board</u>

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) <u>Activities of the Committee</u>

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. <u>Composition of Committee</u>

(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.

<u>Accountability</u>

(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.