



**CANADIAN TIRE CORPORATION, LIMITED**  
**2014 Annual Information Form**

**February 26, 2015**

**ANNUAL INFORMATION FORM**  
**CANADIAN TIRE CORPORATION, LIMITED**  
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*Certain brands mentioned in this report are the trademarks of Canadian Tire Corporation, Limited, Mark's Work Warehouse Ltd., FGL Sports Ltd. or used under license. Others are the property of their respective owners.*

## CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This Annual Information Form, and the documents incorporated by reference herein, contains forward-looking information that reflects management's current expectations relating to matters such as future financial performance and operating results of Canadian Tire Corporation, Limited ("CTC"). Specific forward-looking statements included or incorporated by reference in this Annual Information Form include, but are not limited to, statements with respect to:

- Canadian Tire's retail segment in section 2.1;
- Other business developments in section 3.4; and
- Legal proceedings and regulatory actions in section 10.

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 anticipated financial position, results of operations and operating environment of CTC. Readers are cautioned that such information may not be appropriate for other purposes.

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", "intend", "believe", "estimate", "plan", "can", "could", "should", "would", "outlook", "forecast", "anticipate", "aspire", "foresee", "continue", "ongoing" or the negative of these terms or variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analyses, beliefs 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 management to make assumptions and is subject to inherent risks and uncertainties, which give rise to the possibility that management's assumptions, estimates, analyses, beliefs and opinions may not be correct and that CTC's expectations and plans will not be achieved. Examples of management's beliefs, which may prove to be incorrect include, but are not limited to, beliefs about the effectiveness of certain performance measures, beliefs about current and future competitive conditions and CTC's position in the competitive environment, beliefs about CTC's core capabilities and beliefs regarding the availability of sufficient liquidity to meet CTC's contractual obligations. Although CTC believes that the forward-looking information in this Annual Information Form and the documents incorporated herein by reference are based on information, assumptions and beliefs that are current, reasonable and complete, this information is necessarily subject to a number of factors that could cause actual results to differ materially from management's 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 retailers 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, cyber threats, property management and development, environmental liabilities, supply chain management, product safety, changes in law, competition, seasonality, weather patterns, commodity prices, business disruption, CTC's relationships with suppliers, manufacturers, partners and other third 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; (g) CTC's capital structure, funding strategy, cost management programs and share price; and (h) the Company's ability to obtain all necessary regulatory approvals.

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 section 2.10 of this Annual Information Form entitled "Risk Factors" and also in the following sections of CTC's Management's Discussion and Analysis ("MD&A") for the year ended January 3, 2015: sections 6.4.1.3 (Retail segment business risks), 6.4.2.3 (CT REIT segment business risks) and 6.4.3.3 (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](http://www.sedar.com) and at [www.corp.canadiantire.ca](http://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 as of the date hereof or the date of the relevant document incorporated herein by reference, as applicable. CTC does not undertake to update any forward-looking information, whether written or oral, that

may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as is 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](http://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 references to such websites are inactive textual references and are for information only.

# ANNUAL INFORMATION FORM

## CANADIAN TIRE CORPORATION, LIMITED

In this document, the terms “we”, “us”, “our”, “Company”, “Canadian Tire Corporation”, “CTC” and “Corporation” refer to Canadian Tire Corporation, Limited, its predecessor corporations and all entities controlled by it and their collective businesses unless the context otherwise requires. This document also refers to CTC’s three reportable operating segments: the “Retail segment”; the “CT REIT segment” and the “Financial Services segment”.

The Retail segment comprises businesses operated under CTC’s retail banners, which include Canadian Tire, PartSource, Petroleum, Mark’s, Sport Chek, Sports Experts, Atmosphere and Pro Hockey Life Sporting Goods Inc. (“PHL”).

“Canadian Tire” refers to the general merchandise retail and services businesses carried on under the “Canadian Tire” name and trademarks and the business carried on under the “PartSource” name and trademarks.

“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 +” name and trademarks, and “PartSource stores” refers to stores (including hub stores) operated under the “PartSource” name and trademarks.

“CT REIT” refers to the business carried on by CT Real Estate Investment Trust and its subsidiaries.

“FGL Sports” refers to the retail business carried on by FGL Sports Ltd. and “FGL Sports stores” includes stores operated under the “Sport Chek”, “Sports Experts”, “Atmosphere”, “National Sports” and “Pro Hockey Life” names and trademarks.

“Financial Services” refers to the business carried on by the operating subsidiaries of CTFS Holdings Limited namely Canadian Tire Bank (“CTB” or “the Bank”) and CTFS Bermuda Limited (“CTFS Bermuda”).

“Mark’s” refers to the retail business carried on by Mark’s Work Wearhouse Ltd. and “Mark’s stores” includes stores operated under the “Mark’s”, “Mark’s Work Wearhouse”, and “L’Equipeur” names and trademarks.

“Petroleum” refers to the retail petroleum business carried out under the “Canadian Tire” and “Gas +” names and trademarks.

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 January 3, 2015 (the last day of CTC’s most recently completed financial year) and all dollar amounts are expressed in Canadian dollars.

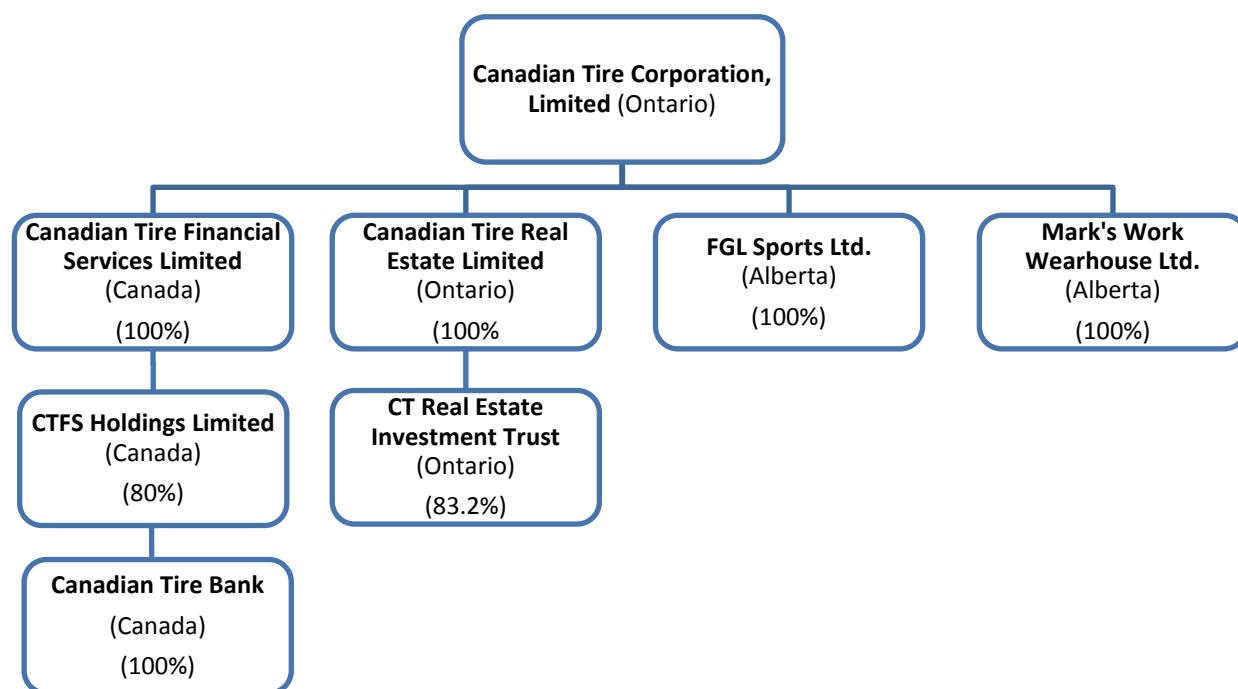
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## 1. CORPORATE STRUCTURE

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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](http://www.corp.canadiantire.ca). Set out below are the principal legal entities through which CTC conducts its businesses and their applicable governing corporate jurisdictions:



Each of Canadian Tire Financial Services Limited, Canadian Tire Real Estate Limited ("CTREL"), FGL Sports and Mark's is wholly owned, either directly or indirectly, by CTC. As at December 31, 2014, CTC held, indirectly, an approximate 83.2% 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. CTC holds an 80% interest in the entities that comprise the Financial Services business with the remaining 20% interest is owned by the Bank of Nova Scotia ("Scotiabank").

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## 2. DESCRIPTION OF THE BUSINESS

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CTC has been in business for over 90 years. It offers a range of products and services to Canadians through a portfolio of the leading retail banners in Canada including Canadian Tire<sup>®</sup>, Mark's<sup>®</sup>, Sport Chek<sup>®</sup> and Sports Experts<sup>®</sup>. CTC's retail business is supported and strengthened through its Financial Services business which markets financial and other products and services including credit cards, in-store financing, product warranties and retail and broker deposits. CT REIT's geographically-diversified portfolio of properties is comprised largely of Canadian Tire retail stores, retail developments anchored by Canadian Tire stores, a mixed-use property, and two distribution centres.

### 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 trademark 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 3,155 square feet to approximately 88,716 square feet and, as at the end of 2014, totaled approximately 20.4 million retail square feet across all 493 stores. Canadian Tire stores are located in each of the provinces and territories in Canada as follows:

Province or Territory	Number of Canadian Tire stores
British Columbia	52
Alberta	55
Saskatchewan	14
Manitoba	14
Ontario	202
Quebec	99
New Brunswick	19
Nova Scotia	21
Prince Edward Island	2
Newfoundland and Labrador	13
Yukon	1
Northwest Territories	1
Nunavut	0
Total	493

Canadian Tire has created a distinctive image for Canadian Tire stores. The stores offer consumers over 150,000 stock keeping units ("SKUs") in Living, Fixing, Playing, Automotive and Seasonal categories. Substantially all Canadian Tire stores also contain automotive service bays. 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 comprises 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 ("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

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return, Canadian Tire supports 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 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 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 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 Dealers to access the majority of the financing they require for their store operations. Franchise Trust is a legal entity sponsored by a third party bank that originates and services loans to qualified Canadian Tire dealers for their purchases of inventory and fixed assets. Qualified dealers financed through Franchise Trust typically include those with equity ownership positions of less than 25%.

**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 Dealers, Canadian Tire builds customer awareness and traffic in Canadian Tire stores by: distributing weekly promotional flyers and 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 12 million households each week. Canadian Tire’s website, available at [www.canadiantire.ca](http://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.

In October 2014, the Company completed the national rollout of the evolution of its loyalty program, “My Canadian Tire ‘Money’<sup>TM</sup>”, which introduces electronic Canadian Tire ‘Money’<sup>®</sup> (“eCTM”). Additional information about the “My Canadian Tire ‘Money’ loyalty program is provided in section 3.1 of this Annual Information Form entitled “Retail Business Developments – Canadian Tire – Strategic Initiatives – Customer Loyalty Program”.

**Canadian Tire Distribution** – Canadian Tire’s supply chain function is responsible for managing the flow of information and goods from suppliers to Canadian Tire and 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 and the Brampton distribution centres (both operated by Canadian Tire) and the Montreal and the Calgary distribution centres (both operated by GENCO Distribution System of Canada, Inc.). Canadian Tire intends to replace one of its current Brampton facilities with a new distribution centre in Bolton, Ontario. Canadian Tire 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 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 2,280 trailers, 4,565 chassis and 6,222 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** – Canadian Tire’s objective is to launch new products with innovative features at compelling prices that enhance its unique mix of products. To this end, Canadian Tire



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empowers its category business managers to collect customer and other feedback on products to develop unique product concepts or designs for implementation by vendors. As an example of this capability, in 2014 Canadian Tire added to its assortment of innovative products with the Cuisinart® Ceramic BBQ which uses ceramic heat technology to distribute heat evenly across the grill, offering greater cooking control. Canadian Tire's merchant team worked with the supplier to re-design the firebox and introduce ceramic tiles to the heat plates, which have traditionally been metal. As another example, in 2014 Canadian Tire introduced MAXIMUM™ titanium coated drill bits that offer superior speed and performance. The titanium coating and seven point design are designed to handle extreme workloads and have been professionally tested to ensure durability. In addition, Canadian Tire also launched the FRANK® private label brand and the CANVAS™ décor line.

**Canadian Tire Competitive Conditions** – Canadian Tire competes against global, national and regional retailers in all markets across Canada. There is no single organization or type of business that competes directly with all product and service 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 a solid presence 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 January 3, 2015.

**Canadian Tire Foreign Operations** – In 2014, 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 and PartSource 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 and business conduct 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 12.4 (Responsible sourcing practices) of CTC's MD&A for the year ended January 3, 2015.

**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 its 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 technology infrastructure 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. In addition, the technology function is focused on developing and delivering innovative digital capabilities.

Dealers use point-of-sale ("POS") and store management systems linked to in-store computers to access inventories and prices. The POS system is used to process credit card and debit card transactions and supports the new My Canadian Tire 'Money' loyalty program. The in-store system provides information which enables Dealers to maximize sales and margins and monitor service levels and costs. Orders are

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calculated and transmitted to Canadian Tire over a communications network which also sends new product and price data from Canadian Tire to its 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 may not typically purchase their automotive parts at a Canadian Tire store. There are 91 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 designed to carry a broader assortment of products.

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 297 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). Canadian Tire gas bar sites are all owned or leased by CTC. For the 2014 and 2013 financial years, the sale of petroleum to end consumers by Petroleum accounted for approximately 16.4% and 17.6% of CTC’s total consolidated revenues, respectively.

Petroleum currently sources its fuel from three primary suppliers at competitive prices. 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 approximately 1.3 times more gasoline per site than the Canadian industry average, which CTC attributes to the attractiveness of the Canadian Tire ‘Money’ and My Canadian Tire ‘Money’ loyalty programs, the success of Petroleum’s cross-merchandising programs with Canadian Tire stores, its partnership with Financial Services in connection with the Gas Advantage<sup>®</sup> MasterCard<sup>®</sup>, and the quality of Petroleum’s customer service.

**Real Estate** – Except in limited circumstances, 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 indirectly 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 the Company’s real estate expertise is provided in section 3.0 (Core capabilities - Real estate expertise) of CTC’s MD&A for the year ended January 3, 2015.

## **FGL Sports**

FGL Sports is the largest national sporting goods retailer in Canada offering a comprehensive assortment of brand name and private label products through a network of corporately owned and franchise retail banners. FGL Sports’ primary retail banners, Sport Chek and Sport Experts, 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 and apparel. FGL Sports, through its affiliates 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<sup>®</sup>, National Sports<sup>®</sup> and Pro Hockey Life<sup>®</sup>. Sport Chek is a specialty retailer of sports equipment and athletic, leisure and recreational footwear and apparel, offering an assortment of brand name, private label, and licensed brand products. Sport Chek’s apparel merchandising standards and marketing strategies target a youthful demographic. Some Sport Chek

stores also include Nevada Bob's Golf<sup>®</sup>, Hockey Experts<sup>®</sup>, 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. PHL, which was acquired by FGL Sports in 2013, operates high-end hockey stores mostly in "big box" retail formats located in urban centres in four provinces.

As at the end of 2014, the number of stores in each province operating under a corporate owned retail banner was as follows:

<b>Corporate Owned Retail Banners</b>				
<b>Province or Territory*</b>	Sport Chek	Atmosphere	Pro Hockey Life	National Sports
British Columbia	32	9	-	-
Alberta	32	9	4	-
Saskatchewan	10	1	-	-
Manitoba	8	1	1	-
Ontario	86	5	8	18
New Brunswick	4	-	-	-
Nova Scotia	10	-	1	-
Prince Edward Island	2	-	-	-
Newfoundland and Labrador	5	-	-	-
<b>Total</b>	<b>189</b>	<b>25</b>	<b>14</b>	<b>18</b>

\*There are no FGL Sports stores in the territories

**FGL Sports Franchise Operations** – FGL Sports acts as a franchisor, administering seven retail franchise banners within its franchise division: Sports Experts, Intersport<sup>®</sup>, Atmosphere, Hockey Experts, S3<sup>®</sup>, L'Entrepôt du Hockey<sup>®</sup> and Sports Rousseau<sup>®</sup>. The Sports Experts banner is the largest sporting goods retailer in Quebec, offering a broad assortment of branded and private label products, including equipment, apparel and footwear. Intersport is a banner that offers a smaller scale assortment of branded and private label products with more depth in certain categories to tailor 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. Sports Rousseau and L'Entrepôt du Hockey operate high-end hockey stores exclusively in the Province of Quebec.

As at the end of 2014, the number of stores in each province and territory operating under a franchise retail banner was as follows:

<b>Franchise Retail Banners</b>						
<b>Province or Territory*</b>	Sports Experts	Intersport	Atmosphere	Hockey Experts	S3	Sports Rousseau/ L'Entrepôt du Hockey
British Columbia	1	1	-	-	-	-
Alberta	2	5	-	-	1	-
Ontario	5	1	1	-	-	-
Quebec	63	33	40	15	7	9
New Brunswick	1	3	-	-	-	-
Newfoundland and Labrador	-	1	-	-	-	-
Yukon	1	-	-	-	-	-
<b>Total</b>	<b>73</b>	<b>44</b>	<b>41</b>	<b>15</b>	<b>8</b>	<b>9</b>

\*There are no franchise locations in Saskatchewan, Manitoba, Nova Scotia, PEI, Northwest Territories and Nunavut

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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' operations and real estate teams assist franchisees with store appearance and merchandise displays and also provide full accounting services to approximately 148 franchise stores.

In addition to the franchisee operated stores, there are an additional 17 store locations that have "buying member" status only and do not participate in all of the other programs offered to franchisees of FGL Sports. 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 trademarks, INA offers a number of different hardgoods, apparel and footwear products carrying private label brand names which are currently 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. 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 195,000 square feet, for corporate distribution overflow and INA wholesale Canadian distribution operations. INA, through its wholly owned subsidiary Golden Viking Sports LLC, leases two warehouse facilities in Kent, Washington of approximately 46,000 square feet and 60,000 square feet. In late 2014, the Company completed the construction of a new Calgary distribution centre (455,000 square feet) that will service both Mark's and FGL Sports' supply chain starting in 2015. This distribution centre will replace Mark's current third party operated distribution centre in Calgary and will provide FGL Sports with new distribution capacity in western Canada.

***New FGL Sports Products*** – FGL Sports continuously introduces enhanced products from the leading brands and suppliers in the industry as technological improvements are put into production. In 2014, there were a variety of new products and technologies introduced across FGL Sports' various banners including: (i) the 94Fifty Smart basketball which comes equipped with embedded motion sensors that send information to a mobile smartphone via Bluetooth to provide immediate feedback on shooting and ball handling skills, and (ii) wearable technology devices such as the GoPro Hero 4 cameras, FitBit charge and the Garmin Vivofit activity tracker.

***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: independent specialty shops, mass merchants, U.S.-based

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retailers, and vendor-direct online and outlet store sales channels. 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. In 2014, FGL Sports opened two Sport Chek flagship stores, one in Edmonton, Alberta in January 2014 and a second flagship in Burnaby, British Columbia in November 2014 – among the most digitally advanced retail stores in North America. Flagship stores include many enhancements that provide consumers with access to world leading digital technology, an unparalleled array of leading brands and products, and a personalized shopping experience that connects consumers to the sports they are passionate about. 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. FGL Sports strives to employ active individuals that are passionate sports enthusiasts and become ambassadors for the brand who connect with customers through a shared passion for sports and activity. 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 January 3, 2015.

***FGL Sports Foreign Operations*** – FGL Sports, through its wholly owned subsidiary INA, has wholesale operations based in the United States including warehouse facilities in the state of Washington. In 2014, 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 stability and safety of manufacturing operations in other countries, transportation and port disruptions. CTC believes that its business practices are appropriate to mitigate these risks.

***FGL Sports Information Technology*** – The FGL Sports information technology department is accountable for the support of existing technology and enabling new technology to support business strategies. FGL Sports leverages internal information technology capabilities and practices shared with Canadian Tire and Mark’s across common technology platforms. FGL Sports maintains information systems production facilities for corporate stores at its office in Calgary, Alberta and, in the case of National Sports, Toronto, Ontario. The Calgary facility is planned for closure once the technology is migrated to the CTC data centre located in Winnipeg, Manitoba. FGL Sports also maintains a secondary non-production systems facility in Calgary which is planned for closure once the technology is migrated to the CTC data centre located in Brampton, Ontario. All corporate and franchise stores have POS 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 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 warehouse management systems in its Mississauga, Ontario and Calgary distribution centres that fully automate the process of distributing product to its corporate retail stores.

## **Mark’s**

Mark’s is one of Canada’s largest specialty apparel retailers, providing Canadians with apparel and footwear for everyday work and everyday living. Mark’s offers industrial apparel and footwear as well as men’s and women’s casual apparel and footwear. Mark’s has a significant market share in industrial apparel and footwear and is a leader in men’s casual apparel in the Canadian retail marketplace. Mass merchants, department stores and specialty retailers compete with Mark’s product lines. Mark’s core differentiator is its private label program with a focus on quality, comfort, durability and functionality (Dakota<sup>®</sup>, Denver Hayes<sup>®</sup>, and Wind River<sup>®</sup>), which is complimented by nationally recognized brands and exclusive licensed brands. Mark’s operates under the banners “Mark’s,” “Mark’s Work Wearhouse” and “L’Équipeur” in Quebec, and offers products for sale through its website at [www.marks.com](http://www.marks.com). Mark’s also

conducts a business-to-business operation under the name “Imagewear, a Division of Mark’s Work Wearhouse”.

Mark’s operates 383 stores across Canada under the Mark’s, Mark’s Work Wearhouse, and L’Equipeur banners. As at the end of 2014, the number of stores operating under each banner was as follows:

Province or Territory	Retail Banners		
	Mark’s	Mark’s Work Wearhouse	L’Equipeur
British Columbia	50	8	-
Alberta	58	5	-
Saskatchewan	13	3	-
Manitoba	13	-	-
Ontario	135	11	-
Quebec	-	-	45
New Brunswick	11	2	-
Nova Scotia	17	-	-
Prince Edward Island	2	-	-
Newfoundland and Labrador	3	5	-
Yukon	1	-	-
Northwest Territories	1	-	-
Total	304	34	45

\*There are no Mark’s stores located in Nunavut

**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 L’Equipeur in Quebec. Mark’s previously carried on business under the Work World banner but completed its phase out of that banner in 2014. Mark’s franchise program enabled it to initially access certain markets that it may otherwise not have accessed. As at January 3, 2015, Mark’s franchise operations comprised of 35 stores. Generally, each Mark’s franchisee owns only one store, however there are a limited number of franchisees who operate multiple franchise locations.

**Mark’s Distribution** – Mark’s engages a third party logistics company to transport its product shipments from its two distribution centres to stores and to transport most of its product shipments from domestic suppliers directly to its stores. Third party logistics companies operate both Mark’s distribution centres in Calgary, Alberta and Brampton, Ontario pursuant to an outsourcing arrangement. 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 predominantly through the Company’s network of third party logistics companies. Mark’s also purchases supplementary domestic transportation services from other third party logistics companies. In late 2014, the Company completed the construction of a new Calgary distribution centre (455,000 square feet) that will service both Mark’s and FGL Sports’ supply chain beginning in 2015. This distribution centre will replace Mark’s current third party operated distribution centre and will provide FGL Sports with new distribution capacity in western Canada.

**New Mark’s Products and Innovations** – Mark’s continuously introduces new and improved apparel and footwear. In recent years Mark’s has introduced new products and innovations such as fire resistant coveralls and rainwear, anti-slip and flexible construction industrial footwear and dri-wear technology. Mark’s has also made several improvements to existing products including chemical compound adjustments in industrial and casual rubber boots to allow for more flexibility and pliability in cold weather. In 2014, Mark’s acquired the brand Far West® which was established in 1977 and is a leading Canadian brand with outdoors enthusiasts. Additionally Mark’s has begun to expand its offering of nationally branded products (including but not limited to Levi’s, Silver Jeans and Timberland) and exclusive licensed brands (including Alfred Sung for women’s casual apparel, and Helly Hansen for work boots and accessories).

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**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 and other specialty apparel stores, some of which are online and many of which are large U.S. or internationally based retailers. As well, Mark's competes with other domestic and international business-to-business vendors and online vendors. 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 January 3, 2015.

**Mark's Foreign Operations** – In 2014, 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. During 2014, Mark's made a shift within its merchandising organization to leverage the capabilities of INA (as described in section 2.1 of this Annual Information Form entitled "FGL Sports Wholesale Operations"), to improve margins as well as the sourcing and quality control function of Mark's. Utilization of INA capabilities also facilitates increased oversight of the business conduct of its vendors. Mark's engages the same third party logistics providers as Canadian Tire to manage supply chain 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 merchandise from alternate areas including Europe as well as from domestic and U.S. manufacturers. Information regarding Mark's sourcing practices is provided in section 12.4 (Responsible sourcing practices) of CTC's MD&A for the year ended January 3, 2015.

**Mark's Information Technology** – Mark's information technology department is accountable for the support of existing technology and enabling new technology to support business strategies. In July 2014, Mark's completed the transition from an external information technology partner model to internal information technology teams. The internal information technology teams leverage information technology capabilities and practices shared with Canadian Tire and FGL Sports across common technology platforms. Mark's maintains its information systems facilities for all stores at the CTC data centre located in Winnipeg, Manitoba with a secondary facility located in Calgary, Alberta. This secondary facility is planned for closure once the technology is migrated to the CTC data centre located in Brampton, Ontario. All corporate and franchise stores have POS terminals, with price look-up capabilities, and transmit sales results daily. Price changes can be transmitted by Mark's on a daily basis if necessary. Mark's maintains continuous inventory status by product, size, colour and location which is updated upon receipt of sales data. Mark's maintains its own distribution centre in Brampton and shares the warehouse management system at the Calgary distribution centre with FGL Sports. The warehouse management system at the Calgary distribution centre fully automates the process of distributing product to its western retail stores.

## 2.2 CT REIT Segment

As at December 31, 2014, CTC held an approximate 83.2% 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, 2014, CT REIT's portfolio was comprised of 273 properties totaling more than 20 million square feet of gross leasable area. The portfolio consists of 268 retail properties across Canada, two distribution centres, a mixed-use commercial property and two development properties. The retail properties consists of properties with a stand-alone Canadian Tire store, properties anchored by a Canadian Tire store and containing one or more stores operating under other Canadian Tire banners and/or third party tenants and properties not anchored by a Canadian Tire store. CTC is the most significant tenant with Canadian Tire stores, CTC retail banners and office and two distribution centres representing approximately 96.4% of the REIT's annualized base minimum rent. The REIT competes with other investors, managers and owners of properties for 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

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investments may increase the competition for attractive real estate property investments, thereby increasing purchase prices and reducing yields.

## 2.3 Financial Services Segment

CTC holds an 80% interest in the entities that comprise the Financial Services segment; the remaining 20% interest is owned by Scotiabank. Financial Services comprises CTFS Holdings Limited and its subsidiaries, including CTB and CTFS Bermuda. CTB is a federally regulated bank that is the issuer of Canadian Tire's consumer MasterCard portfolios. CTB markets a range of Canadian Tire-branded credit cards, including the Canadian Tire Options<sup>®</sup> MasterCard<sup>®</sup>, Canadian Tire Options<sup>®</sup> World MasterCard<sup>®</sup>, Cash Advantage<sup>®</sup> MasterCard<sup>®</sup>, Gas Advantage MasterCard and Sport Chek<sup>®</sup> MasterCard<sup>®</sup>. It also markets various insurance and identity theft products to Canadian Tire customers and has an existing block of warranty products. As a deposit taking institution, 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 Bermuda 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 2014, Canadian Tire Bank re-launched a new customer value proposition to enhance the value of the Options MasterCard. The new program is strongly integrated with CTC retail banners and the new eCTM program launched by Canadian Tire Retail. The new strategic partnership with Scotiabank completed in 2014 provides unique opportunities for CTC and Scotiabank to directly cross promote products to a broader set of customers.

***Financial Services Competitive Conditions*** – The CTC 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. Non-traditional entrants and new technologies such as mobile payments are impacting the competitive landscape in the credit card industry. With the increasing number of credit cards available, consumers are looking for relationships with organizations that offer good value, exceptional service and programs that reward them for their loyalty. Growth of the credit card portfolio and the continued strength of the Canadian Tire brand provides an opportunity to increase the number of credit card customers that purchase other Canadian Tire products and services. Canadian Tire branded deposit products compete with comparable products offered by banks and other financial institutions and are issued on terms and conditions that are competitive with such other products.

Financial Services markets a number of insurance and identity theft products to Canadian Tire customers and has an existing block of warranty products. Financial Services has achieved a better than industry average position in terms of the percentage of credit card customers enrolled and is continuing to acquire customers for its identity theft products..

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 January 3, 2015.

***Financial Services Foreign Operations*** – CTFS Bermuda is 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 currently offer or have previously offered 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 information 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 Real Estate Management

CTC’s strong in-house real estate management team manages the entire network of owned and leased properties for CTC, and manages CT REIT’s portfolio pursuant to a property management agreement. The Company’s expertise in real estate enables it to quickly and efficiently identify properties that are ideally suited for development or re-development and to secure high-traffic, sought after locations for its retail outlets. For additional information regarding the Company’s real estate expertise please see section 3.0 (Core capabilities – real estate expertise) of CTC’s MD&A for the year ended January 3, 2015.

## 2.5 Seasonality of the Business

CTC derives a significant amount of its retail revenue from the sale of seasonal merchandise and, accordingly, derives a degree of sales volatility from abnormal weather patterns. Canadian Tire mitigates this 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 their 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 revenue performance within the Retail segment over the last two years.

### Canadian Tire’s Quarterly Results

(C\$ in millions)

	2014 <sup>1</sup>					2013				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue <sup>2</sup>	\$ 1,219.5	\$ 1704.9	\$ 1,517.9	\$ 1,826.3	\$ 6,268.6	\$ 1,174.3	\$ 1,668.2	\$ 1,479.6	\$ 1,593.4	\$ 5,915.5
% of full year Revenue	19.5%	27.2%	24.2%	29.1%	100.0%	19.9%	28.2%	25.0%	26.9%	100.0%

### FGL Sport’s Quarterly Results

(C\$ in millions)

	2014 <sup>1</sup>					2013				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue	\$ 379.4	\$ 398.8	\$ 508.8	\$ 618.5	\$ 1,905.5	\$ 367.4	\$ 337.4	\$ 432.8	\$ 519.2	\$ 1,656.8
% of full year Revenue	19.9%	20.9%	26.7%	32.5%	100.0%	22.2%	20.4%	26.1%	31.3%	100.0%

### Mark’s Quarterly Results

(C\$ in millions)

	2014 <sup>1</sup>					2013				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue	\$ 204.3	\$ 244.7	\$ 222.5	\$ 450.1	\$ 1,121.6	\$ 194.1	\$ 237.0	\$ 210.4	\$ 419.3	\$ 1,060.8
% of full year Revenue	18.2%	21.8%	19.8%	40.2%	100.0%	18.3%	22.3%	19.8%	39.6%	100.0%

#### Footnotes

- (1) The 2014 period reflects the 53-weeks ended January 3, 2015, as such Q4 includes 14 weeks of revenue compared to 13 weeks in Q1 – Q3.  
(2) Includes revenue from Canadian Tire, PartSource and Franchise Trust.

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## 2.6 Intangible Properties

CTC has established procedures to protect the trademarks which are material to the business carried on by it, including the trademark Canadian Tire<sup>®</sup>, the design presentations associated with those trademarks and numerous other trademarks and design presentations associated with CTC's retail brands. Protection of its trademarks 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 trademarks to Canadian Tire Financial Services Limited ("CTFS"), CTB and certain other entities.

CTC owns a number of domain names, which generally reflect its trademarks and related slogans. The domain names are used in connection with its various retail, Financial Services and other activities. The registrations for these trademarks and domain names are renewable. Procedures are in place to ensure timely renewals.

CTC has agreements in place with the Canadian Olympic Committee and a number of Canadian sport organizations that permit CTC and its affiliates to use the Canadian Olympic Committee, Canadian Olympic Team and sport organization trademarks in connection with marketing, advertising and promotional activities.

CTB has agreements with MasterCard International Incorporated and Visa Canada Corporation that permit CTB to use the MasterCard and Visa trademarks in connection with CTC branded MasterCard and Visa credit cards.

## 2.7 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 489 active Dealers who operate the 493 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.

## 2.8 Lending

CTB grants credit to its customers on Canadian Tire Options MasterCard, Visa and retail credit cards. CTB also has a very small closed block of personal loans and lines of credit. With the granting of such credit, CTB assumes certain risks with respect to the ability and willingness of its customers to repay debt. CTB manages this risk in an effort to optimize profitability and has established comprehensive policies and sophisticated systems and processes to manage credit risk including:

- employing sophisticated credit-scoring models to constantly monitor the creditworthiness of customers;
- managing and limiting credit exposure to certain geographic areas;
- using the latest technology to make informed credit decisions for each customer account to limit credit risk exposure;
- adopting technology to improve the effectiveness of the collection process; and
- monitoring the macroeconomic environment, especially with respect to consumer debt levels, interest rates, employment levels and income levels.

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## 2.9 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. In addition, as part of a broader arrangement with Scotiabank, Scotiabank has provided a committed funding facility of up to \$2.25 billion to CTB as backstop financing of its credit card receivables. Additional information concerning CTC's financing sources can be found under section 7.3 (Liquidity and Financing) of CTC's MD&A for the year ended January 3, 2015.

## 2.10 Risk Factors

CTC recognizes the importance of protecting its brand equity. Failure to appropriately manage the Company's risks could result in damage to the Company's reputation and therefore to its brand. As such, CTC's principal risks are selected based, in part, on the potential magnitude of the brand impact of one or more failures to mitigate risk. The Company believes that the effective management of CTC's principal risks, both individually and collectively, will enable the Company to maintain or increase its brand equity.

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, communicate, 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.
- Technology – Failure to invest in technology, ensure the availability, recoverability, and security of systems, infrastructure, and data may result in corruption or loss of data, regulatory related issues, litigation, or prevent CTC from achieving its 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.
- 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 – Failure to adhere to financial accounting and presentation standards and securities regulations relevant to financial reporting, failure to maintain an effective system of internal controls, or inadequate explanation of CTC's operating performance 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.
- Credit – The risk of financial loss due to a counterparty failing to meet its obligations in accordance with contractual terms.

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 6.4.1.3 (Retail segment business risks), 6.4.2.3 (CT REIT segment business risks), 6.4.3.3 (Financial Services segment business risks), 10.2 (Principal Risks), 10.3 (Financial risks), and 10.4 (Legal risk) of CTC's MD&A for the year ended January 3, 2015.

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

## 2.11 Employees

As at the end of 2014, 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	1,691	24
Canadian Tire	2,726	69
PartSource	584	996
Financial Services	1,142	328
Petroleum	54	0
Mark's	1,541	4,739
FGL	3,497	10,881
Total	11,235	17,037

\*Note: Dealer and franchisee store employees are not included above.

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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.

## 2.12 Corporate Citizenship

CTC prides itself as being a trusted Canadian brand and an integral part of Canadian communities. Highlights of its social and environmental policies and practices that contribute to its profile as a responsible corporate citizen are included below.

**Corporate Philanthropy** – CTC supports a variety of social causes but the largest single beneficiary is Canadian Tire Jumpstart Charities. This charity is an independent organization committed to assisting financially challenged families in communities across Canada by funding costs associated with children participating in organized sport and recreation. Please see section 12.2.1 (Charitable activities) of CTC's MD&A for the year ended January 3, 2015 for additional information.

**Community Support** – CTC invests in initiatives that promote active and healthy living and showcase its commitment to helping Canadian families and communities thrive. Contributions are made from across the enterprise and include support for local initiatives, regional activations that assist communities in times of need, and support to national organizations that promote sport. In 2014, the Company's "We all Play for Canada™" and "ACTIVE AT SCHOOL™" campaigns were 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. Canadian Tire is playing a leading role in ACTIVE AT SCHOOL, the largest movement in Canadian history to get kids engaged in physical activity. For additional information on ACTIVE AT SCHOOL please see section 12.2.2 (Community activities) of CTC's MD&A for the year ended January 3, 2015.

**Employees** – CTC has an internal Code of Business Conduct (the "Code") which addresses the ethical business standards and expectations of its directors, officers and all employees in relation to compliance with 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 the Code and the Supplier Code of Business Conduct. 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 online at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

**Safety** – CTC works diligently to assure product safety for its customers. This is achieved through proactive product quality management processes and working with suppliers to deliver products that are safe, with operating manuals that enable safe operation and use, and ensuring products and their materials are legislatively compliant and meet industry standards. When a safety issue does arise, CTC manages the incident centrally, from initial investigation through to final resolution. CTC's product safety compliance processes are an integral part of its operations.

**Responsible Sourcing** – 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. The Supplier Code addresses bribery, child labor, forced labor, discrimination, freedom of association, wages and benefits, working hours, health and safety and disciplinary actions. CTC mitigates social compliance risk through a combination of ensuring all suppliers have signed the Supplier Code as evidence of agreement and periodic assessments of suppliers' facilities, including industry standard third party audits where appropriate. CTC reviews all factory audit findings and, where circumstances warrant, works with suppliers on corrective action plans. CTC reserves the right to

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terminate its business relationship with any supplier who fails to implement corrective actions or refuses to comply with the Supplier Code. In 2014, CTC's participation as a founding member of the Alliance for Bangladesh Worker Safety contributed to achieving the significant milestone of completing structural, fire and electrical inspections of 39 factories that supply CTC and training over 50,000 Bangladeshi factory workers in fire safety. Additional information on the Alliance can be found at: [www.bangladeshworkersafety.org](http://www.bangladeshworkersafety.org). Further information regarding CTC's vendor selection process can be found under section 12.4 (Responsible sourcing practices) of CTC's MD&A for the year ended January 3, 2015.

**Environmental Sustainability** – CTC is committed to environmental sustainability with four primary imperatives — (i) optimize productivity throughout the product and operations value chain; (ii) innovate to design more sustainable processes, products and services; (iii) protect and enhance banner brands and corporate reputation; and (iv) engage employees and inspire integration of sustainable business practices into everyday business operations. The specific sustainability measures derived from CTC's business sustainability strategy are reported in relation to three key segments of the business operations: (i) product and packaging; (ii) product transportation; and (iii) business and retail operations. Within these areas, CTC reports on the implementation of process improvements and upgrades and the realized annual economic and environmental benefits they will deliver related to annual avoided cost, energy used, greenhouse gas emissions, waste and water. CTC discloses its business sustainability performance each quarter and CTC's environmental footprint is disclosed annually. CTC has established policies and practices to ensure compliance with applicable environmental legislation and works to develop and implement appropriate environmental programs across its business. CTC actively participates in over 60 provincial product environmental stewardship programs that contribute to the safe disposal and/or recycling of many products when consumers have finished using them. Please see section 12.3 Environmental Responsibility: Business sustainability) of CTC's MD&A for the year ended January 3, 2015 for additional information.

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 2015. Additional information about environmental risks can be found under section 6.4.1.3 (Retail segment business risks – Environmental risk) of CTC's MD&A for the year ended January 3, 2015.

### **3. GENERAL DEVELOPMENT OF THE BUSINESS**

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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**

In October 2014, Canadian Tire announced a new strategic plan which will focus on the following key initiatives: 1) achieving its financial aspirations; 2) making balanced capital allocation decisions; 3) driving growth in its core businesses; 4) transitioning from old-world retailing to the new digitization of retail; and 5) strengthening its brands. Further information regarding CTC's new strategic plan can be found under section 5.2.2 (Strategic imperatives and 2015 Objectives) of CTC's MD&A for the year ended January 3, 2015.

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## Canadian Tire

**Strategic Initiatives** – Canadian Tire has focused on the following 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 and Automotive growth.

*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 and allowing Canadian Tire to enter incremental markets. Over the past three years, Canadian Tire has built 8 stores, replaced 13 stores, retrofitted or expanded 162 stores and refreshed 11 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. The Smart Store format features a “racetrack” floor plan. It incorporates better signage and more logical product adjacencies and includes added features such as “price lookup” kiosks, customer assistance stations and the latest technology throughout the store. As at the end of 2014, 337 Smart stores were 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 2014, there were 22 Small Market stores.

The Canadian Tire store is the cornerstone of the business and the Company is focused on enhancing store experience through the addition of digital channels and technological solutions to best serve the evolving Canadian Tire customer. The Company has also started to develop and test the next new Canadian Tire store concept with the aim of creating an interactive shopping experience. The next new Canadian Tire store concept will focus on improving and streamlining the product and service mix, the digital and in-store experience, and integration of store and digital channels to maximize sales and return on invested capital.

*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 includes measuring and utilizing Customer Service Index feedback from customers to improve the customer experience and analyzing other available customer data provided by the loyalty program 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. In October 2014, the Company launched the digital evolution of its existing loyalty program, ‘My Canadian Tire ‘Money’, which introduces eCTM. Customers who use a My Canadian Tire Money card or mobile app at Canadian Tire receive eCTM on most purchases of goods and services. The new program offers an enhanced loyalty proposition for members while allowing the Company to gather data on individual customers and their shopping habits. 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 will continue to test and learn from the new loyalty program and will be exploring additional customer-centric opportunities now available as a result of customer-level data and new channels of communication.

*Automotive Growth* – 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 with the introduction of automotive management software, parts application and data management technology; and (iii) creating a national network of PartSource Hub Stores and super satellite stores across Canada to enhance supply of auto

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parts at the local market level and training Canadian Tire front-line automotive staff on associated new processes. 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 Canadian drivers.

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 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 2014 Canadian Tire completed the conversion of all remaining PartSource franchise stores to the corporate store model.

**Dealer Arrangements** – 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”.

**Other Key Initiatives** – Canadian Tire has also built market share in key categories within its Living, Fixing, Playing and Seasonal categories, with the result that it currently holds a leading market position in many of its categories. Strong marketing capabilities have continued to evolve Canadian Tire’s brand and product marketing activities and allowed the Company to expand those activities across marketing media.

*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 with an expanded product assortment in the “Living” category and investment in the physical layout of the Canadian Tire store to ensure that the strength of its exclusive, national and private label brands are highlighted.

Canadian Tire has continued to focus on organization solutions and expanded the presence and impact of storage and organization assortments. In 2013, Canadian Tire rolled out a new strategy for its “Living” category focusing on the “home manager” with expanded assortments, inspirational displays and improved product adjacencies. In 2014, Canadian Tire launched new private label brands FRANK and CANVAS and invested in developing existing private label brands that have shown strong consumer loyalty.

*Fixing* – Canadian Tire’s Fixing business is comprised of Tools, Home Repair & Paint. In 2014, the MAXIMUM brand was launched in Tools which features products that are built to withstand the demands of professional trades and heavy do it yourselfers. In 2014, the Company also focused efforts in the paint category towards increasing growth in seasonal categories. Canadian Tire continues to focus on home repair innovations, equipping customers to tackle everyday home improvement jobs by enhancing assortments and expanding helpful online how-to videos in hardware, plumbing, and electrical.

*Playing* – Following a successful test in 2011, Canadian Tire rolled out a hunting and fishing “store within a store” concept in key markets which are referred to as ‘ProShops’. During 2014, Canadian Tire launched 12 Fishing ProShop, 34 Hunting ProShop and 27 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. Bicycles and accessories was a key growth category in 2014 with the introduction of improved bike selector tools in-store and an expanded product assortment. 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 “Other Business Development – Significant Sponsorships”.



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*Seasonal* - Canadian Tire's Seasonal category includes Fall to Winter businesses, featuring Christmas decor and snow throwers, and Spring to Summer businesses featuring patio furniture, barbecues and grass seed. Over the last three years, one of Canadian Tire's key priorities in this category has been to build the capability to create retail innovation, address customer needs and continue to enhance customer value through the introduction of new products such as cordless chainsaws and leaf blowers.

Canadian Tire Petroleum has, over the past three years opened new gas bar sites, re-branded gas bar sites of competitors, retrofitted convenience stores and upgraded 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 2014. Over the past three years, Petroleum has opened 12 new gas bars (including 5 highway locations), rebranded 12 competitor sites, upgraded branding at 60 locations and performed major rebuilds at 17 gas bars. As at the end of 2014, 297 gas bars, 293 convenience stores and kiosks, 83 car washes, 5 vehicle lubrication facilities and 81 propane stations operated under Canadian Tire banners. 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.

*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.

In 2012, Canadian Tire successfully launched its “Canada’s Store™” campaign 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 categories complement the activities of Canadian households. In 2013, Canadian Tire launched its “Tested for life in Canada™” campaign which reinforced its commitment to rigorous testing, including testing by its customers, to bring innovative high quality products to its customers. The “Tested for life in Canada” campaign continued to expand in 2014, with many products being tested with a panel of 15,000 Canadians. There will be a continued focus on the “Tested for life in Canada” campaign through 2015 as the broader program officially launches. Consumers will be introduced to the concept of products being “tested by Canadians for Canadians” through multi-media channels including television, print and digital.

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 capabilities as an online retailer by establishing sound foundations in platforms and online retail capabilities as well as developing organizational talent to build digital interactions. This included significant upgrades and improvements to the Canadian Tire website, [www.canadiantire.ca](http://www.canadiantire.ca), and underlying foundational technology platforms which were completed in early 2014. The site is an effective launch point for targeted and mass customer outreach. Customers can customize the site to focus on their preferred Canadian Tire store and can confirm local product availability. In 2014, there were more than 222 million visits to the website and 26.8 million visits to the digital flyer where over 695 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. Canadian Tire introduced its Pay & Pickup e-commerce program nationally in January 2014 after a 4 month pilot that occurred in Q4, 2013. The program was further enhanced in November 2014 to allow customers to purchase products not carried or out of stock at their local store when distribution centre inventory was available (with some exceptions). Work is underway to further expand Canadian Tire's e-commerce capabilities throughout 2015, including the introduction of an online exclusive assortment of products not carried in store.

The strength of Canadian Tires 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.

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*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 and continuing customer experience in-store programs in 2014 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 further refinement of the product locator capability for store employees, which will continue to improve Canadian Tire’s in-stock position to its customers. To further build upon improved customer experience in its stores, Canadian Tire rolled out 750 new in-store customer facing devices which allow customers to quickly search and find products while in the store. 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 merchandise. Another productivity initiative is the use of hydrogen fuel cells to replace lead-acid batteries in mobile equipment used in our distribution centres. We are currently running a pilot for producing and storing hydrogen and fueling mobile equipment in our Brampton distribution centre. We expect this to provide productivity benefits as well as benefits related to employee health and safety and environmental sustainability.

## **FGL Sports**

FGL Sports is one of the largest sporting goods retailers in Canada, offering a comprehensive assortment of brand name and private label products through a network of corporate and franchise stores. FGL Sports’ stores are located in malls, strip malls and retail power centres. Since its acquisition in 2011, FGL Sports has continued to focus on driving sales, expanding its successful “store within a store” concept for key categories, 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 that included a plan to rationalize its retail banners under the FGL Sports umbrella, closing over 100 retail locations, to focus primarily on expansion of its Sport Chek banner stores. The growth plan included the addition of over 100 new retail stores adding approximately 1.4 million square feet of net new retail selling space, after considering rationalized banners, over a five-year time period. In 2014, FGL Sports opened two Sport Chek flagship stores, one in Edmonton, Alberta in January 2014 and a second flagship in Burnaby, British Columbia in November 2014. Flagship stores include many enhancements that provide consumers with access to world leading digital technology, an unparalleled array of leading brands and products, and a personalized shopping experience that connects consumers to the sports they are passionate about. The retail expansion will also include an aggressive “super branding” strategy to build brand affinity and customer loyalty.

*Marketing* – In November 2014, Sport Chek entered into a long-term strategic marketing partnership with Cineplex and Scotiabank, enabling SCENE™ card members to earn and redeem points for products available at all Sport Chek locations across Canada. This represents a major opportunity for Sport Chek to build a strong connection with young individuals and families.

*Sport Partnerships* – 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.

## **Mark’s**

Mark’s provides Canadians with apparel and footwear for everyday work and everyday living by focusing on a core business of developing durable, high-quality and comfortable items for casual and industrial applications. In 2014, and in the years to come, Mark’s will continue to build its brand by pursuing the following strategic initiatives: accelerating growth; expanding target customer base; and improving foundational retail capabilities.

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*Accelerating Growth* – Mark’s plans to accelerate growth by (i) renewing its commitment to industrial apparel and footwear while at the same time expanding its presence in men’s casual apparel and men’s and women’s casual footwear by continuing to introduce select national brands and exclusive licensed brands; (ii) expanding network coverage in under-developed markets; (iii) developing a new strategy for Quebec operations; and (iv) increasing store footprints where the opportunity arises. Mark’s continually identifies and optimizes underperforming stores through the implementation of improvement plans with the goal to returning them to profitability.

*Expanding Target Customer Base* – While maintaining its existing customer base, Mark’s has specifically targeted a younger segment of the Canadian population in order to drive growth. Going forward, Mark’s branding, stores, product and brand portfolio and advertising will continue to be geared to maximize Mark’s sales to this expanding group of target customers. In 2014, Mark’s continued to invest in promotional events in order to drive further growth.

*Improving Foundational Retail Capabilities* – Mark’s has continued to strive for discipline, speed, adaptability and productivity in merchandising, supply chain, store operations and technology with a goal of end-to-end retail and e-commerce infrastructure fortification. Mark’s is currently working to launch a brand new e-commerce website for Mark’s and L’Equipeur in 2015, thereby offering Mark’s customers a consistent and superior bilingual e-commerce shopping experience. Mark’s is also currently working to launch a new POS system which will enable it to capture customer data in order to better market and digitally interact with customers in the future. Mark’s is now leveraging INA’s capabilities to more effectively source its products from international vendors. In addition, the continued integration of shared services is providing Mark’s with the scale to tap into leading technological and marketing resources, further increasing productivity and reducing cost.

*Marketing* - In 2014, Mark’s successfully launched the “Ready for This” campaign, focusing on casual denim and outerwear, in order to target a larger customer demographic. Going forward, Mark’s branding, stores, product and brand portfolio and advertising will focus on a younger segment of the Canadian population as a target customer group in order to drive growth.

## **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 has acquired 22 properties, completed the development of two Canadian Tire stores, a Mark’s pad and the intensification of five Canadian Tire stores. CTC held an approximate 83.2% interest in CT REIT as at December 31, 2014. Additional Information about the business development of CT REIT can be found under section 3 (General Development of the Business) of CT REIT’s Annual Information Form for the year ended December 31, 2014.

## **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 Canadian Tire Options World MasterCard and Sport Chek MasterCard and expanded its deferred payment and equal payment programs. Financial Services also re-launched a new customer value proposition which is integrated with the CTC retail banners and the new eCTM program.

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In 2012, Canadian Tire launched a services business which includes a driving school pilot and the provision of certain home services. These services are available in select cities and provinces across Canada.

On October 1, 2014, CTC sold a 20% interest in its Financial Services business to Scotiabank. The Company has an option to sell up to an additional 29% equity interest to Scotiabank within the next 10 years at the then fair market value. Scotiabank also has an option to sell its shares in the Financial Services business back to CTC after 10 years at fair market value.

### 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 Canadian Olympic team 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 store network growth and investments in digital technology platforms. With the completion of the technology infrastructure builds for the Automotive business and Winnipeg data centre and the launch of the My Canadian Tire ‘Money’ loyalty program, the 2015 technology project agenda will be focused on further investments in the enterprise infrastructure and digital initiatives, including enhancements to the Company’s retail e-commerce platforms 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 2014, CTC had \$1.7 billion in committed bank lines of credit, of which \$1.2 billion is available under a five-year syndicated credit agreement dated June 29, 2012, as amended by the first amendment dated May 22, 2013, and the second amendment dated July 25, 2014. \$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 July 2019 and can be extended by mutual agreement for an additional 364 day period in June 2015 and each year thereafter. The \$300 million bilateral credit lines are available to CTC until late 2015 and each quarter, CTC has the ability to request that the term of each of the bilateral credit agreements be reset to 365 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. On October 1, 2014, CTC completed a strategic partnership transaction in which Scotiabank acquired a 20 per cent interest in the Company’s Financial Services business. The transaction agreement includes a credit card funding facility from Scotiabank of up to \$2.25 billion. The facility includes a \$2 billion note purchase facility and a \$250 million unsecured revolving credit facility available to CT Bank until October 2017.

**Medium Term Notes Program** – In March 2013, CTC’s public medium term notes 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. Medium term notes in the amount of \$850 million were outstanding as at the end of 2014. The Company plans to file a new shelf prospectus in 2015 with the securities regulatory authorities in each of the provinces and territories in Canada. The Company intends to file a final prospectus and, if it receives the necessary regulatory approvals, the Company will be allowed to issue medium term notes for a twenty-five month period in an aggregate amount of up to an additional \$750 million.

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*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 2014, CTB had approximately \$1.5 billion in short and long-term broker GIC deposits outstanding. Retail deposits consist of High Interest Savings Accounts, retail GICs, and Tax Free Savings deposits. As at the end of 2014, the amount of retail deposits held by CTB was in excess of approximately \$700 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 credit card receivables to Glacier Credit Card Trust® (“GCCT”). GCCT is a special purpose entity that was created to meet specific business needs of the Company, namely to buy co-ownership interests in the Company’s credit card loans. GCCT issues debt to third party investors to fund its purchases. The Company does not have any share ownership in GCCT. However, the Company has determined that it has the ability to direct the relevant activities and returns of GCCT and has control over GCCT. As such, GCCT is consolidated for accounting purposes in CTC’s financial statements.

As at January 3, 2015, the Bank had transferred an undivided co-ownership interest in credit card loans receivable to GCCT but had retained substantially all of the credit risk associated with the transferred assets. Due to its retention of substantially all of the risks and rewards on these assets, the Bank continues to recognize these assets within loans receivable, and the transfers are accounted for as secured financing transactions.

For legal purposes, the co-ownership interests in the Bank’s receivables that are owned by GCCT have been sold at law to GCCT and are not available to the creditors of the Bank.

The Bank has not identified any factors arising from current market circumstances that could lead to a need for the Bank to extend liquidity and/or credit support to GCCT over and above the existing arrangements or that could otherwise change the substance of the Bank’s relationship with GCCT. There have been no changes in the capital structure of GCCT since its consolidation.

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](http://www.sedar.com). CTB may be considered to be a “promoter” of GCCT within the meaning of the securities legislation of certain provinces of Canada.

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. In 2014, GCCT repaid in full \$251 million of asset-backed term notes that matured and issued asset-backed term notes for net proceeds of approximately \$500 million. As at the end of 2014, GCCT’s undivided co-ownership interests in the pool of receivables totaled approximately \$1.8 billion and GCCT had outstanding approximately \$1.47 billion of asset-backed term notes and approximately \$122 million of asset-backed commercial paper.

CTB will continue to assess securitization market conditions and may initiate additional sales of ownership interests to GCCT so that GCCT can structure and bring to market new issues of asset-backed securities. The type of securities and number of issues offered will depend on various factors, including market demand, availability of sufficient and appropriate pools of credit card receivables to back the securities, overall financial market conditions, the activities of competitors, and the cost of alternative financing and related services.

**Shared Services** – During the last three years the Company has continued to integrate shared services functions in an effort to centralize key support roles within the organization, including the finance, human

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resources, and technology functions. This alignment allows the Company to more effectively support the business units across the enterprise and improves business analysis and insight.

**Re-Organizations** – In January, 2013, CTFS amalgamated with one of its subsidiaries, Canadian Tire Financial Services (Delaware) Inc. On October 1, 2014, CTC completed a strategic partnership transaction in which Scotiabank acquired a 20 per cent interest in the Financial Services business. As part of that transaction, CTC reorganized its Financial Services business by transferring substantially all of its domestic insurance, identity theft and other optional products businesses to CTB from CTFS.

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 83.2% effective interest in CT REIT.

## 4. CAPITAL STRUCTURE

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### 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 74,023,208 Class A Non-Voting Shares and 3,423,366 Common Shares were issued and outstanding as at February 26, 2015. For additional information with respect to CTC's outstanding share capital, please see section 7.5 (Equity) of the MD&A and Note 28 of the notes to CTC's Financial Statements for the year ended January 3, 2015.

**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 on the election of thirteen of the sixteen directors to be elected at the annual meeting of shareholders proposed to be held on May 14, 2015 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 such holders 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 which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

**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 14, 2015. 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 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 26, 2015, 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 which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

**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 December 2013 to and including January 2015 were as follows:

	<b>Common Shares (CTC)</b>		
	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume Traded</b>
December 2013	124.40	117.00	9,306
January 2014	126.75	121.07	10,260
February 2014	130.00	120.00	12,256
March 2014	164.07	131.25	15,727
April 2014	146.00	136.00	6,136
May 2014	144.00	135.50	4,702
June 2014	147.01	142.00	4,412
July 2014	160.00	141.41	8,487

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**Common Shares (CTC)**

	High (\$)	Low (\$)	Volume Traded
August 2014	194.00	156.00	14,334
September 2014	195.00	173.00	8,386
October 2014	203.00	176.05	8,521
November 2014	255.00	198.90	11,170
December 2014	260.00	202.00	10,970
January 2015	246.00	223.00	7,266

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

	High (\$)	Low (\$)	Volume Traded
December 2013	100.36	94.11	3,786,841
January 2014	100.93	94.26	3,751,095
February 2014	100.00	93.20	3,181,982
March 2014	105.00	98.71	3,905,216
April 2014	108.44	104.04	2,749,081
May 2014	111.59	102.26	3,927,958
June 2014	106.23	100.01	3,891,414
July 2014	104.89	101.28	3,329,551
August 2014	114.22	103.30	4,159,784
September 2014	117.41	111.55	5,130,688
October 2014	126.00	113.01	5,421,711
November 2014	129.61	120.45	3,705,325
December 2014	130.36	121.17	4,964,659
January 2015	124.55	115.19	3,537,011

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**5. DIVIDENDS**

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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 remained unchanged in 2014, consistent with the November 2013 amendment to provide for dividend payments equal to approximately 25% to 30% 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
2012	\$1.25
2013	\$1.4875
2014	\$1.9625

On November 6, 2014, the Board of Directors approved an increase in the quarterly dividend per share (on each Common and Class A Non-Voting Share) from \$0.50 to \$0.525 per quarter effective commencing with the dividend to be paid on March 1, 2015.



The dividends declared in 2014 and 2015 to date are as follows:

<u>Dividend Amount</u>	<u>Declaration Date</u>	<u>Payable to Holders of Record As Of</u>	<u>Payable Date</u>
\$0.4375	February 13, 2014	April 30, 2014	June 1, 2014
\$0.50	May 8, 2014	July 31, 2014	September 1, 2014
\$0.50	August 7, 2014	October 31, 2014	December 1, 2014
\$0.525	November 6, 2014	January 31, 2015	March 1, 2015
\$0.525	February 26, 2015	April 30, 2015	June 1, 2015

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 and 2035 pursuant to a trust indenture dated March 14, 2005 which does not contain any restrictions concerning dividend declarations 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):

<u>Security</u>	<u>Rating</u>
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. Commercial paper and 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 (high) 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

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(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 notes 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**

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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 its office in the city of Montreal (Quebec), 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**

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### **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 26, 2015 are as follows:

<b>Name, Province or State and Country of Residence</b>	<b>Year First Elected/Appointed as a Director<sup>1</sup></b>	<b>Present Principal Occupation<sup>2</sup></b>
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 <sup>3</sup> 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

<b>Name, Province or State and Country of Residence</b>	<b>Year First Elected/Appointed as a Director<sup>1</sup></b>	<b>Present Principal Occupation<sup>2</sup></b>
John A. F. Furlong British Columbia, Canada	2011	Corporate Director
Ronald E. Goldsberry Michigan, U.S.A	2014	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
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 <sup>4</sup> 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	Non-Executive Deputy Chairman of the Board 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) P.B. Saunders, who prior to 2009 served as Chairman of The Body Shop International PLC; and
  - (e) S.G. Wetmore, who prior to December 1, 2014 served as Chief Executive Officer of CTC, and prior to November 7, 2013 served as Chief Executive Officer and President of CTC.
3. P. Boivin served on the board of directors of Toptent Inc. (*Toptent*) from August 2007 until November 2009. Within one year following his resignation from the board, Toptent filed a notice of intention to file a proposal with its creditors on April 30, 2010. On May 7, 2010, Toptent filed a commercial proposal under the *Bankruptcy and Insolvency Act* (Canada), which was subsequently accepted by Toptent's creditors on May 20, 2010. On August 3, 2010, Toptent was discharged from the proposal.
4. G.W. 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.

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## Committees of the Board of Directors

As at the end of 2014, 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. The present members of CTC's Audit Committee are G.W. Savage (Chairman), P. Boivin, H.G. Emerson, R.E. Goldsberry and J.L. Goodfellow. The present members of CTC's Management Resources and Compensation Committee are J.L. Goodfellow (Chairman), I.C. Aitchison, M.G. Billes, P. Boivin, J.A.F. Furlong, J. Lampe and P.B. Saunders. The present members of CTC's Governance Committee are M.J. Sabia (Chairman), M.G. Billes, J.L. Goodfellow, J. Lampe, T.R. Price and G.W. Savage. The present members of CTC's Brand and Values Committee are T.R. Price (Chairman), I.C. Aitchison, O.G. Billes, J.A.F. Furlong, R.E. Goldsberry, C. L'Heureux, G.A. Vallance and S.G. Wetmore.

### 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, Ronald E. Goldsberry 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:

<b>Member</b>	<b>Experience</b>
Graham Savage, Chairman	Mr. Savage is a corporate director and has over 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 either chairs or 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 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.
Ronald E. Goldsberry	Dr. Goldsberry is a corporate director with public and private company board and executive experience. Dr. Goldsberry is Chairman of the Board of MBI, a subsidiary of Michigan State University Foundation and serves on the board of Unum Group, a disability insurance company, where he is also a member of the Finance Committee and Chair of the Governance Committee. In these positions, Dr. Goldsberry has had the opportunity to oversee investment strategies, capital and financing plans and activities and related financial matters and associated risks.
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* of the Canadian Securities Administrators (“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 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 26, 2015 are as follows:

<b>Name, Province and Country of Residence</b>	<b>Present Principal Occupation<sup>1</sup></b>
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	Non-Executive Deputy Chairman of the Board
Michael B. Medline Ontario, Canada	President and Chief Executive Officer
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
Chad McKinnon Alberta, Canada	Chief Operating Officer, FGL Sports Ltd.
Mary L. Turner Ontario, Canada	Chief Operating Officer, Financial Services
Rick White Alberta, Canada	Chief Operating Officer, Mark’s Work Wearhouse Ltd.
Robyn A. Collver Ontario, Canada	Senior Vice-President, Secretary and General Counsel
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 Human Resources Officer
Eugene Roman Ontario, Canada	Senior Vice-President and Chief Technology Officer
John Salt Ontario, Canada	Senior Vice-President, Supply Chain

Name, Province and Country of Residence	Present Principal Occupation <sup>1</sup>
Mahes Wickramasinghe Ontario, Canada	Chief Strategy Officer

1. Each of the executive 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, a law firm;
  - (c) C. McKinnon, who from January 2010 to August 2011 served as Senior Vice-President, Corporate Operations of The Forzani Group Ltd., which was acquired by CTC in August 2011;
  - (d) R. White, who from July 2008 to August 2011 served as Chief Merchandising Officer of The Forzani Group Ltd., which was acquired by CTC in August 2011;
  - (e) E. Roman, who from 2009 to 2012 served as Chief Technology Officer of Open Text Corporation; and
  - (f) M. Wickramasinghe, who from October 2008 to November 2011 served as Chief Administrative Officer at CIBC First Caribbean International Bank and from July 2012 to September 2013 served as Senior Vice-President, Corporate Finance of Rogers Communication Inc.

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

As at February 25, 2015, all directors and executive officers of CTC as a group beneficially owned, directly or indirectly, or exercised control or direction over 2,101,151 Common Shares of CTC (representing approximately 61.4% of the issued and outstanding Common Shares of CTC) and 871,850 Class A Non-Voting Shares of CTC (representing approximately 1.2% 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 certain of CTC's executive officers have rights under CTC's compensation program. In addition, as at February 25, 2015, one executive officer of CTC serves as a member 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 25, 2015, 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 742,261 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 entities controlled by it. Three members of the Board of Directors are currently Canadian Tire 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, Non-Executive Deputy Chairman of the Board 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 28, 2013 and January 3, 2015 were \$3,325,006 and \$3,742,000, respectively. The current year fees include \$360,000 related to the audit of CT REIT and \$742,000 related to the Audit of Canadian Tire Bank.

**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

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statements and were not reported in the preceding paragraph for the financial years ended December 28, 2013 and January 3, 2015 were \$2,217,283 and \$993,000, respectively. In the current year, these services related primarily to additional audit work related to the accounting impacts of the new Dealer Contract and the Scotiabank transaction.

**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 28, 2013 and January 3, 2015 were \$413,491 and \$160,000, respectively. In the current year 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 28, 2013 and January 3, 2015 were \$236,675 and nil respectively.

## **10. LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

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CTC and certain of its subsidiaries are party to a number of legal proceedings. CTC believes that 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.

During the 2014 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**

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Additional information, including directors’ and officers’ remuneration, principal holders of CTC’s securities and securities authorized for issuance under CTC’s 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 8, 2014, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in CTC’s Consolidated Financial Statements and MD&A for the financial year ended January 3, 2015, which are also available on SEDAR at [www.sedar.com](http://www.sedar.com). Other additional information relating to CTC may also be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

## ANNEX A

### CANADIAN TIRE CORPORATION, LIMITED

### AUDIT COMMITTEE MANDATE AND CHARTER

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

1. The Board of Directors (the "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:

- financial reporting and disclosure;
- risk management; and
- compliance with applicable laws and regulations.

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

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

- (i) that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (ii) that the accounting principles, significant judgements and disclosures which underlie or are incorporated in the Corporation's financial statements are the most appropriate in the prevailing circumstances;
- (iii) that the Corporation's quarterly and annual financial statements are 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 properly record 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 adequacy and effectiveness;
- (D) management undertakes a rigorous and disciplined process that aims to ensure the integrity of the Corporation's quarterly and annual financial statements;



- (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 Legal Risk Management Board Policy and Disclosure Corporate Operating Directive are complied with by management and the Board.

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

Risk management is another significant aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's risk management activities (the "Risk Management Reporting Objective") is to gain reasonable assurance that the strategic, financial and operational risks of the Corporation's business (the "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 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 (the "Principal Risks") are regularly assessed and monitored;
- (iii) a formalized, disciplined and integrated enterprise risk management program supported by underlying processes (the "ERM Program") is developed and employed to appropriately identify, assess, monitor, manage and respond to Risks; and
- (iv) the ERM Policy and ERM Program are reviewed and, to the extent required, updated annually.

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

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

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

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

**(d) Activities of the Committee**

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

**2. Composition of Committee**

- (a) The Committee shall be comprised of at least five directors, 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. 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) One of the Committee members shall be designated by the Governance Committee as the Committee Chairman.
- (d) Committee members shall be appointed annually by the Governance Committee and from time to time thereafter to fill vacancies on the Committee. A Committee member may be removed or replaced at any time in the discretion of the Governance 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 Reporting 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; and
- 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 practices.

(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 Enterprise Risk Management as often as it deems necessary, but in any event, no less than twice per year.

(9) Reporting to the Board

The deliberations, decisions and recommendations of the Committee, shall be reported to the Board at the Board's next regular meeting.

(10) Committee Self -Assessment

(a) On a biennial basis, the Committee shall conduct a review and 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.

(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 of Audit Firms

- (a) The Committee shall 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 or is expected to exceed \$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.
- (b) The Chairman of the Committee approve all engagements for accounting and tax advice proposed to be provided by an audit firm other than the external auditors before work under such engagements is commenced, provided however, if the services under any such engagements exceed or are expected to exceed \$100,000 in fees, or the engagement is of a sensitive or unusual nature, the Chairman shall consult with the Committee before approving the engagement. The Chairman has the responsibility to inform the Committee of all pre-approved engagements at its next meeting.

(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 and recommend changes to the Governance Committee for its approval.

**B. Operating Procedures**

- (1) The Committee shall meet at least four times annually and as many additional times as required to carry out its duties effectively. Committee meetings shall be held at the call of the Committee Chairman, upon the request of two Committee members 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) 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 his or her designate) or Assistant Secretary of the Corporation shall act as secretary of the meetings of the Committee and minutes shall be kept for each Committee meeting.
- (5) In the absence of the Committee Chairman, the Committee members shall appoint an acting Chairman.
- (6) A copy of the minutes of each meeting of the Committee shall be provided to each director.

**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 present 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) receive from the external auditors reports on their review of the annual and quarterly financial statements;
- (3) receive from management a copy of the representation letter provided to the external auditors and any additional representations required by the Committee;

- (4) review and if appropriate, approve all public disclosure documents containing material audited or unaudited financial information, except those referred to in paragraph (5) 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;
- (5) review and, if appropriate, recommend approval to the Board of prospectuses, take-over bid circulars, issuer bid circulars and directors' circulars;
- (6) 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; and
- (7) 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.

#### 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; and
- (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

##### *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) annually, reviewing and recommending to the Board for approval the ERM Policy (and Risk Appetite Statement) setting out the key principles (risk philosophy) and risk appetite of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring, managing and responding to Risks;
- (2) annually, reviewing and recommending to the Board for approval the Principal Risks of the Corporation;
- (3) reviewing and approving the approach used to appropriately identify, assess, monitor, manage and respond to Risks;
- (4) conducting an annual review of the ERM Program and considering and approving any changes thereto;
- (5) as required, reviewing and approving policies regarding the management of the Corporation's Principal Risks;
- (6) quarterly obtaining from management a report addressing the Corporation's exposure to each Principal Risk;
- (7) obtaining from management an annual report on compliance with the ERM Policy and ERM Program, as well as any other policies of the Corporation that address the management of Risks;
- (8) obtaining from internal audit (consistent with its planned coverage) reports regarding management's implementation and maintenance of an effective ERM Program and the management of the Corporation's Principal Risks; and

- (9) reviewing the adequacy of insurance coverages maintained by the Corporation.

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 adequately designed and effective in operation 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 Auditor and the external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective; and
- (3) receive regular reports from management, the Internal Auditor, 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; and
- (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., the Internal Auditor and the 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; and
  - (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) 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:
- (a) conflicts of interest, including transactions and agreements in respect of which a director or member of management has a material interest;
  - (b) protection and proper use and exploitation of the Corporation's assets and opportunities;
  - (c) confidentiality of private information relating to the business and affairs of the Corporation;
  - (d) fair and ethical dealing with the Corporation's security holders, customers, suppliers, competitors and employees;
  - (e) compliance with applicable laws, rules and regulations; and
  - (f) reporting of any illegal or unethical behavior or other breaches of the Code of Business Conduct;

- (5) 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;
- (6) 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;
- (7) 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.

#### Compliance with Policies

- (1) review regular reports from management and others (e.g., the Internal Auditor) with respect to the Corporation's compliance with all Board level policies that manage financial risk, and any corporate operating directives issues under such policies, that have been approved by the Board from time to time including the Board level policies set out in Appendix A to this mandate and charter; and
- (2) review proposed changes to all Board level policies that manage financial risk from time to time.

#### 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) augment the annual performance assessment of the external auditors by performing a comprehensive review of such auditors every five years or more frequently as required, resulting in a recommendation to either retain or replace the external auditors;
- (5) 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;
- (6) 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;
- (7) as required, 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 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 Internal Auditor with respect to those controls that mitigate strategic, financial and operational risks, 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; and
- (6) in consultation with the Chairman of the Committee, review and approve any adjustments to the annual compensation payable to the Internal Auditor.

Other Responsibilities

- (1) prior to the declarations of any dividends, gain reasonable assurance that there are not reasonable grounds for believing that the Corporation is or, after the payment of the dividends, would be unable to pay its liabilities as they become due, and that the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and its stated capital of all classes, and confirm to the Board that it has gained such assurance before such dividends are declared;
- (2) gain reasonable assurance that the Corporation is able to repurchase, redeem or otherwise acquire or distribute securities and confirm to the Board that it has gained such assurance before such repurchase, redemption, acquisition or distribution is completed;
- (3) periodically review the form, content and level of detail of financial reports to the Board;
- (4) 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;
- (5) 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;
- (6) review in advance the appointment of the Corporation's Chief Financial Officer, the Chief Financial Officer's direct reports and the Treasurer of the Corporation;
- (7) investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
- (8) 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;
- (9) 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;
- (10) (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;



- (11) perform such other responsibilities and duties that are delegated by the Board to the Committee pursuant to the “Delegation of Board Duties to Committees”.

Accountability

- (1) review and assess this Mandate and Charter at least once every three years 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 Committee and the Board at their next regular meetings;
- (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; and
- (3) review and approve annually a report of the Committee's activities for inclusion in the Corporation's management information circular.

**APPENDIX A**  
**Board Level Policies**

Leverage and Liquidity Risk Management Board Policy  
Interest Rate Risk Management Board Policy  
Foreign Exchange Risk Management Board Policy  
Equity Risk Management Board Policy  
Board Approved Limits on Guarantees of Canadian Tire Associate Dealers  
Legal Risk Management Board Policy  
Financial Reporting Board Policy  
Enterprise Risk Management Board Policy  
Business Continuity Board Policy  
Ethical Business Conduct Board Policy