CANADIAN TIRE CORPORATION, LIMITED

2017 Annual Information Form

February 14, 2018

ANNUAL INFORMATION FORM

CANADIAN TIRE CORPORATION, LIMITED

TABLE OF CONTENTS

ANNUAL INFORMATION FORM

CANADIAN TIRE CORPORATION, LIMITED

In this document, the terms “Company” and “CTC” 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 refers to the businesses operated under CTC’s retail banners, which include Canadian Tire, FGL and Mark’s.

The CT REIT segment refers to the business carried on by CT Real Estate Investment Trust (“CT REIT” or the “REIT”) and its subsidiaries, including CT REIT Limited Partnership (“CT REIT LP”).

The Financial Services segment 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 Ltd. (“CTFS Bermuda”).

“Canadian Tire” refers to the general merchandise retail and services businesses carried on under the Canadian Tire name and trademarks, the business carried on under the PartSource name and trademarks and the retail petroleum business carried on by Petroleum under the Canadian Tire and Gas+ names 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+ names and trademarks.

“FGL” refers to the retail business carried on by FGL Sports Ltd. and its subsidiaries, and “FGL stores” includes stores operated under the Sport Chek, Sports Experts, Atmosphere, Hockey Experts, National Sports, Pro Hockey Life and Sports Rousseau/L’Entrepôt du Hockey names and trademarks.

“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’Équipeur names and trademarks.

“PartSource stores” refers to stores operated under the PartSource name and trademarks.

“Petroleum” refers to the retail petroleum business carried on 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.

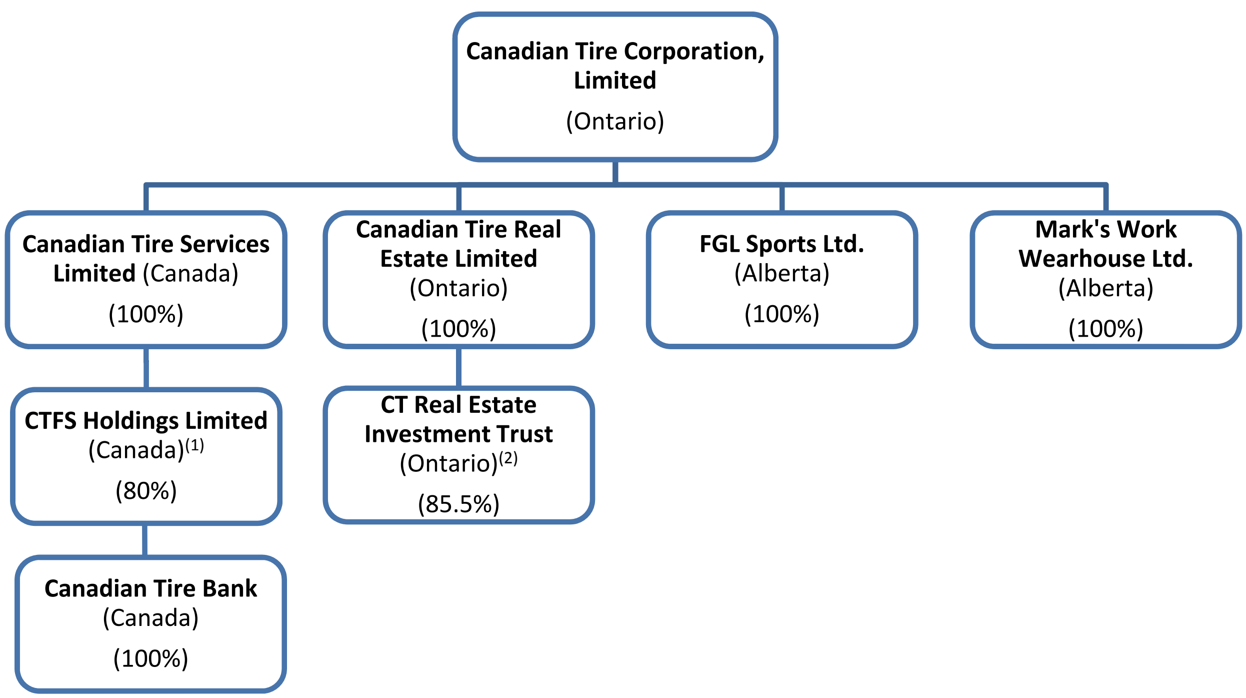
Unless otherwise specified herein, the information in this Annual Information Form is presented as at December 30, 2017 (the last day of CTC’s most recently completed financial year) and all dollar amounts are expressed in Canadian dollars.

This Annual Information Form contains statements that are forward-looking and may constitute “forward-looking information” within the meaning of applicable securities legislation. Actual results or events may differ from those forecast and from statements regarding the Company’s plans or aspirations made in this Annual Information Form because of the risks and uncertainties associated with the Company’s business and the general economic environment. The Company cannot provide any assurance that any forecast financial or operational performance, plans or financial aspirations will actually be achieved or, if achieved, will result in an increase in the price of the Company's shares. See section 12 entitled "Forward Looking Information" for a more detailed discussion of the Company's use of forward-looking statements.

1. CORPORATE STRUCTURE

Canadian Tire Corporation, Limited was incorporated under the laws 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 principal, registered and head 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. Set out below are the principal legal entities through which CTC conducts its businesses, their applicable governing corporate jurisdictions and the percentage of their voting securities which are beneficially owned, or controlled or directed, directly or indirectly by CTC:



NOTES:

1. The 20% interest in CTFS Holdings Limited not owned by the Company is held by The Bank of Nova Scotia ("Scotiabank").

2. CT REIT is an unincorporated closed-end real estate investment trust established on July 15, 2013 pursuant to a Declaration of Trust as amended and restated as at October 22, 2013 under, and governed by, the laws of Ontario ("Declaration of Trust"). CTC holds its interest in CT REIT through its ownership of 59,711,094 Units of CT REIT and all of the Class B limited partnership units of CT REIT LP, which are economically equivalent to and exchangeable for Units of CT REIT.

2. DESCRIPTION OF THE BUSINESS

CTC has been in business for over 95 years. The Company operates through three reportable segments – the Retail segment, the Financial Services segment and the CT REIT segment. The Retail segment is comprised of a portfolio of the leading retail banners in Canada, including Canadian Tire, Sport Chek, Sports Experts, National Sports, Pro Hockey Life, Atmosphere, Mark's, PartSource and Gas+, through which a wide range of products and services are offered directly to the public. The Retail segment also includes the Consumer Brands division which supports the retail banners in the development and acquisition of unique and exclusive brands and products. CTC's retail business is also supported and strengthened by its integration with the Financial Services business, which markets financial and other ancillary products and services, including credit cards, in-store financing, insurance products, product warranties and retail and broker deposits. CT REIT's primary business is owning, developing and leasing income-producing real estate properties across Canada. CT REIT's geographically-diversified portfolio of properties is comprised of stand-alone properties, primarily occupied by Canadian Tire stores, multi-tenant properties, primarily anchored by a Canadian Tire store and/or stores operating under other CTC retail banners, as well as distribution centres, a mixed-use commercial property and properties acquired for development.

2.1 Retail Segment

Guided by CTC's vision to become the number one undisputed retail brand in Canada, the Retail segment business is focused on preparing customers for the "Jobs and Joys of Life in Canada" through personalized connections and unique, convenient shopping experiences across all banners. Best practices and management tools are shared across the retail banners, including with respect to consumer promotions, product design, digital and electronic Commerce ("eCommerce") tools, planning and analytics functions, and technology, enabling the Company to operate more efficiently and effectively in meeting the needs of its customers.

Canadian Tire

Canadian Tire is one of Canada's most recognized 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 3,200 retail square feet to approximately 134,000 retail square feet and, as at the end of 2017, totalled approximately 21.7 million retail square feet across all 501 stores. The number of Canadian Tire stores located in each of the provinces and territories in Canada is as follows:

Province or Territory*	Number of Canadian Tire stores
British Columbia	53
Alberta	56
Saskatchewan	16
Manitoba	15
Ontario	203
Quebec	100
New Brunswick	19
Nova Scotia	22
Prince Edward Island	2
Newfoundland and Labrador	13
Yukon	1
Northwest Territories	1
Total	**501**

* There are no Canadian Tire stores in Nunavut.

Canadian Tire stores offer consumers a wide range of products from an assortment which includes over 150,000 stock keeping units ("SKUs") in the Automotive, Living, Fixing, Playing, and Seasonal & Gardening divisions. The majority of Canadian Tire stores also provide a variety of automotive services, ranging from oil changes and tire installations to brake and engine repairs. In addition to the products and automotive services offered in store, Canadian Tire also transacts with consumers online, selling goods at www.canadiantire.ca and through its mobile application. Canadian Tire currently operates a click-and-collect eCommerce model which allows customers to make purchases online and collect their products at a designated pick-up section within a Canadian Tire store of their choice. Canadian Tire is expanding its online and digital capabilities and has recently started to roll out a deliver-to-home service in ten Ottawa region stores. Ultimately, Canadian Tire seeks to enable customers to shop where they want and how they want and is continuing to make progress toward that goal.

Canadian Tire's 501 stores are operated by independent third parties, known as Associate Dealers ("Dealers"). Each Dealer owns the fixtures, equipment and inventory of the store they operate, employs the store staff and is responsible for the store's operating expenses. 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. 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 best efforts to manage his or her Canadian Tire store at its maximum capacity and efficiency. Individual Dealer contracts are all in a standard form, each of which generally expires on December 31, 2024. Each Dealer agrees to comply with the policies, marketing plans and operating standards prescribed by Canadian Tire, which among other things, includes purchasing merchandise primarily from Canadian Tire and offering merchandise for sale to consumers at prices not exceeding those set by Canadian Tire.

In return for operating the Canadian Tire stores, Canadian Tire performs a variety of functions to support the Dealers, including category business management, marketing and distribution of products. One of the core functions of Canadian Tire is to curate an assortment of products that serve the "Jobs and Joys of Life in Canada". The curation process is governed by a comprehensive framework which guides assortment decisions from product and brand selection to purchasing, pricing, marketing and distribution. Canadian Tire also supports Dealers with administrative, financial and information technology services, as well as store and operational support. Examples of the store and operational support include programs to improve the in-store customer experience, retail concept implementation, monitoring of operational and financial performance, managing Dealer mobility and changeover, and developing and executing on the Dealer performance audit process. Canadian Tire also provides Dealers with access to a program offering financing they require for their store operations through Franchise Trust. Franchise Trust is a third party bank sponsored special purpose entity that originates and services loans to qualified Dealers for their purchases of inventory and fixed assets.

Canadian Tire Category Business Management – Canadian Tire is responsible for the category business management and procurement of more than 150,000 products which are housed under 192 product categories. Canadian Tire employs category management teams (internally known as merchants) who build compelling, seasonally relevant assortments through category reviews and also continuously refine the product selection and introduce new, innovative and often exclusive product assortments. Once product selections are finalized, the category management teams determine the optimal sales and distribution channel, forecast Dealer and consumer demand and execute the purchasing and ordering of products which ultimately make their way onto the shelves and to consumers. The teams also use in-season management tools to proactively manage and adapt to any changes from their original demand forecast and assumptions. This comprehensive process enables the merchants to actively manage the business during each season.

Canadian Tire Marketing – Canadian Tire is engaged in a broad range of marketing activities, which include advertising and promotional programs, a customer loyalty program, and various ancillary marketing support services. Canadian Tire builds customer awareness and traffic at Canadian Tire stores and online through a weekly flyer, periodic issuance of product guides and catalogues, radio, television, digital media and social media advertising, as well as through loyalty events and sports sponsorships.

The weekly flyer is one of Canadian Tire's most significant sales drivers and one of Canada's most read flyers, with delivery to approximately 12 million households each week. In 2016, Canadian Tire also launched a new paper and digital catalogue known as the WOW Guide. Canadian Tire has taken the digital integration of the WOW Guide to the next level by creating an integrated and seamless site for digital browsing. The digital component of the WOW Guide continued to play an integral role during 2017 as a way to connect with customers. To this extent, enhancements continued to be made in the digital environment in an effort to further increase customer engagement and to drive Canadian Tire's marketing strategy.

The Company's loyalty program, known as My Canadian Tire Money Program, is an important marketing tool for engaging with customers. It was first introduced in 1958 to enhance customer affinity for Canadian Tire stores and Canadian Tire gas bars by rewarding customers with Canadian Tire Money ("CT Money") on their purchases in the form of paper bills. In 2014, the Company completed the national rollout of its new loyalty program, My Canadian Tire Money Program, which introduced electronic CT Money as an alternative to traditional paper bills. My Canadian Tire Money Program has over 10 million members and remains one of Canada's most well-known loyalty programs. It provides valuable customer insights to better understand consumers' shopping habits and build retail strategies, assortments and marketing programs which create lasting customer relationships.

Throughout 2017, the Company spent considerable effort examining the elements of its existing loyalty program with a view to enhancing its value proposition, customer awareness and cross-banner integration. In late 2017, the Company extended its loyalty program by awarding CT Money for in-store purchases made at Mark's and certain FGL banners, at the same rate as Canadian Tire. There are further plans in place to enhance CTC's loyalty program in 2018 that will offer customers a more personalized and rewarding experience through both brick and mortar and digital channels.

Canadian Tire Distribution – Once assortment decisions are finalized by the merchants, and Dealers have placed their orders, Canadian Tire's supply chain function is responsible for managing the flow of products between suppliers, its supply chain partners and Canadian Tire stores across Canada. The supply chain function uses a number of distribution channels, facilities and modes of transportation including common carriers and railway transit and is involved in most aspects of product replenishment and product information flow at Canadian Tire and PartSource. Most Canadian Tire products are distributed to stores from five distribution centres across Canada. The Bolton distribution centre in Caledon, Ontario and two distribution centres in Brampton, Ontario (the A.J. Billes distribution centre and the Brampton distribution centre) are operated by the Company and are staffed primarily by Company employees, while the distribution centres in Calgary, Alberta and Montreal, Quebec are operated for the Company by a third-party logistics service supplier. In recent years, the distribution centres have focused on implementing new technologies aimed at driving efficiencies and improving operational flexibility.

The Bolton distribution centre, which commenced operations in July 2017, was developed to replace the Brampton distribution centre. The Bolton distribution centre employs the most advanced flexible automation of any of the distribution centres. Fulfillment of tire orders for stores and individual customers is effected using gantry mounted robots, which reduces labour costs and improves health and safety for employees. Fixed conveyance and storage automation used in the Brampton facility has now been replaced with flexible automated-guided vehicles ("AGVs") at the Bolton distribution centre, making it one of the largest fleets of AGVs in any retail distribution centre in the world. The Company plans to fully decommission the Brampton distribution centre in 2018.

Canadian Tire also operates three dedicated automotive parts depots which provide overnight parts delivery to Canadian Tire stores and PartSource stores.

New Canadian Tire Products – During 2017, Canadian Tire continued to focus on investing in and expanding its owned brands portfolio across multiple categories in the Living, Fixing, Automotive and Seasonal & Gardening divisions.

Substantial emphasis was placed on expanding the Kitchen and Outdoor Cooking categories with the expansion of the Master Chef assortment, as well as through the acquisition of the Paderno brand in

Canada, a premium maker of high quality cookware products. All Paderno cookware items introduced in the fall of 2017 earned the coveted Tested for Life in Canada badge under the Company's Tested for Life in Canada program. For additional information on the Tested for Life in Canada program, see section 3.1 entitled "Retail Business Developments – Canadian Tire".

Also, by utilizing the Tested for Life in Canada program, the MAXIMUM brand continued to introduce new products in the Tools category during 2017.

In the Christmas category, a new, premium line of outdoor lights, the Constant-Lit lights, was launched under the NOMA Advanced label. These lights, which have been tested to survive Canadian winter conditions, remain lit even when a bulb string burns out, and come with an industry leading 10-year warranty. New product launches under the Canvas brand in the home decor, floor and window decor categories reinforced the brand's promise of "style worth noticing".

MOTOMASTER, Canadian Tire's largest owned brand, launched the Winter's Edge winter tire which was engineered by testers through the Tested for Life in Canada program. This new tire can handle a wide range of cold-weather conditions, maximizing traction on snow and ice.

At the end of 2017, over 30% of retail sales at Canadian Tire stores were marketed under brand names owned, controlled or licensed by Canadian Tire. For more information on the Company's owned brand business, see section 3.1 entitled "Retail Business Developments – Canadian Tire – Strategic Initiatives – Products and Brands".

Canadian Tire Competitive Conditions – Canadian Tire competes against global, national and regional retailers in all markets across Canada. There is no single retailer (traditional brick and mortar or online) that competes directly with all the product and service categories offered at Canadian Tire stores, although many competitors are in one or more of the product categories in which Canadian Tire stores operate. These competitors, a number of which are internationally-based retailers, include department stores, discount and warehouse stores, specialty marketers and pure online retailers of automotive products and services, hardware, housewares, sporting goods, building supplies, home improvement products and solutions, and seasonal products. Canadian Tire stores hold strong market share positions in many of the product lines within its Automotive, Living, Fixing, Playing and Seasonal & Gardening divisions, with particular strength in automotive parts, hardware, kitchen and certain seasonal and sporting goods assortments. On a geographic basis, the market share of Canadian Tire is strongest in central and eastern Canada but Canadian Tire also maintains a significant presence in the western provinces. Additional information on the competitive position of the Retail segment is provided in section 2.2 entitled "Competitive Landscape" of CTC's Management's Discussion and Analysis ("MD&A") for the year ended December 30, 2017.

Canadian Tire Innovation and Technology – Canadian Tire's technology systems are a complex set of integrated systems which process orders, monitor inventory levels and enable the distribution and transportation of goods from global vendors into and through the Canadian Tire store network. While ensuring these systems continue to enable viable business operations is paramount, Canadian Tire is strategically focused on developing and implementing technological capabilities that will drive the omni-retail experience for its customers.

CTC's innovation lab and digital garage, located in Kitchener-Waterloo Ontario, supports the Company's digital development capabilities with special emphasis on product innovation. CTC's data centres located in Winnipeg, Manitoba and Brampton, Ontario serve as the primary data centres for all CTC banners. Both centres offer world class, high-speed network and computing availability to service our businesses 24/7. Canadian Tire continues to make progress in the design and implementation of powerful analytical capabilities that assist its buying and logistics functions. Business processes continue to be examined and redefined to make effective use of the flow of information (big data) provided from Canadian Tire stores.

New digital technologies have been developed and implemented to enhance Canadian Tire's eCommerce platforms and in-store experiences. Canadian Tire continued to strengthen its eCommerce capabilities in 2017 with the launch of a new search engine, which represents a major shift into ambient intelligence and machine learning. The enhanced search capabilities improve the customer experience and mobile conversion through increased search efficiency and effectiveness. Also, significant progress was made on the underlying digital engines in 2017 that will greatly improve both speed and the deployment of new capabilities as well as the resiliency of Canadian Tire's technology systems.

PartSource – PartSource is a chain of specialty stores that offer brand name automotive parts targeted to medium to heavy "do-it-yourselfers", automotive enthusiasts and commercial installers. PartSource is managed as part of Canadian Tire's Automotive division and there are 90 PartSource stores, all of which are operated by Canadian Tire. PartSource stores typically comprise over 7,200 square feet and offer a broad selection of brand name auto parts and accessories, with access to tens of thousands of products, generally available on a same-day basis. PartSource also supplies auto parts to Canadian Tire stores and satellite locations in small to mid-sized markets through its "hub" format stores, known as PartSource 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, online retailers and automotive dealerships. PartSource provides a friendly and helpful retail experience and a unique commercial value proposition in the markets it competes.

Petroleum – Petroleum is one of Canada's largest independent retailers of gasoline with 298 retail gas bars including 20 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 generally owned or leased by CTC and all of the gas bars are operated under the Canadian Tire and Gas+ names and trademarks by independent retailers pursuant to agreements governing the sale of petroleum products.

Petroleum currently sources its fuel from three primary suppliers at competitive prices. Like other independent 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 fuel.

Petroleum competes with other gas bars, convenience stores and car washes. Petroleum sells approximately 1.6 times more gasoline per site than the Canadian industry average, which CTC attributes to the attractiveness of the My Canadian Tire Money Program, the success of Petroleum's cross-merchandising programs with Canadian Tire stores, its partnership with the Financial Services segment in connection with the Gas Advantage MasterCard and the quality of Petroleum's customer service.

Real Estate – Except in limited circumstances, the premises on which Canadian Tire stores, PartSource stores and Petroleum gas bars are located are either owned by CTC, including through Canadian Tire Real Estate Limited ("CTREL"), or leased to CTREL indirectly by CT REIT or third party landlords. Of the 501 Canadian Tire retail stores, 58 are owned by the Company, 304 are leased from CT REIT and 139 are leased from third parties. Additional information about CT REIT is provided in sections 2.2 and 3.2 entitled "CT REIT Segment" and "CT REIT Business Development", respectively, and additional information about the Company's real estate expertise is provided in section 3.0 entitled "Core Capabilities – Real Estate Expertise" of CTC's MD&A for the year ended December 30, 2017.

FGL

FGL is a leading national retailer of sporting goods and active wear in Canada, offering a comprehensive assortment of national and owned brand products through a network of corporately owned and franchise retail banners. The products sold at FGL stores are primarily national brands, although approximately 7% of retail sales at FGL stores are marketed under brand names owned, controlled or licensed by FGL. FGL operates a combination of big box general sporting goods stores, with several specialty small box banners, in both corporate and franchise enviroments. FGL's primary retail banners are Sport Chek, Sports Experts, National Sports, Atmosphere and Pro Hockey Life. All of these banners are supported by eCommerce sites, located at www.sportchek.ca, www.sportsexperts.ca, www.prohockeylife.com, www.atmosphere.ca and www.nationalsports.com. These websites have been designed to provide a customized and inspiring shopping experience in addition to providing up-to-date product information, benefits, pricing and customer reviews. FGL stores are primarily leased from third parties.

FGL Corporate Store Operations – FGL's corporate-owned retail stores operate under four banners: Sport Chek, Atmosphere, National Sports and Pro Hockey Life. Sport Chek is a specialty retailer of sports equipment and athletic, leisure and recreational footwear and apparel, offering an assortment of national, owned, and licensed brand products. Sport Chek's apparel merchandising standards and marketing strategies target customers between the ages of 18 and 45 as well as sport enthusiasts. Certain Sport Chek stores also include Nevada Bob's Golf, Hockey Experts, soccer and basketball "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 owned brand apparel. National Sports is an Ontario-based sporting goods retail chain focusing on footwear, sports equipment and apparel with a strong position in the hockey, licensed apparel and team sports categories. Pro Hockey Life is a specialty retailer that sells high-end hockey assortments, largely in "big box" retail formats located in urban centres across five provinces.

As at the end of 2017, the number of FGL stores operating under a corporate-owned retail banner in each province was as follows:

	Corporate-Owned Retail Banners			
Province*	Sport Chek	Atmosphere	Pro Hockey Life	National Sports
British Columbia	33	10	1	-
Alberta	34	9	4	-
Saskatchewan	11	2	-	-
Manitoba	8	1	1	-
Ontario	86	4	9	18
New Brunswick	5	-	-	-
Nova Scotia	10	-	1	-
Prince Edward Island	2	-	-	-
Newfoundland and Labrador	5	-	-	-
Total	194	26	16	18

*There are no FGL corporate store operations in Quebec or the territories.

FGL Franchise Operations – FGL also acts as a franchisor, administering five retail franchise banners within its franchise division: Sports Experts, Intersport, Atmosphere, Hockey Experts and Sports Rousseau/L'Entrepôt du Hockey. Sports Experts is the largest sporting goods retailer in Quebec, offering a broad assortment of national brand and owned brand products, including equipment, apparel and footwear. Intersport offers a smaller scale assortment of national brand and owned brand products offering more depth in certain categories that tailor to local market needs. Atmosphere, which operates as a corporate-owned banner in other provinces, is a franchise operation in Quebec. Hockey Experts specializes in hockey equipment, apparel and related merchandise and accessories. Sports Rousseau/L'Entrepôt du Hockey operates stores offering high-end hockey assortments exclusively in Quebec.

As at the end of 2017, the number of FGL stores operating under a franchise retail banner in each province and territory was as follows:

	Franchise Retail Banners				
Province or Territory*	Sports Experts	Intersport	Atmosphere	Hockey Experts	Sports Rousseau/ L'Entrepôt du Hockey
British Columbia	2		-	-	-
Alberta	2	5	-	-	-
Ontario	1		-	-	-
Quebec	91		42	14	10
New Brunswick	4		-	-	-
Newfoundland and Labrador	1		-	-	-
Yukon	1	-	-	-	-
Total	102	5	42	14	10

*There are no franchise locations in Saskatchewan, Manitoba, Nova Scotia, Prince Edward Island, Northwest Territories or Nunavut.

In addition to the franchisee operated stores, there are an additional 22 third party operated stores selling merchandise under S3, Tech Shop, Nevada Bob's Golf, Econosports and Coast Mountain Sports banners that have "buying member" status only and do not participate in all of the other programs offered to franchisees of FGL. The buying member agreement typically allows a buying member to purchase products required for the operation of its business, subject to availability, in accordance with policies established by FGL. Buying members typically undertake their own merchandising, purchasing, advertising, transportation and general administration.

FGL Marketing – FGL is engaged in a broad range of marketing activities which include advertising and promotional programs, and market research with a strong focus on its core banners, Sport Chek and Sports Experts. FGL builds customer awareness and traffic to its stores by distributing digital flyers, advertising through television, digital media, social media, newspaper, magazine and in-store channels, as well as through community events and sports sponsorships. In collaboration with its vendors, media partners and sport organizations, FGL is able to source and distribute marketing content that supports its brand goals. Ongoing customer research and consumer data analytics allow FGL to deliver customized marketing communications to its targeted consumers.

FGL Distribution – The majority of FGL's warehousing and distribution operations for franchise stores as well as its corporate stores operating under the National Sports, Sport Chek and Atmosphere banners are located in Mississauga, Ontario. FGL operates a second leased facility in Brampton, Ontario. This facility is also used for the storage of overflow product from the Mississauga distribution centre. FGL uses an additional CTC leased and operated facility in Brampton, Ontario, to distribute eCommerce orders for National Sports and Pro Hockey Life. FGL and Mark's also lease a shared distribution centre in Calgary, Alberta which warehouses and distributes select SKUs to Sport Chek and Atmosphere stores in Western Canada. FGL engages third party logistics providers strategically across the country to store and distribute large items such as bikes and kayaks. The transportation of goods from suppliers to the distribution centres and FGL stores is managed by the supply chain through dedicated fleets and third party LTL (less than truckload) and FTL (full truckload) providers.

New FGL Products – During 2017, FGL increased its focus on building a larger assortment of owned brand products. To this extent, FGL leveraged the WOODS brand sold by Canadian Tire to introduce a new product line of premium outerwear and jackets, which FGL began selling at 19 Sport Chek locations in the last quarter of 2017. In 2017, FGL also launched the new Gravity kid's jeans brand in a fraction of product development time, largely as a result of the access to Mark's product development facilities and expertise. Along with its focus on owned brands, FGL maintains excellent relationships with national brands and continued to leverage its own reputation to introduce new and exclusive products from brands such as Apple, Onzie and Lorna Jane.

FGL 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 competes directly or indirectly with independent specialty shops, mass merchants, and vendor-direct online and outlet store sales channels. FGL believes that the broad geographic coverage provided by its corporate and franchise stores in Canada, the merchandise and brands it offers, the compelling in-store experience, and its strategic sports partnerships and sponsorships distinguish it from its competitors. Within its stores, FGL offers an extensive range of sporting goods and active apparel at various price points in order to appeal to a range of sporting goods consumers. FGL's 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 has also developed flagship stores, which include many enhancements that provide consumers with access to innovative digital technologies, an array of leading brands and products and a personalized shopping experience that connects consumers to the sports they are passionate about. FGL strives to employ active individuals who are passionate sports enthusiasts and who become ambassadors for the brand and connect with customers through a shared passion for sports and activity. Additional information on the competitive position of the Retail segment is provided in section 2.2 entitled "Competitive Landscape" of CTC's MD&A for the year ended December 30, 2017.

FGL Technology – The Company's enterprise information technology group provides support for FGL's existing technology department and enabling new technology that supports business strategies. FGL leverages internal technology capabilities and practices shared with Canadian Tire and Mark's across common technology platforms. FGL maintains technology systems production facilities for corporate stores at its office in Calgary and CTC's offices in Toronto. FGL also maintains a secondary non-production systems facility in Brampton, Ontario. FGL maintains warehouse management systems in its Mississauga and Calgary distribution centres that fully automate the process of distributing product to its corporate retail stores.

FGL continues to invest heavily in digital technologies and initiatives, including its websites, eCommerce platforms and in-store experiences, in support of its business strategies. In 2017, FGL's eCommerce capabilities were enhanced by the implementation of a Distributed Order Management system, enabling real-time inventory tracking and eCommerce fulfillment from either DC or store, which allows for deeper and broader assortment, faster delivery and improved customer experience.

Mark's

Mark's is one of Canada's largest specialty apparel retailers committed to outfitting Canadians and giving them the confidence to look and feel their best for life in Canada. Mark's offers men's and women's industrial and casual apparel, footwear and accessories through its owned brands and national brand assortments. Mark's is a Canadian market leader in industrial apparel and has significant market share in men's casual apparel and denim. Mark's core differentiator is its owned brand program which focuses on quality, durability and functionality (e.g., Dakota, Ripzone, FarWest, WindRiver), and is complemented by nationally recognized brands (e.g., Silver, Buffalo, Levi's, Merrell, Timberland, Columbia, Skechers, Kodiak) and exclusive licensed brands (e.g., Helly Hansen, Alfred Sung). The products sold at Mark's stores are primarily marketed under brand names, owned, controlled or licensed by Mark's and account for approximately 70% of retail sales at Mark's stores. Mark's operates under the banners "Mark's" and "Mark's Work Wearhouse", as well as "L'Équipeur" in Quebec, and offers online retailing through its websites at www.marks.com and, in Quebec, www.lequiper.com. Mark's also conducts a business-to-business operation under the name "Mark's Commercial", selling a variety of its assortment to small and large businesses with a focus on industrial employee needs. Mark's eCommerce websites have become a significant source of product information for consumers, providing up-to-date product features, benefits, pricing and customer reviews and is a major traffic driver to our stores.

Mark's operates 354 corporate-owned stores across Canada. Mark's stores are primarily leased from third parties. As at the end of 2017, the number of stores operating under each Mark's retail banner in each province or territory was as follows:

Province or Territory*	Retail Banners Mark's	Mark's Work Wearhouse	L'Équipeur
British Columbia	46	2	-
Alberta	63	-	-
Saskatchewan	14	-	-
Manitoba	13	-	-
Ontario	137	1	-
Quebec	-	-	40
New Brunswick	12	-	-
Nova Scotia	17	-	-
Prince Edward Island	2	-	-
Newfoundland and Labrador	4	1	-
Yukon	1	-	-
Northwest Territories	1	-	-
Total	310	4	40

*There are no Mark's stores 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'Équipeur. Mark's has a legacy franchise business that historically enabled it to access certain markets that it may otherwise not have accessed. New franchise opportunities are no longer offered. As at the end of fiscal 2017, Mark's franchise operations were comprised of 32 stores which are located in Quebec, Alberta, Saskatchewan, Ontario, New Brunswick and Newfoundland. Generally, each Mark's franchisee owns only one store, although there are a limited number of franchisees who operate multiple franchise locations.

Province or Territory*	Franchise Retail Banners Mark's	Mark's Work Wearhouse	L'Équipeur
British Columbia	11	-	-
Alberta	1	1	-
Saskatchewan	2	-	-
Manitoba	-	-	-
Ontario	6	1	-
Quebec	-	-	6
New Brunswick	1	-	-
Nova Scotia	-	-	-
Prince Edward Island	-	-	-
Newfoundland and Labrador	3	-	-
Yukon	-	-	-
Northwest Territories	-	-	-
Total	24	2	6

*There are no Mark's stores in Nunavut.

Mark's Marketing – Mark's is engaged in a broad range of marketing activities which include advertising and promotional programs. Mark's builds customer awareness and traffic in Mark's stores by distributing weekly promotional flyers and flyers available over the internet and advertising through radio, television, social media, newspaper, digital media and targeted national public relations initiatives. Mark's is also a major sponsor of the Canadian Football League. The flyer program is one of Mark's most significant sales drivers, with delivery to approximately 7.5 million households. In 2017, Mark's launched its Well Worn marketing campaign, with the purpose of invoking Mark's industrial heritage and expanding the appeal of the casual assortment to a younger generation while still retaining the traditional Mark's customer base.

Mark's Distribution – Mark's uses a third party logistics company to manage the warehousing and distribution of shipments to eastern Canada stores from a leased distribution centre located in Brampton. In addition, Mark's and FGL lease a shared distribution centre in Calgary which manages the warehousing and distribution to its western Canada stores. The transportation of goods from suppliers to distribution centres and Mark's stores is managed by the supply chain through a small dedicated fleet for the Calgary area and third party LTL (less than a truckload) providers.

New Mark's Products – During 2017, Mark's continued to grow its Casual Footwear, Denim and Outerwear categories. As part of this strategy, it continued the tradition of introducing new and innovative owned brands in apparel and footwear. Through focusing on "a safer way to walk" the WindRiver Summit with Arctic Grip, Ripzone Lockdown and the WindRiver Bivy were introduced with Green Diamond technology all for their anti-slip capabilities, bolstering Mark's goal to be the authority on anti-slip footwear. A new operating system for the Thermalectric heated jackets using power packs that both heat the jacket and can charge your phone was also introduced. Mark's continued to invest in its Matrix and Shambhala brands in the casual and yoga apparel business. Denim continued to be a strategic growth category for Mark's with further investment in owned brands and the addition of select national brands such as Guess to the assortment, as well as the expansion of its strategic relationships with Levi's and Silver Jeans. In addition to introducing new owned brand products, Mark's also added new national brand products to its footwear assortment, including Nike, Adidas, Saucony, Rockport and Merrell Work and also enhanced assortments in controlled and licensed brands such as Helly Hansen Workwear, Skechers Work and Dunlop.

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 mass merchants, 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. Mark's also competes with other domestic and international business-to-business vendors and online vendors. Mark's addresses its competitive challenges by continually developing and introducing new and innovative products in order to enhance product selection for its customers and by offering products across varying price points. Additional information on the competitive position of the Retail segment is provided in section 2.2 entitled "Competitive Landscape" of CTC's MD&A for the year ended December 30, 2017.

Mark's Technology – The Company's enterprise information technology group provides support for Mark's existing technology and enabling new technology that supports business strategies. The internal technology teams leverage technology capabilities and practices shared with Canadian Tire and FGL across common technology platforms. Mark's technology system facilities for all stores are maintained at the CTC data centre located in Winnipeg, Manitoba, with a secondary facility located in Brampton, Ontario. See section 3.1 entitled "Retail Business Developments – Marks" for additional information on digital technologies and initiatives.

Consumer Brands Division

The Company's focus on expanding its owned brand portfolio is supported by the Consumer Brands division. Established in 2016 and operating as a division of the Retail segment, the Consumer Brands division focuses on expanding the retail banners' expertise in product development and design and creating unique and exclusive products. In addition to growing existing owned brands across the retail banners, the Consumer Brands division also has responsibility for the identification and acquisition of brands that would be a logical complement or extension to CTC's existing owned brand portfolio. The exclusive owned brands developed or acquired by the Consumer Brands division provide the Company with a competitive advantage and core differentiator in its unique product assortment, which increases customer engagement and loyalty. Owned brands managed by the Consumer Brands division include, Paderno, WOODS, NOMA, CANVAS, Outbound, Master Chef, Premier, MOTOMASTER, and MasterCraft. The Consumer Brands division is actively exploring opportunities for the sale of the Company's owned brands in jurisdictions outside of Canada and is working with third parties, including retailers, to assess the proper markets.

During 2017, the Company acquired the Paderno brand in Canada, Vermont Castings, a premium international barbeque and accessories brand which is expected to launch in the spring of 2019, and the rights to the Golfgreen brand in North America, a professional quality fertilizer brand, which is expected to launch in late 2018. Since acquiring the Paderno brand in 2017, the Consumer Brands division has designed, developed and launched impressive products in the Cookware, Bakeware & Kitchen Textiles product lines. In 2017, the Consumer Brands division engaged with FGL to develop an assortment of premium outerwear under the WOODS brand for sale at Sport Chek stores.

The Consumer Brands division manages the business of INA International Ltd. (“INA”), a wholly-owned, indirect subsidiary of the Company, that operates a wholesale business through which it develops, sources and imports owned brands and third party brands under an exclusive license for the Retail segment for sale in the North American market. A portion of the retail banners’ owned brands 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. Through this arrangement, and through direct ownership of certain trademarks, INA offers a number of different hard goods, apparel and footwear products names which are currently available at Sport Chek, Sports Experts, Intersport, Atmosphere, National Sports, Canadian Tire stores and Mark’s stores, as well as through certain third party retail customers serviced by INA. In addition, INA has “opportunity-buy” businesses through which it sources, purchases and subsequently re-sells excess capacity product.

2.2 CT REIT Segment

CT REIT is an unincorporated closed-end real estate investment trust, which was formed in October 2013 to own, develop and lease income-producing commercial properties located primarily in Canada. As at December 30, 2017, CTC held an 85.5% effective interest in CT REIT.

Overview of the Property Portfolio – As at December 30, 2017, CT REIT’s portfolio was comprised of 331 properties across Canada. The portfolio consisted of 319 retail properties, four distribution centres, one mixed-use commercial property and seven properties under development. The retail properties, distribution centres and mixed-use commercial property contain approximately 25.8 million square feet of gross leasable area. The retail properties are made up of 266 single tenant retail properties (254 of which are Canadian Tire single tenant properties (one of which is subject to a ground lease) and 12 of which are other third party single tenant properties), 49 multi-tenant properties anchored by a Canadian Tire store (six of which are enclosed malls) and four multi-tenant properties not anchored by a Canadian Tire store. The 304 Canadian Tire stores owned by CT REIT (two of which are classified as properties under development but remain operational) range in size from 12,000 square feet of GLA to 198,000 square feet of GLA. CTC is the REIT’s most significant tenant with Canadian Tire stores, stores operated under other CTC retail banners, CTC’s head office and three CTC distribution centres representing approximately 93.2% of CT REIT’s annualized base minimum rent and 95.3% of gross leasable area.

Description of the Property Portfolio – The CT REIT properties are well located within their respective markets and have stable characteristics, which include high occupancy, staggered lease maturities and strong retailing attributes, including location, traffic, visibility, frontage and parking. The properties are located in commercial areas and are co-located with, or located in close proximity to, supermarkets and other large-scale retailers, attracting a high volume of customers to the properties.

CT REIT Competitive Conditions – The REIT competes with other investors, managers and owners of properties for the purchase of desirable real estate properties to lease or develop, and for stable investment grade tenants. To compete for real estate assets, competition is primarily based on financial and other resources as well as operating flexibility. While certain competitors may have greater financial and other resources and/or greater operating flexibility than CT REIT, the REIT has the advantage of having and maintaining an established relationship with its most significant anchor tenant, Canadian Tire. The REIT also relies on its sites which are generally well-located with favourable retailing attributes and a strong balance sheet in order to compete in the Canadian real estate sector. To compete for tenants, real estate entities typically differentiate themselves by location, age and condition of building, operational efficiency and the ability of the owner to provide adequate maintenance at competitive costs.

The Company may be considered a “promoter” of CT REIT within the meaning of applicable Canadian securities legislation. Additional information about CT REIT’s business can be found under section 2 entitled “Description of the Business” of CT REIT’s 2017 Annual Information Form available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com, which is not incorporated herein by reference.

2.3 Financial Services Segment

As at December 31, 2017, CTC held an 80% interest in CTFS Holdings Limited, which is the holding company of the operating entities comprising the Financial Services segment; the remaining 20% interest is owned by Scotiabank. Financial Services includes 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. CTB markets a range of Canadian Tire-branded credit cards, including the Canadian Tire Options MasterCard, Cash Advantage MasterCard, and Gas Advantage MasterCard. It also markets creditor and personal accident insurance and identity theft products to Canadian Tire customers. As a deposit taking institution, CTB offers and markets high interest savings accounts and guaranteed investment certificates (“GICs”) both within and outside tax free savings accounts and offers GICs through third party brokers.

CTFS Bermuda reinsures the risk associated with Canadian Tire branded creditor and personal accident insurance and a closed block of run-off warranty coverage. Further information about CTFS Bermuda is set out in this section under “Financial Services Foreign Operations”.

New Financial Services Products – During 2017, CTB launched digital instant issuance, which provides customers who apply in store for an Options MasterCard with the ability to instantly load the card digitally to their Apple or Android wallet and use the card wherever MasterCard is accepted before receiving their card in the mail.

Financial Services Competitive Conditions – Canadian Tire branded credit 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 newer 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 provide 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.

Additional information on the competitive position of the Financial Services segment is provided in section 2.2 entitled “Competitive Landscape” of CTC’s MD&A for the year ended December 30, 2017.

Financial Services Foreign Operations – CTFS Bermuda is a Bermuda based 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. 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 its operations.

Financial Services Technology – Financial Services is supported by a centrally-managed technology department. The majority of the technology functions for Financial Services are outsourced. Financial Services uses Acxiom Corporation for data warehousing services in connection with the analysis of customer data for purposes of credit risk and marketing decisions and Total System Services, Inc. for transaction processing services for its credit card business. Financial Services currently operates payment processing platforms for Canadian Tire, PartSource, Petroleum, Mark's and FGL. See section 3.3 entitled "Financial Services Business Developments" for additional information on digital technologies and initiatives.

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 provides CT REIT with certain property management services 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, see section 3.0 entitled "Core Capabilities – Real Estate Expertise" of CTC's MD&A for the year ended December 30, 2017.

2.5 Seasonality of the Business

CTC derives a significant amount of its retail revenue from the sale of seasonal merchandise and, accordingly, experiences 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, the strengthening of non-seasonal categories and efficient marketing campaigns, as well as effective procurement and inventory management practices. Similarly, the FGL and Mark's businesses sell seasonal merchandise with the largest percentage of sales typically occurring in the fourth quarter. FGL and Mark's strive to minimize the impact of the seasonality of their businesses through careful merchandise planning and by altering their merchandise mix 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)	**2017**					**2016**				
	Q1	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Revenue[1]	$1,380.5	$1,892.8	$1,690.5	$2,077.4	$7,041.2	$1,258.8	$1,902.1	$1,612.5	$1,879.7	$6,653.1
% of full year Revenue	19.6%	26.9%	24.0%	29.5%	100.0%	18.9%	28.6%	24.2%	28.3%	100.0%

FGL's Quarterly Results (C$ in millions)	**2017**					**2016**				
	Q1	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Revenue[2]	$423.0	$462.1	$555.5	$618.6	$2,059.2	$429.2	$452.0	$534.8	$590.9	$2,006.9
% of full year Revenue	20.5%	22.4%	27.0%	30.0%	100.0%	21.4%	22.5%	26.6%	29.4%	100.0%

Mark's Quarterly Results (C$ in millions)	**2017**					**2016**				
	Q1	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Revenue	$228.3	$273.6	$251.5	$461.8	$1,215.2	$212.7	$260.9	$238.1	$442.7	$1,154.4
% of full year Revenue	18.8%	22.5%	20.7%	38.0%	100.0%	18.4%	22.6%	20.6%	38.3%	100.0%

<u>Notes</u>

1. *Includes revenue from Canadian Tire, PartSource and Franchise Trust.*
2 *FGL revenue has been restated for the 52 weeks ended December 31, 2016 to exclude revenue from its business-to-business operation.*

2.6 Foreign Operations

In 2017, approximately 40%, 7% and 51% of the value of inventory purchases of Canadian Tire, FGL and Mark's, respectively, were sourced directly from vendors outside North America, primarily from Asia, but also from Europe and the United States. In addition, Canadian Tire operates representative offices in Hong Kong and Shanghai, which provide access to foreign manufacturers and import sourcing support for Canadian Tire. Each of Canadian Tire, FGL and Mark's uses their own internal resources and third party logistics providers to manage supply chain technology and the movement of foreign-sourced goods from suppliers to distribution centres and stores. Similar to other retailers who source products internationally, the Retail segment is exposed to risks associated with foreign suppliers which may include, but are not limited to, currency fluctuations, stability and safety of manufacturing operations in other countries and transportation and port disruptions. CTC requires suppliers to comply with its Supplier Code of Business Conduct (the "Supplier Code") in the provision of goods and services. The Company 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 the Retail segment's foreign operations and foreign suppliers.

2.7 Intangible Properties

All intellectual property and associated rights, which include the Canadian Tire trademarks and numerous other trademarks associated with CTC's retail brands as well as the trademarks relating to Financial Services, Petroleum, PartSource, FGL, INA and Mark's, are considered to be important assets of CTC and are defended vigorously where appropriate. The Company's trademarks have expiry dates ranging from 2018 to 2033 with further renewals at the Company's election and discretion. Protection of the Company's intellectual property is a high priority and CTC has established procedures to protect intellectual property that is material to the business. CTC licenses the use of certain trademarks to Canadian Tire Services Limited, CT REIT, CTB and certain other entities.

CTC owns a number of domain names, which generally reflect its trademarks. 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 sports organization trademarks in connection with marketing, advertising and promotional activities. CTB also has an agreement with MasterCard International Incorporated that permits CTB to use the MasterCard trademark in connection with the MasterCard credit cards that CTB issues.

2.8 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 each of its 483 active Dealers who operate the 501 Canadian Tire stores, each of which expires on December 31, 2024 unless terminated earlier in accordance with terms of the contract. CTC is not dependent upon any one of these contracts with any Dealer. See section 2.1 entitled "Retail Segment – Canadian Tire" for further information.

2.9 Lending

CTB grants credit to its customers on Canadian Tire branded 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 including credit-scoring models to manage credit risk. CTB constantly monitors the creditworthiness of customers by 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.

2.10 Financing of the Business

CTC and CT REIT fund their 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), public and private securitization of credit card receivables, and credit facilities available through major Canadian banks. Additional information concerning CTC, CT REIT and CTB's financing sources can be found under section 8.5 entitled "Liquidity and Financing" of CTC's MD&A for the year ended December 30, 2017.

2.11 Risk Factors

CTC faces a variety of significant and diverse risks, many of which are inherent in its businesses. Described below are certain enterprise-wide, principal strategic, operational, financial, and legal and compliance risks that could have a significant adverse impact on CTC's brand, financial position and ability to achieve its strategic objectives, which the Company defines as Principal risks.

CTC has an enterprise risk management program and internal controls for the monitoring and management of risks.

CTC's risk mitigation strategies employ various practices including policies, controls, processes, management activities, and insurance to assist with reducing the types, exposure and impact of risks on the organization.

Principal risks

- Global and Domestic Marketplace – Change in economic conditions, competitive landscape, domestic and global 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 financial position, brand and/or ability to achieve its strategic objectives.

- Strategy – External risks inherent in the business environment within which CTC operates, as well as the risk of potential loss if CTC is unable to address those external risks effectively as a result of inaction, ineffective or poor implementation of strategies, could adversely impact CTC's financial position, brand and/or ability to achieve its strategic objectives.

- Brand – CTC's reputation and consequently its brand may be negatively affected by various factors, some of which may be outside of CTC's control. Should these factors materialize and diminish CTC's brand equity, it may negatively affect CTC's financial position, brand and/or ability to achieve its strategic objectives.

- People – External pressures and/or ineffective internal human resource practices can negatively impact CTC's ability to attract and retain sufficient appropriately-skilled people who have the expertise to support the achievement of CTC's strategic objectives. Failure to manage people risk may negatively affect CTC's financial position, brand and/or ability to achieve its strategic objectives.

- Technology Innovation and Investment – CTC's choices of investments in technology may support its ability to achieve its strategic objectives, or may negatively affect its financial position, brand and/or ability to achieve its strategic objectives.

- Key Business Relationships – The scope, complexity, materiality and/or criticality of key business relationships can affect customer service, procurement, product and service delivery, and expense management. Failure to effectively manage these relationships may have a negative impact on CTC's financial position, brand and/or ability to achieve its strategic objectives.

- Cyber – CTC relies on information technology systems in all areas of operations, some of which are subject to cyber threats. Should a cyber-attack be successful and a breach of sensitive information or service disruption occur, CTC's financial position, brand and/or ability to achieve its strategic objectives may be negatively affected.

- Information – The lack of integrity and reliability of information for decision-making, loss or inappropriate disclosure or misappropriation of sensitive information could negatively affect CTC's financial position, brand and/or ability to achieve its strategic objectives.

- Operations – Inadequate or failed internal processes or systems, human interactions or external events may negatively affect CTC's financial position, brand and/or ability to achieve its strategic objectives.

- Financial – Failure to develop, implement and execute effective strategies to manage risks associated with: (i) tight capital markets and/or high cost of capital; (ii) significant volatility in exchange rates; or (iii) significant volatility or change in interest rates may result in insufficient capital to absorb unexpected losses and/or decreases in margin and/or changes in asset value, negatively affecting CTC's financial position, brand and/or ability to achieve its strategic objectives.

- 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 related issues or may negatively impact CTC's financial position, brand and/or ability to achieve its strategic objectives.

- Legal and Litigation – CTC is or may become subject to claims, disputes, and legal proceedings arising in the ordinary course of business. The outcome of litigation cannot be predicted or guaranteed. Unfavourable rulings may have a material adverse effect on CTC's financial position, brand and/or ability to achieve its strategic objectives.

- Credit – Failure to effectively manage the risk of financial loss due to a customer or counterparty failing to meet its obligations in accordance with contractual terms may negatively impact CTC's financial position, brand and/or ability to achieve its strategic objectives.

Further information about the above noted Principal risks, and the Company's strategies to mitigate these risks, can be found under sections 12.2 entitled "Principal Risks", 12.3 entitled "Financial Risks", 12.4 entitled "Credit Risks" and 12.5 entitled "Legal Risks" of CTC's MD&A for the year ended December 30, 2017, which is incorporated herein by reference. In addition, the Company has identified specific operating risks relating to each of its reportable segments that have the potential to affect CTC's operating performance. Such risks are described under sections 7.2.4 entitled "Retail Segment Business Risks", 7.3.2 entitled "CT REIT Segment Business Risks" and 7.4.3 entitled "Financial Services Segment Business Risks" of CTC's MD&A for the year ended December 30, 2017, which is incorporated herein by reference.

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.

2.12 Employees

As at the end of fiscal 2017, 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	1,557	16
Canadian Tire	4,218	1,103
Financial Services	1,224	267
Mark's	1,654	3,907
FGL	3,835	11,929
Total	12,488	17,222

*Note: Canadian Tire employees include PartSource store employees. Employees of CT REIT, Dealers, FGL and Mark's franchisees and Petroleum retailers are not included in the above table.

CTC employs highly qualified individuals specializing in marketing, category management, supply chain, store operations and design, technology, real estate, finance, and customer service. Financial Services also employs highly qualified individuals in credit risk management. Expertise is gained through internal training programs, including the Company's Triangle Learning Academy, 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. Through the Triangle Learning Academy, employees are able to accelerate their learning and development and gain expertise through curated content on various subjects. Teachings are developed around core retail principles and while hosted on an online platform, they are offered through digital, in-class and hands-on learning experiences.

CT REIT is managed and operated by an experienced internal senior executive team comprised of CT REIT's President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, and Senior Vice President, Real Estate. As at December 30, 2017, CT REIT had ten employees, including the above-noted executives.

2.13 Corporate Social Responsibility

CTC prides itself as being a trusted Canadian brand and an integral part of Canadian communities, with a strong commitment to social and environmental policies and practices that contribute to its reputation as a responsible corporate citizen.

Corporate Philanthropy – CTC supports a variety of social causes, but the largest single beneficiary is Canadian Tire Jumpstart Charities ("Jumpstart"). This charity is an independent organization committed to making play and sport more accessible to Canadian kids who face barriers. Since 2005, Jumpstart has been assisting Canadian families overcome the financial barriers to accessing play and sport, and now Jumpstart is expanding its mandate to help remove barriers for kids with disabilities. In September 2017, CTC announced a $50 million investment over five years to Jumpstart in order to give Canadian kids with disabilities greater access to sport and play through Jumpstart's 'Play Finds a Way' movement, which includes funding for accessible playgrounds, infrastructure and programming as well as building awareness for the cause.

Community Support – CTC invests in initiatives that promote active, healthy living and showcases 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.

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 of the Company's employees and independent contractors in relation to compliance with laws and commitment to integrity, honesty and respect when dealing with each other, business partners and communities. Each director, officer and employee must acknowledge that they have read, understood and will commit to abide by the standards and expectations set out in the Code. Each officer of CTC is accountable for ensuring that the Code is implemented in his or her business unit or functional area and that all violations are reported in a manner consistent with the requirements of the Code. CTC's Business Conduct Compliance Office monitors compliance with both the Code and the Supplier Code. 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 and on SEDAR at 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 – 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 labour, forced labour, 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 terminate its business relationship with any supplier who fails to implement corrective actions or refuses to comply with the Supplier Code. In 2017, as CTC executes its One Company serving One Customer strategy**,** all banners are now auditing supplier factories against the globally recognized Business Social Compliance Initiative (BSCI) audit standard. Additionally, CTC continues its active participation in the Alliance for Bangladesh Worker Safety (the "Alliance") program, which is focused on the remediation of issues found during factory inspections, ongoing fire safety training of factory workers and security guards and the operation of a helpline to give workers a voice in identifying safety issues to be resolved.

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, buildings, 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) 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 have delivered related to annual avoided cost, income generated, energy used, greenhouse gas emissions, waste and water. CTC discloses its business sustainability performance and environmental footprint 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. Also, CTC actively participates in over 80 provincial product environmental stewardship programs that contribute to the safe disposal and/or recycling of many products when consumers have finished using them.

Environmental Compliance – CTC has established environmental policies and practices to support ongoing compliance with applicable environmental laws and regulations and develop consistent practices across the organization. CTC requires its Dealers, Petroleum retailers and FGL and Mark's franchisees to comply with all laws and regulations applicable to their business operations and expects them to implement appropriate environmental programs.

CT REIT has established its own policies and practices to support its ongoing compliance with applicable environmental laws and regulations. These policies and practices complement CT REIT's environmental operating policy for property acquisition diligence outlined in its Declaration of Trust.

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 2018. Additional information about environmental risks can be found under section 7.2.4 entitled "Retail Segment Business Risks – Environmental Risk" of CTC's MD&A for the year ended December 30, 2017.

Additional information about corporate citizenship is available on CTC's corporate website, www.corp.canadiantire.com, under the "Corporate Citizenship" tab.

3. GENERAL DEVELOPMENT OF THE BUSINESS

Over the past three years, the Company has articulated a strategy driven by the following three imperatives, which have been refined over the years to support the Company's vision to become the undisputed number one retail brand in Canada as measured by customers, employees, shareholders and Dealers:

1. Achieve sustainable growth by strengthening the Company's brands and product offerings and enhancing customer experiences (connections);
2. Drive profitability, operational excellence, and increased efficiencies in core business; and
3. Transform the business by developing a high-performing, talented, and results-oriented corporate culture.

The first two of the strategic imperatives are evident in each of the Company's major business units and are described below. The third imperative of developing a high-performing and results-oriented corporate culture is a necessary element for fulfilling the previous two and underscores the Company's commitment to attracting and retaining world-class talent across the enterprise in key areas such as digital retailing, marketing and data analytics. The Company believes that meeting the three strategic imperatives as well as its financial aspirations is dependent on having the right team and the right corporate culture in place. In recognition of these imperatives and value of the Canadian Tire brand, the Company established a Brand and Community Committee of the Board whose mandate includes oversight of strategies to maintain and enhance the Company's brand.

In July 2016, Stephen Wetmore was re-appointed as President and Chief Executive Officer to lead the Company during a time of unprecedented change in the retail industry. Under his leadership, the Company has continued to refine its strategic imperatives to address evolving opportunities and challenges. A key component of the strategy is to be a product-driven organization which focuses on meeting the needs of its customers for their "Jobs and Joys of Life in Canada". Upon Mr. Wetmore's re-appointment, one of the key developments at the Company has been the establishment of the Consumers Brands division, with a renewed focus on strengthening the Company's portfolio of owned brands. Operating as a division of the Retail segment, the Consumer Brands division focuses on developing and growing the Company's existing owned brand portfolio across the retail banners as well as identifying and acquiring brands that would be a logical complement or extension of the existing brand portfolio. The Consumer Brands division is also actively exploring opportunities for the sale of the Company's owned brands in jurisdictions outside of Canada and is working with third parties, including retailers, to assess the proper markets. For additional information on the Consumer Brands division, see section 2.1 entitled "Retail Segment – Consumer Brands Division".

To execute its vision and underlying strategic imperatives, the Company has adopted a One Company serving One Customer strategy which consolidates the Company's functions and capabilities across the enterprise to leverage strengths and gain operating efficiencies with a single view of the customer across all of CTC's businesses. During 2017, the Company made significant progress towards operating as One Company, including by consolidating the leadership and oversight of all of CTC's retail business unit functions (marketing, merchandising, store operations and consumer brands) for Canadian Tire, FGL and Mark's under Allan MacDonald, Executive Vice-President, Retail. In 2018, the Company is continuing to evolve its key initiatives under the following five areas of focus: brand and product portfolio, customer experience, financial discipline, talent, and platforms. Additional information on the Company's 2018 Key Initiatives can be found under section 6.2 of CTC's MD&A for the year ended December 30, 2017.

3.1 Retail Business Developments

Canadian Tire

Strategic Initiatives – Canadian Tire remains focused on the execution of the Company's core strategy and continues to work toward its strategic imperatives relating to products and brands, improving the customer experience, and driving growth and productivity into its core heritage businesses.

Products and Brands – The Canadian Tire brand is the Company's most valuable asset and is foundational to all of the Company's activities – from the quality and safety of Canadian Tire products to in-store and digital customer experiences.

Over the past three years, Canadian Tire has focused its product development, marketing and branding efforts on making the "Jobs and Joys of Life in Canada" easier by offering curated assortments in the Automotive, Living, Fixing, Playing, and Seasonal & Gardening divisions and continuing to evolve its integrated approach to brand and product development and marketing.

The Company has focused considerable efforts in developing a strong and sustainable portfolio of owned brands and has centralized the product and brand development function for all of its retail banners under the Consumer Brands division. This team supports Canadian Tire in the targeted development of a brand presence that builds credibility and expertise in each of Canadian Tire's categories and supports Canadian Tire with high quality and innovative products. The last three years have been transformative for Canadian Tire's owned brands with the introduction of FRANK, CANVAS, MAXIMUM and WOODS, as well as the continued investment in brands such as Mastercraft, MOTOMASTER and Yardworks. In 2017 the Company acquired Paderno, a leading kitchen brand known for superior quality and craftsmanship. Further information regarding the Company's owned brands can be found in section 3.1 entitled "Retail Business Developments – Canadian Tire – Other Key Initiatives – Category Development", "Retail Business Developments – Mark's – Strategic Initiatives – Products and Brands" and "Retail Business Developments – FGL – Strategic Initiatives – Products and Brands".

The Tested for Life in Canada program has also been instrumental in elevating the Canadian Tire brand. It uses a panel of ordinary Canadians to test Canadian Tire's most recommended products and uses the customer feedback to continuously improve the utility and quality of the products tested. In 2017, over 5,000 products earned the Tested for Life in Canada badge which serves as a stamp of approval across a myriad of marketing channels, including television, digital, flyer and in-store. Feedback from products that did not earn the badge of approval is being used to drive product improvements. Canadian Tire's focus on improving product quality has resulted in a significant reduction in product defect rates and store returns. During 2017, the Tested for Life in Canada program was expanded and saw the number of products tested increase by 600% to 7,500, with an increase in the number of testers to 65,000, up from 15,000 in 2016.

To drive awareness of Canadian Tire's products and brands, Canada's first truly omni-catalogue, the WOW Guide, launched in the spring of 2016 and has played an integral role in connecting with consumers. The WOW Guide has given Canadians a new way to research, consider and shop Canadian

Tire's category assortments. With millions of views, the WOW Guide, which has included features on NOMA and CANVAS Christmas assortments, has been successful in demonstrating the quality, breadth and depth of Canadian Tire's product offering over the past two years.

Enhance Customer Experience – Over the past three years, Canadian Tire has continued its Store Renewal Program to upgrade the store network by mostly replacing, retrofitting or expanding Canadian Tire stores, including 12 former Target locations which the Company acquired in 2016. A key driver of the store network enhancement is 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 incorporates better signage and more logical product adjacencies with added features such as in-aisle product locator devices, "price look-up" kiosks, customer assistance stations and improved technology throughout the store. As at the end of 2017, Canadian Tire had over 434 Smart stores in operation.

Canadian Tire has also continued to broaden its digital and eCommerce capabilities. In 2016, major progress was made to synchronize the in store and digital experience by making national flyer promotional items available online. As well, a number of dedicated 'cyber events' were successfully executed.

In 2017, the click-and-collect eCommerce program continued to gain traction with customers. To further strengthen Canadian Tire's digital capabilities, a home delivery service was rolled out in 10 stores in the Ottawa area. Also, Canadian Tire significantly expanded its online search capabilities with the launch of a new search engine which substantially improves the customer experience and path to purchase. Ongoing enhancements to the eCommerce program are planned throughout 2018 as Canadian Tire continues to execute on its digital agenda and remains focused on improving the customer experience and eCommerce fulfillment capabilities.

In 2017, there were more than 230 million visits to the Canadian Tire website and 30 million visits to the digital flyer. In addition, Canadian Tire's mobile application enables customers to participate in Canadian Tire's customer loyalty program directly on their mobile device. Additional information about the customer loyalty program is provided in section 2.1 entitled "Retail Segment – Canadian Tire – Canadian Tire Marketing".

The Company's loyalty program, My Canadian Tire Money Program, played an increasingly larger role in connecting with customers in 2017 as a result of the execution of a number of successful loyalty program promotions. In 2017, the Company actively assessed its loyalty program with a view to enhancing its value proposition, customer awareness and cross-banner integration. There are plans in place to enhance CTC's loyalty program in 2018 that will offer customers a more personalized and rewarding experience through both brick and mortar and digital channels.

Canadian Tire's increased integration with the Company's Financial Services business through in-store credit card acquisition and in-store financing programs also resulted in meaningful sales and receivables growth in 2017. It is expected that this cross-segment integration will continue in 2018 and beyond.

Drive operational efficiencies in core business – Canadian Tire reviews opportunities to create operational efficiencies on an ongoing basis. Canadian Tire has implemented redesigned and improved certain processes for procuring merchandise and non-merchandise services, and invested in new, dedicated promotional planning analytics to optimize enterprise sales and profitability associated with promotional offers. Canadian Tire continues to focus significant efforts on optimizing its product assortment, pricing and category mix. The productivity of the existing retail network will be a key focus area in 2018.

Other Key Initiatives – Over the last three years, Canadian Tire has invested in other key initiatives which have influenced the development of its business.

Category Development – Through its development of a strong portfolio of exclusive, national and owned brands, Canadian Tire has built market share in key product lines within its Automotive, Living, Fixing, Playing, and Seasonal & Gardening divisions.

Canadian Tire's Automotive division includes the automotive retail floor and auto service business as well as the businesses of PartSource, Petroleum and Roadside Assistance. The Automotive division includes categories such as Automotive Maintenance Fluids, Parts, Tires and Accessories. Over the past three years, Canadian Tire has continued to strengthen the automotive businesses and improve the automotive customer experience. 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 invested in new technology and supply chain infrastructure, including expanding the warehouse capacity of designated PartSource stores across Canada. PartSource is currently used by Canadian Tire stores for emergency auto parts deliveries, allowing these stores to be used as an extension of Canadian Tire's supply chain. In 2017, Canadian Tire made significant upgrades to its automotive management system which allows stores to operate more efficiently, as well as provide further insights into the automotive business and customer. Canadian Tire has also expanded its owned brands in the Automotive division, including with the launch of the MOTOMASTER Winter's Edge tire in 2017 which was developed based on consumer feedback under the Tested for Life in Canada program over an 18-month period. Significant improvements to Canadian Tire's eCommerce platforms, including search engine optimization, improved landing pages and content, have enhanced the digital shopping experience for the automotive customer.

The Petroleum business is managed as part of the Automotive division. Over the last three years, Petroleum has opened three new gas bars, rebranded three competitor sites, completed three major site rebuilds/replacements, upgraded branding at 55 locations and performed major retrofits/renovations (such as, tank replacements, the addition of diesel, dispenser replacements, store expansions and LED lighting upgrades) at 112 gas bars. As at the end of 2017, 298 gas bars, 298 convenience stores and kiosks, 85 car washes, five vehicle lubrication facilities and 85 propane stations operated under Canadian Tire banners. 2017 saw the opening of two new sites and one rebrand, as well as two major replacements. Five new sites and one major replacement are planned for 2018. In the second half of 2017, the Petroleum division conducted numerous loyalty pilots to test the value proposition which is most appealing to our customers, with a view to enhancing the Company's enterprise loyalty program.

Canadian Tire's Living division includes Kitchen, Home Organization, Decor and Essentials, Home Electronics, Pet, Cleaning and Consumable categories. While continuing to bring Canadians the latest in innovative product assortments, Canadian Tire has focused on kitchen, organization solutions, and expanding the presence and impact of storage and organization assortments. Canadian Tire has also continued to invest in developing its owned brands through the introduction of a new cookware line under the Paderno brand. All of Paderno's products were tested and have earned the coveted Tested for Life in Canada badge.

Canadian Tire's Fixing division is comprised of products in the Tools, Hardware, Paint, Electrical, Plumbing and Home Environment categories. Over the past three years, key priorities within this division have been the introduction of new and innovative products and programs, improving product quality and driving growth in seasonal products. A new and more relevant hardware assortment was rolled out in 2015. Canadian Tire has also focused its efforts on increasing growth in seasonal products in its Paint and Hardware categories. In 2016, a new Fasteners program was introduced to all stores in the Hardware category and, in 2017, investment in an upgraded Paint department was undertaken to support the launch of an entirely new Premier brand paint program consisting of over 1,000 colours.

Canadian Tire's Playing division is comprised of products in the Recreation, Exercise, Footwear and Apparel, Hunting, Fishing, Camping and Sporting Goods categories. Canadian Tire strives to be more locally relevant with its customers by having customized Fishing and Hunting assortments and floor plans for their regional needs. Camping has also been a key growth subcategory for Canadian Tire. In 2015, Canadian Tire launched programs under the WOODS and OUTBOUND brands, which, at the time, were exclusive to Canadian Tire, further reinforcing Canadian Tire's position as the destination for quality camping products. These brands, which also include footwear and apparel, have driven strong growth across the Recreation and Camping categories and are expected to continue to build momentum as they are expanded to include other products. Canadian Tire has also continued to expand its product selection under its Sporting Goods category, with a strong emphasis on its bicycle and bicycle accessory product lines. As part of its focus on hockey merchandising, Canadian Tire expanded its “First Shift” introductory hockey program nationwide in 2017. Through partnering with Bauer and Hockey Canada, this program introduces girls and boys aged six to ten to hockey at a relatively affordable cost of $199. The focus is to introduce children to hockey in a non-intimidating environment, especially as it relates to equipment requirements and the rules of the game. Canadian Tire leverages its knowledge of the game through its leadership position in hockey equipment, the engagement of Dealers within their respective communities and Canadian Tire’s partnership with professional and amateur athletes, including all-star hockey player, Jonathan Toews, to further drive the success and visibility of this program.

In late 2017, Canadian Tire increased its focus on its Kids Active Fun category which has strong growth potential and is a natural fit to Canadian Tire’s portfolio of products. Canadian Tire is expanding and developing its product assortment to help kids enjoy life in Canada. Canadian Tire’s focus on toys, water fun and bikes, as well as its partnership with Disney, have led to the introduction of several exciting new products. As part of Canadian Tire’s kids’ strategy, a year-round toy assortment was moved from the Seasonal & Gardening division to the Playing division.

Canadian Tire’s Seasonal & Gardening division includes fall and winter categories, such as Seasonal Décor, Christmas Lights, and Snow throwers and spring and summer categories featuring Patio Furniture, Barbeques, Backyard Games, Outdoor Power Equipment, Plants and Grass Seed. Over the last three years, one of Canadian Tire’s key priorities in its Seasonal & Gardening division has been to create retail innovation, while meeting customer needs and continuing to enhance value, through the introduction of new products such as the NOMA Starlight Projection Lasers and Yardworks Polyurethane hose, which were tested through Canadian Tire’s Tested for Life in Canada program. In the Christmas category, a new, premium line of outdoor lights was launched in 2017 under the NOMA Advanced label. These Constant-Lit lights, which have been tested to survive Canadian winter conditions, will remain lit even when a bulb string burns out, and come with an industry leading 10-year warranty.

FGL

Strategic Initiatives – FGL has continued its work toward the Company’s strategic imperatives relating to products and brand, customer experience, and driving growth and productivity. These imperatives are imbedded in FGL’s approach to marketing which is focused on creating an authentic and inspiring customer experience, led by core Sport Chek and Sports Experts banners and supported with brand building and data driven decision-making.

Products and Brands – FGL has focused on enhancing its Kids assortment and back-to-school business with the launch of its owned Gravity label jeans in 2017. The back to school business has also been supported by the Lifestyle marketing campaign which was designed to further strengthen Sport Chek’s presence in casual wear. During 2017, Sport Chek worked with Canadian Tire to expand Canadian Tire’s WOODS brand to premium outerwear and jackets that are sold at select Sport Chek locations. FGL has also sought to strengthen the Sport Chek and Sports Experts brands by focusing on content-led initiatives, including marketing campaigns that include the production of unique video content distributed on social, digital, and in-store channels as well as on television to build a strong emotional connection with key customer groups. In doing so, FGL has worked with vendors, media partners and sports organizations to source and distribute content intended to deliver an inspiring and consistent message that supports its brand goals, delivered primarily through digital platforms. For example, during the Rio 2016 Summer Olympic Games, the Sport Chek team was able to assemble CBC’s broadcast footage of the Olympic Games’ best moments and cut them into ‘manifesto’ ads to air on television in near-real time.

Enhance Customer Experience – FGL has focused on enhancing the customer experience through the creation of in-store and online experiences that are innovative and authentic. Over the past three years, it has established flagship stores in Burnaby, Edmonton, Vancouver, Mississauga, Laval and Toronto, which feature state-of-the-art innovations in retailing including a strong in-store digital presence, a wide assortment of leading brands and products, and a personalized shopping experience that connects consumers to the sports about which they are passionate. During 2017, Sport Chek also continued to experiment with introducing new store concepts to engage with different demographics with the launch of its first Sport Chek women's store. The assortment of this store was curated by category versus brand as a way to better attract women shoppers. Through its sports partnerships, FGL also generates customer loyalty through public appearances and special promotions involving high profile athletes.

FGL was an early adopter of digital and social media platforms as a means of communication with its key youth demographic. Over the past three years, FGL has continued to focus on its digital technologies and initiatives. FGL introduced flagship stores which feature digitally enabled shopping experiences such as touch screen product information tools, holograms, sports equipment testing facilities and enhanced, computer aided product displays. FGL also focused on developing a social media profile using platforms such as Facebook, Twitter and YouTube to further develop brand affinity with its key youth demographic.

In 2017, FGL re-platformed its Pro Hockey life website at www.prohockeylife.com and launched a new eCommerce website for National Sports at www.nationalsports.com. The new websites feature enhanced marketing capabilities that enable the delivery of highly dynamic and inspiring shopping experiences as well as flexible promotional features, including flash sale capability, gift card purchase and redemption, as well as extended line offerings. FGL has also incorporated an agile testing and analytics program to continuously improve the customer experience, site performance and relevancy to ever changing customer buying patterns. Customers who make an online purchase are given the option to have orders shipped to their home, a convenient postal outlet, or reserved at a local store for pick-up. This accessibility of store inventory to customers has more than doubled online engagement with the Sport Chek and Atmosphere assortments. In addition, FGL's implementation of a Distributed Order Management system ensures that products are being shipped from the closest location to a customer, allowing the business to manage product margin and shipping cost exposure of the assortment. Customers are able to return products to any of FGL's distribution centres or retail store locations, which is made possible by a new integrated point of sale system that accounts for omni-channel inventory movement in near real-time.

Drive operational efficiencies in core business – Over the past three years, FGL has continued its five-year growth strategy, announced in 2012, that has included the closure of over 100 retail locations in order to rationalize its retail banners operated under the FGL umbrella and focus primarily on expanding its Sport Chek banner stores. This strategy 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. Some of the stores include a "store within a store" concept for key categories. During 2017, FGL successfully completed this five-year plan. During 2017, three traditional Canadian Tire stores and nine updated and expanded Canadian Tire stores were converted into smart stores and 33 Intersport stores were rebranded to Sports Experts stores. FGL's focus has now turned to optimizing the productivity of its existing network of stores and will utilize many of the best practices and operational excellence programs already established at Canadian Tire.

Mark's

Strategic Initiatives – Over the past three years, Mark's has continued to focus on the Company's strategic imperatives relating to brand, customer experience and driving growth and productivity.

Products and Brands – Mark's has embarked on a journey to relaunch the brand, using the tagline "Well Worn". This new initiative focuses on attracting a younger customer segment by embracing Mark's industrial heritage. The launch of this initiative includes a major marketing campaign, in addition to a new look and feel for Mark's stores that reflects the Well Worn brand positioning. Specific assortments have been re-merchandised to improve the customer and brand experience. Mark's owned brands, along with select national brands, such as Levi's, Columbia and Merrell, as well as exclusively licensed products from Alfred Sung and Helly Hansen, will continue to support Mark's strategy of creating visual displays that span key categories. Additionally, Mark’s Commercial is refocusing its business-to-business offer to better serve larger corporate clients in target industries, in addition to its existing customer base.

In 2017, and in an effort to secure a position as a casual apparel destination in Quebec, L’Équipeur launched a brand campaign, “Equipé Pour Tout”. The campaign was a multi-channel approach that included TV spots, digital video, digital displays, billboards and outdoor advertising in Montreal. Throughout this campaign, L’Équipeur promoted its brand promise of comfort fashion for its target market, demonstrating how it can equip customers for everyday joys and challenges.

Enhance Customer Experience – Over the past three years, Mark’s has continued its work on enhancing the in-store customer experience. In 2017, Mark’s revamped its Toronto Eaton Centre store to bring Well Worn to life. The lessons learned in piloting a new merchandising strategy at this store were used to roll out new merchandising standards for 85 key stores in important markets. Mark’s has also introduced pop up stores to promote Well Worn and shift consumers’ perception of the brand. As at the end of 2017, Mark’s had three pop up locations in Toronto, Calgary and Halifax. Mark’s also continues to use the West Edmonton Mall, Alberta store as a test store in which store enhancements such as in-store merchandising concepts and navigational signage are being thoroughly tested before being rolled out across the Mark’s store network. Mark’s has also introduced dedicated denim and footwear “shops” within a number of its stores as well as improved footwear displays and fixtures at most Mark’s store locations and continues to refresh its store network in Quebec.

In 2015 Mark’s launched its new eCommerce websites, www.marks.com and www.lequipeur.com, which have provided customers with a new and compelling eCommerce shopping experience with purchased products delivered directly to customers’ homes. Mark’s also makes use of digital flyers and has been testing interactive digital tools within its stores to assist customers with product selection and product information. In 2016, Mark’s rolled out a new point of sales system which enables it to capture customer data in order to better market to, and digitally interact with, customers. During 2017, Mark’s enhanced its eCommerce platform with additional functionality, such as 360 degree video, as well as Click and Collect and True Fit, to support a better customer experience.

Drive operational efficiencies in core business – Over the past three years, 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 eCommerce infrastructure fortification. Mark’s has also been leveraging the capabilities of INA’s in-house sourcing group to more effectively source and develop its products globally. In addition, the integration of shared services with Canadian Tire has provided Mark’s with the scale to tap into leading technology and marketing resources, further increasing productivity and reducing cost. Going forward Mark’s will utilize many of the best practices and operational excellence programs developed at Canadian Tire. Mark’s plans to optimize its network coverage in under-developed markets and increase store footprints where the opportunity arises. During 2017, Mark’s opened five new stores which, together with relocations and expansions, have increased Mark’s total retail area by 49,500 square feet. Mark’s also introduced an initiative referred to as “Top-Bottom Stores” which aims to increase the profitability of the top 20 and bottom 20 performing stores with store specific action plans. An additional focus was placed on top performing stores by identifying popular in-store purchases to ensure such stores were provided with the right product assortment and appropriate inventory levels.

3.2 CT REIT Business Development

CT REIT’s business includes owning, developing and leasing income-producing commercial properties located primarily in Canada. As at December 30, 2017, CT REIT has made a total investment of $1.4 billion in acquisitions, completed developments, intensifications, and investments in ongoing developments since the commencement of its operations in October 2013. These investments include 82 acquisitions, 8 completed developments and 46 intensifications. In 2015, CT REIT completed 18 acquisitions (including three acquisitions of land adjoining existing REIT owned retail property), two developments and 15 intensifications for a total investment of approximately $238.1 million. In 2016, CT

REIT completed 16 acquisitions, three developments and ten intensifications and made investments in ongoing developments for a total of $597.7M. In 2017, CT REIT completed 31 acquisitions, including the acquisition of five multi-tenant properties from a third party, one development and 14 intensifications and made investments in ongoing developments for a total of $314.8 million.

In Q1 2018, CT REIT expects to complete the acquisition of two additional investment properties from a third party.

Additional information about the development of CT REIT's business can be found under section 3 entitled "General Development of the Business" of CT REIT's 2017 Annual Information Form available on SEDAR at www.sedar.com, which is not incorporated herein by reference.

3.3 Financial Services Business Developments

CTB has continued to focus its activities on aligning and integrating its customer positioning and marketing with Canadian Tire's overall customer strategy. During the past three years, the Bank 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 enhanced its in-store financing program with a view to growing new accounts while supporting the core retail business of the Company. The Bank continues to work with Dealers to more closely align interests regarding the acquisition and acceptance of the Bank's credit cards in Canadian Tire stores. In addition, the Bank introduced digital instant issuance, which allows new credit card customers to immediately upload their newly approved credit card directly into an Apple or Android Wallet. CTB, an early adopter of Apple pay, was the first issuer in Canada to offer this feature. In 2017, in an effort to further grow its receivables balance, CTB introduced customer acquisitions and in-store financing for purchases of $200 or more at both the Mark's and Sport Chek banners.

3.4 Other Business Developments

Capital Expenditures – During the last three years, CTC has focused capital investment on store network growth and digital technology platforms. The investments in store network growth include the conversion of former Target stores to Canadian Tire stores, investments made in Canadian Tire and FGL flagship stores, upgrades to the Canadian Tire store network, growth of the FGL network and the development of the Bolton distribution centre.

Digital technology platform investments include upgrades to legacy systems, foundational infrastructure builds within the Winnipeg data centre, core network upgrades, eCommerce platforms, in-store digital experiences and the My Canadian Tire Money program. In 2017, further investment was made in the new big data platform which will offer a more comprehensive view to our business operations and customer interactions across all CTC banners.

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 fiscal 2017, CTC had $1.975 billion in committed bank lines of credit under a five-year senior unsecured, revolving credit agreement with a syndicate of 11 banks dated July 7, 2016. In July 2017, the term of CTC's committed bank lines was extended to July 2022. As at the end of fiscal 2017, CT REIT had $300 million of committed bank lines of credit available under a five-year senior unsecured revolving credit facility with a syndicate of seven banks dated July 20, 2015. In April 2016, CT REIT's bank credit facility was increased from $200 million to $300 million and, in September 2017, the term was extended to September 2022. In 2014, CTB secured $2.25 billion in three-year committed credit facilities from Scotiabank, which were subsequently restructured in 2016. As at the end of fiscal 2017, CTB's Scotiabank credit facilities include a $250 million unsecured revolving credit facility and a $1.5 billion note purchase facility, each dated as of May 8, 2014, and a $500 million note purchase facility dated as of October 12, 2016. In October 2016, CTB extended the term of its revolving credit facility and its $1.5 billion note purchase facility to October 2019 and, in October 2017, CTB further extended the terms of all of its committed Scotiabank credit facilities to October 2020. As at the end of fiscal 2017, Glacier Credit Card Trust ("GCCT"), a special purpose entity that was created to buy and finance undivided co-ownership interests in a revolving pool of Canadian Tire credit card receivables, had a $300 million three-year committed liquidity agreement with a syndicate of five banks dated July 7, 2016, which provides backstop protection to its asset-backed commercial paper program. In July 2017, GCCT's liquidity agreement was amended to extend the term to July 2020. For more information on the Scotiabank note purchase facilities, see section 3.4 entitled "Other Business Developments – Financing Developments – Securitization of Receivables".

Medium Term Notes Program – On June 1, 2015, CTC repaid $300 million of medium term notes that had matured. Medium term notes in the amount of $550 million were outstanding as at the end of fiscal 2017.

In March 2015, CTC announced that it had reached an agreement with holders of its medium term notes issued under the terms of a Trust Indenture dated June 4, 1993 (the "1993 Trust Indenture") to amend the 1993 Trust Indenture to generally harmonize with the terms of the Trust Indenture dated March 14, 2005. The amendments provide the Company with greater flexibility to manage and finance its business. For a full statement and amendments, reference should be made to the Seventh Supplemental Trust Indenture dated March 30, 2015 which is available on SEDAR at www.sedar.com.

CT REIT Unsecured Debentures **–** On June 9, 2015, CT REIT completed the issuance of $350 million aggregate principal amount of senior unsecured debentures in two series under a prospectus supplement to CT REIT's short form base shelf prospectus dated March 5, 2015 (the "2015 Base Shelf Prospectus"). The debenture issuance included $150 million principal amount of series A senior unsecured debentures with a seven-year term and a coupon rate of 2.852 percent per annum and $200 million principal amount of series B senior unsecured debentures with a ten-year term and a coupon rate of 3.527 percent per annum. The 2015 Base Shelf Prospectus allowed CT REIT to sell up to an aggregate amount of $1.5 billion of debt and/or equity securities, including the sale of CT REIT Units by CTC, for a period of 25 months.

On May 31, 2016, CT REIT completed the issuance of $350 million aggregate principal amount of senior unsecured debentures in two series under a prospectus supplement to the 2015 Base Shelf Prospectus. The debenture issuance included $150 million principal amount of series C senior unsecured debentures with a five-year term and a coupon rate of 2.159 percent per annum and $200 million principal amount of series D senior unsecured debentures with a ten-year term and a coupon rate of 3.289 percent per annum.

On April 5, 2017, CT REIT filed with the Canadian securities regulatory authorities a short form base shelf prospectus (the "2017 Base Shelf Prospectus") under which it may sell up to an aggregate amount of $2 billion of debt and/or equity securities, including the sale of CT REIT Units by CTC, for a period of 25 months. On June 13, 2017, CT REIT filed with Canadian securities regulatory authorities a prospectus supplement to the 2017 Base Shelf Prospectus for the issuance of $175 million principal amount of series E senior unsecured debentures with a 10-year term and a coupon rate of 3.469% per annum.

On February 7, 2018, CT REIT completed the issuance of $200 million principal amount of series F senior unsecured debentures under a prospectus supplement to the 2017 Base Shelf Prospectus with a 9.8-year term and a coupon rate of 3.865% per annum. Additional information about CT REIT's debenture offerings can be found under section 3 (General Development of the Business – Financing – Shelf Prospectus, and – Debentures) and section 8 (Indebtedness and Class C LP Units – Debentures) of CT REIT's 2017 Annual Information Form available on SEDAR at www.sedar.com, which is not incorporated herein by reference.

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). As at the end of fiscal 2017, CTB had approximately $1.8 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 fiscal 2017, the amount of retail deposits held by CTB was approximately $640 million.

Securitization of Receivables – CTB sells undivided co-ownership interests in a revolving pool of Canadian Tire credit card receivables to GCCT, a special purpose entity that was created to buy and finance such co-ownership interests. GCCT issues debt to third party investors to fund its purchases of such co-ownership interests, including to Scotiabank pursuant to the note purchase facilities under which Scotiabank has committed to purchase up to $2.0 billion of GCCT notes. The Company and its subsidiaries do 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 the Company's financial statements.

CTB has transferred undivided co-ownership interests in credit card loans receivable to GCCT, but has 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, CTB continues to recognize these assets within loans receivable. As a result, GCCT's liabilities are not liabilities of CTB and GCCT's co-ownership interests in the receivables, which have been sold at law to GCCT, are not available to the creditors of CTB.

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

GCCT is a reporting issuer and information prepared by it may be found on SEDAR at www.sedar.com, which is not incorporated herein by reference. CTB may be considered to be a "promoter" of GCCT within the meaning of applicable Canadian securities legislation.

In 2015, GCCT repaid in full $265 million of asset-backed term notes that matured and issued $500 million of asset-backed term notes. In 2017, GCCT repaid in full $635 million of asset-backed term notes that matured and issued $560 million of asset-backed term notes. As at the end of 2017, GCCT owns an undivided co-ownership interest in a pool of receivables totalling approximately $3.4 billion and GCCT had outstanding approximately $1.8 billion of asset-backed term notes and approximately $91 million of asset-backed commercial paper.

CTB will continue to assess securitization market conditions and may initiate additional sales of ownership interests to GCCT, which will be financed by the issuance of new asset-backed securities or a draw under the Scotiabank note purchase facilities. The type of securities and number of issuances and draws will depend on various factors, including market demand, availability of a sufficient pool of eligible credit card receivables to back the securities, overall financial market conditions, the activities of competitors, and the cost of alternative financing and related services.

Share Repurchase Intention and Normal Course Issuer Bid – In connection with its capital management plan, during 2017 CTC completed its previously announced intention, announced in the fall of 2016, to repurchase $550 million of its outstanding Class A Non-Voting Shares, in excess of the amount required for anti-dilutive purposes. On November 9, 2017, the Company announced its intention to repurchase a further $550 million of its Class A Non-Voting Shares by the end of 2018, subject to regulatory approval.

The Company's repurchases of Class A Non-Voting Shares are completed pursuant to its normal course issuer bid ("NCIB"). CTC's current NCIB commenced on March 2, 2017 and is in effect until March 1, 2018. Under the NCIB, the Company has the ability to purchase up to 6 million Class A Non-Voting Shares by means of open market transactions through the facilities of the TSX and/or alternative trading systems at the market price of the Class A Non-Voting Shares at the time of purchase or as otherwise permitted under the rules of the TSX or securities regulatory authorities. Class A Non-Voting Shares acquired by CTC pursuant to the NCIB are restored to the status of authorized but unissued shares. As of the date hereof, 4,153,505 Class A Non-Voting Shares have been purchased under the NCIB at a weighted average price of $155.37 per share. CTC intends to renew its normal course issuer bid in 2018, subject to TSX acceptance.

4. CAPITAL STRUCTURE

4.1 Description of Capital Structure

The authorized capital of CTC consists of 100,000,000 Class A Non-Voting Shares and 3,423,366 Common Shares, of which 63,066,561 Class A Non-Voting Shares and 3,423,366 Common Shares were issued and outstanding as at December 30, 2017. For additional information with respect to CTC's outstanding share capital, see section 9.0 entitled "Equity" of the MD&A and Note 25 of the notes to CTC's Financial Statements for the year ended December 30, 2017.

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 10, 2018 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.

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 10, 2018. 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, one-fifth of the directors of CTC, calculated to the nearest whole number; (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. Subject to the foregoing, each Class A Non-Voting Share carries one vote. 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. 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 Common Shares and the holders of 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 December 30, 2017, the Class A Non-Voting Shares would represent approximately 94.9% of the aggregate voting rights attached to the Common Shares and 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. 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.

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 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 Class A Non-Voting Shares and the holders of Common Shares shall be paid or distributed equally share for share to the holders of Class A Non-Voting Shares and to the holders of 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 high and low reported trading price and volumes of Common Shares and Class A Non-Voting Shares of CTC on the TSX for each month of the most recently completed fiscal year were as follows:

Common Shares (CTC)

	High ($)	Low ($)	Volume Traded
January 2017	198.74	193.00	5,730
February 2017	205.00	193.09	10,101
March 2017	210.00	201.00	8,094
April 2017	208.95	202.00	4,063
May 2017	235.00	204.00	9,419
June 2017	241.00	230.00	4,199
July 2017	242.00	226.00	3,705
August 2017	243.00	226.60	5,281
September 2017	249.00	226.11	2,642
October 2017	237.70	226.31	4,043
November 2017	238.36	230.00	4,884
December 2017	242.00	231.11	3,265

Class A Non-Voting Shares (CTC.a)

	High ($)	Low ($)	Volume Traded
January 2017	144.86	137.07	3,193,517
February 2017	159.79	137.26	4,211,400
March 2017	158.48	150.23	4,439,551
April 2017	168.00	156.74	3,058,512
May 2017	171.91	150.40	5,668,318
June 2017	156.52	145.36	5,389,519
July 2017	148.67	140.60	3,704,329
August 2017	154.21	140.85	4,678,036
September 2017	158.12	143.62	5,091,413
October 2017	160.88	154.31	3,293,591
November 2017	164.40	155.04	4,120,902
December 2017	165.46	160.69	3,815,300

5. DIVIDENDS

Dividends are declared at the discretion of the Board of Directors of CTC after consideration of earnings available for dividends, financial requirements and other conditions prevailing from time to time. In November 2017, CTC increased its targeted dividend payout ratio to approximately 30% to 40% (previously 25% to 30%) of prior year's normalized earnings, after giving consideration to the period end cash position, future cash flow requirements, capital market conditions, and investment opportunities. Normalized earnings for this purpose exclude non-recurring items but include gains and losses on the ordinary course disposition of property and equipment.

CTC has declared and paid the following dividends on its Common and Class A Non-Voting Shares in respect of the last three years:

Year	Annual Dividend Declared Per Share	Annual Dividend Paid Per Share
2015	$2.1500	$2.1000
2016	$2.3750	$2.3000
2017	$2.8500	$2.6000

On November 8, 2017, the Board of Directors approved an increase in the quarterly dividend per share (on each Common and Class A Non-Voting Share) from $0.650 to $0.900 per quarter, commencing with the dividend to be paid on March 1, 2018.

The dividends declared in 2015, 2016 and 2017 are as follows:

Dividend Amount	Declaration Date	Payable to Holders of Record As Of	Payable Date
$0.525	February 26, 2015	April 30, 2015	June 1, 2015
$0.525	May 14, 2015	July 31, 2015	September 1, 2015
$0.525	August 13, 2015	October 31, 2015	December 1, 2015

Dividend Amount	Declaration Date	Payable to Holders of Record As Of	Payable Date
$0.575	November 12, 2015	January 31, 2016	March 1, 2016
$0.575	February 17, 2016	April 30, 2016	June 1, 2016
$0.575	May 12, 2016	July 31, 2016	September 1, 2016
$0.575	August 4, 2016	October 31, 2016	December 1, 2016
$0.650	November 9, 2016	January 31, 2017	March 1, 2017
$0.650	February 15, 2017	April 30, 2017	June 1, 2017
$0.650	May 11, 2017	July 31, 2017	September 1, 2017
$0.650	August 10, 2017	October 31, 2017	December 1, 2017
$0.900	November 9, 2017	January 31, 2018	March 1, 2018

The 1993 Trust Indenture pursuant to which CTC issued medium term notes due in 2028 and 2034, contains 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. The March 14, 2005 Trust Indenture pursuant to which CTC also issued medium term notes due in 2035 does not contain any restrictions concerning dividend declarations and payment.

6. SECURITY RATINGS

CTC's debt securities have been rated by DBRS Limited ("DBRS") and S&P Global Ratings, acting through Standard & Poor's Ratings Services (Canada), a business unit of S&P Global Canada Corp. ("S&P") as follows (all with a stable outlook):

Security	Rating
Medium Term Notes	DBRS BBB (high)
Medium Term Notes	S&P BBB+

In 2015, at the request of the Company, DBRS and S&P withdrew their respective credit ratings on Canadian Tire's commercial paper program in conjunction with the wind-up of the program.

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, under 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. A 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 are in the fourth highest category and is considered to be of adequate credit quality, with the obligor exhibiting acceptable capacity for the payment of its financial obligations. Companies rated in this category may be vulnerable to future events. Long term debt instruments rated in the BBB category by S&P are in the fourth highest category and exhibit adequate capacity by the obligor, subject to adverse economic conditions, to meet its financial commitments. Adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment.

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

The Company has paid fees to DBRS and S&P to obtain its credit rating and expects to pay similar fees in the future pursuant to the rating agency's services agreements entered into with such credit rating organizations. There have been no other services provided by such credit rating organizations to the Company within the last two fiscal years.

Information regarding the credit ratings applicable to CT REIT can be found under section 11 entitled "Credit Ratings" of CT REIT's Annual Information Form which is not incorporated herein by reference.

7. TRANSFER AGENTS AND REGISTRAR

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

CIBC Mellon Trust Company 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

Members of the Board of Directors

The following table sets out, as of the date hereof, 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:

Name, Province or State and Country of Residence	Year First Elected/Appointed as a Director[1]	Present Principal Occupation[2]
Maureen J. Sabia Ontario, Canada	1985	Non-Executive Chairman of the Board of CTC; President, Maureen Sabia International, a consulting firm; and Corporate Director
Eric T. Anderson Illinois, U.S.A	2016	Hartmarx Professor of Marketing, Northwestern University, Kellogg School of Management and Director of the Centre for Global Marketing Practice
Martha G. Billes Alberta, Canada	1980	President, Tire 'N' Me Pty. Ltd., an investment holding company
Owen G. Billes Ontario, Canada	2004	President, Sandy McTyre Retail Ltd., which operates a Canadian Tire store
Pierre Boivin[3] Quebec, Canada	2013	President and Chief Executive Officer, Claridge Inc., a private investment firm

Name, Province or State and Country of Residence	Year First Elected/Appointed as a Director[1]	Present Principal Occupation[2]
Diana L. Chant Ontario, Canada	2015	Corporate Director
Patrick J. Connolly California, U.S.A	2016	Corporate Director
David C. Court Florida, U.S.A	2015	Corporate Director; and Director Emeritus, McKinsey & Company
Mark E. Derbyshire Ontario, Canada	2016	Corporate Director
John A. F. Furlong British Columbia, Canada	2011	Corporate Director
James L. Goodfellow Ontario, Canada	2010	Corporate Director
Claude L'Heureux Ontario, Canada	2011	President, Gestion Claude L'Heureux, which operates a Canadian Tire store
Donald A. Murray Alberta, Canada	2017	President, Donald A. Murray Holdings Ltd., which operates a Canadian Tire store
Timothy R. Price Ontario, Canada	2007	Chairman, Brookfield Funds, Brookfield Asset Management Inc., an asset management company
Anatol von Hahn Ontario, Canada	2015	Corporate Director
Stephen G. Wetmore Ontario, Canada	2003	President and Chief Executive Officer of CTC

NOTES:

1. Each director of CTC holds office until the next annual meeting of shareholders of CTC or until his or her successor is elected or appointed unless his or her office is earlier vacated in accordance with the by-laws of CTC.

2. Each of the directors of CTC has held the principal occupation indicated opposite his or her name during the past five years except:

   (a) P.J. Connolly, who from July 2014 until July 2016 was Executive Vice-President, Chief Strategy Officer and Business Development Officer, Williams-Sonoma, Inc. and from 2000 to 2014 was Chief Marketing Officer, Williams-Sonoma, Inc.
   (b) D.C. Court, who prior to November 2016 was a Director (Senior Partner) of McKinsey & Company.
   (c) M.E. Derbyshire, who from January 2010 until September 2016 served as President of Holt Renfrew & Co., Limited.
   (d) A. von Hahn, who prior to June 2015 was Group Head, Canadian Banking, Scotiabank.
   (e) S.G. Wetmore, who between December 1, 2014 and July 12, 2016 served as Non-Executive Deputy Chairman of the Board of the Company, prior to December 1, 2014 served as Chief Executive Officer of the Company, and prior to November 7, 2013 served as Chief Executive Officer and President of the Company.

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.

Committees of the Board of Directors

As at the end of fiscal 2017, the Board of Directors had four committees: the Audit Committee, the Management Resources and Compensation Committee ("MRC Committee"), the Governance Committee, and the Brand and Community Committee. The current members of these Committees are as follows:

Audit Committee	MRC Committee	Governance Committee	Brand and Community Committee
D.L. Chant (Chairman)	J.L. Goodfellow (Chairman)	M.J. Sabia (Chairman)	P.J. Connolly (Chairman)
P. Boivin	E.T. Anderson	M.G. Billes	M.G. Billes
D.C. Court	P. Boivin	D.L. Chant	O.G. Billes
J.L. Goodfellow	D.C. Court	P.J. Connolly	M.E. Derbyshire
T.R. Price	M.E. Derbyshire	J.L. Goodfellow	J.A.F. Furlong
A. von Hahn	J.A.F. Furlong	T.R. Price	C. L'Heureux
	A. von Hahn		D.A. Murray

Audit Committee

The Audit Committee Mandate is attached hereto as Annex A. As noted above, the Audit Committee is comprised of Diana L. Chant (Chairman), Pierre Boivin, David C. Court, James L. Goodfellow, Timothy R. Price and Anatol von Hahn. The education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is described below:

Member	Experience
Diana L. Chant, Chairman	Ms. Chant is a corporate director and Fellow of the Chartered Professional Accountants of Ontario with over 30 years' experience providing professional services to Canadian financial institutions and major corporations in a consulting and audit capacity. She was a partner of PricewaterhouseCoopers LLP (PwC) where she was responsible for leading and growing PwC's financial services risk management consulting practice and its financial services industry practice. Over the last decade, Ms. Chant has led numerous engagements for financial institutions in risk management (including market, credit and operational risk), corporate governance and board effectiveness, treasury operations, liquidity management, capital markets trading and operations, compliance and controls, and internal audit. Previously, she was an audit partner with experience in complex accounting, treasury management, public companies, broker dealers and pension funds. Ms. Chant serves on the board of directors and audit committee of Industrial and Commercial Bank of China (Canada) and the board of directors of The Roy Thomson Hall and Massey Hall Foundation and is a member of PwC's investment committee which oversees the investments of the PwC Income Security Program. She has also served as a Governor of The Corporation of Massey Hall and Roy Thomson Hall and Chair of its audit and finance committee.
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 board of directors 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.
David C. Court	Mr. Court is a Corporate Director and Director Emeritus, McKinsey & Company ("McKinsey"). As a former Director (Senior Partner) of McKinsey's Dallas, Texas office Mr. Court led McKinsey's global Technology, Communications and Knowledge practice and also served as a member of the firm's board of directors and global operating committee. He also led McKinsey's functional practices as well as its sales and marketing practice globally. He was also the Managing Director of McKinsey's Dallas office and a leader of McKinsey's retail and consumer practices. While at McKinsey, Mr. Court served clients across a variety of consumer and industry-related businesses in Asia, Europe, Latin America, and the United States. Mr. Court's experience includes helping clients launch eCommerce businesses, leading brand and sub-brand strategies, developing and implementing sales skill-building programs in global companies, and creating new organization approaches for sales and marketing organizations. He is also a director of National Geographic Ventures and has authored various articles and professional publications.
James L. Goodfellow	Mr. Goodfellow is a Chartered Professional Accountant with over 40 years of 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

Member	Experience
	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.
Timothy R. Price	Mr. Price is a corporate director with board and executive experience in a variety of industries, including media, real estate and finance. Mr. Price is the Chairman of Brookfield Funds, Brookfield Asset Management Inc. and the Chairman of The Royal Conservatory of Music. He also serves on the boards of York University Development Corporation, St. Michael's Hospital Foundation and The Shaw Festival, as well as the board and audit committee of Fairfax Financial Holdings Limited. Mr. Price obtained his Chartered Accountant designation in 1970. Throughout his career, Mr. Price has gained extensive experience in performing financial statement analysis and evaluation. He is also a former director and member of the audit committee of Astral Media Inc. and a former director and member of the audit and risk committee of HSBC Bank Canada.
Anatol von Hahn	Mr. von Hahn is a corporate director and a senior international banker with over 30 years of board, chief executive officer and executive management experience in North America, Latin America and Asia. Mr. von Hahn previously served as Group Head, Canadian Banking and Head of Retail Commercial and Small Business in Canada for Scotiabank where he was responsible for defining and implementing strategic direction, goals and values for Canadian Banking and the shared services group, in line with the bank's strategy. Mr. von Hahn joined Scotiabank in 1984 where he held progressively senior positions in both Canadian and international banking, including roles as the Head of Latin America, Scotiabank (2007 to 2009), CEO, Scotiabank Mexico (2000 to 2007) and CEO, Banco Quilmes Argentina (1997 to 2000). In addition, Mr. von Hahn has served as Chairman and a director of several Canadian and international banks and trust companies where he was also a member of and/or chaired the executive, credit and risk, reputational, and crisis management committees. Mr. von Hahn holds a Bachelor of Commerce degree with a major in Accounting from Concordia University and participated in the Advanced Management Program at Harvard University.

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 within the meaning of NI 52-110.

The Audit Committee has a process for approval of services to be provided by its current auditors. The process requires that an annual client services plan be provided to and approved by the Audit Committee prior to commencement of services by the auditors. Any additional 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 in consultation with 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 all pre-approved non-audit 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 following table sets out, as of the date hereof, the names, provinces and country of residence, and present principal occupations of the executive officers of CTC:

Name, Province and Country of Residence	Present Principal Occupation[1]
Maureen J. Sabia Ontario, Canada	Non-Executive Chairman of the Board; President, Maureen Sabia International, a consulting firm; and Corporate Director
Stephen G. Wetmore Ontario, Canada	President and Chief Executive Officer

Dean C. McCann Ontario, Canada	Executive Vice-President and Chief Financial Officer
James R. Christie Ontario, Canada	Executive Vice-President
Mahes S. Wickramasinghe Ontario, Canada	Executive Vice-President and Chief Corporate Officer
Allan A. MacDonald Ontario, Canada	Executive Vice-President, Retail
Eugene O. Roman Ontario, Canada	Executive Vice-President, Digital Excellence and Technology Advisor, CTC
Gregory G. Craig Ontario, Canada	President, Canadian Tire Financial Services
Thomas J. Flood Ontario, Canada	President, FGL Sports
Gregory H. Hicks Ontario, Canada	President, Canadian Tire Retail
Peter J. Czank Alberta, Canada	President, Mark's
Robyn A. Collver Ontario, Canada	Senior Vice-President, Risk and Regulatory Affairs
Rex W. Lee Ontario, Canada	Senior Vice-President and Chief Information Officer
Brian R. McCammond Ontario, Canada	Senior Vice-President, Finance and Treasurer
Robert Mongeau Ontario, Canada	Senior Vice-President, Real Estate
Jane E. Nakamachi Ontario, Canada	Senior Vice-President, Talent
Douglas B. Nathanson Ontario, Canada	General Counsel
Susan M. O'Brien Ontario, Canada	Senior Vice-President, Marketing CTC

NOTES:

1. Each of the executive officers has held the principal occupation indicated opposite his or her name or other positions and offices within CTC, if applicable, during the past five years except:

   (a) J.R. Christie, who prior to October 2013 was a senior partner of Blake, Cassels & Graydon LLP;
   (b) G.H. Hicks, who prior to July 2013, was Principal of Retail Audible Consulting Inc.; and
   (c) M.S. Wickramasinghe, who 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 December 30, 2017, the directors and executive officers of CTC, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 2,101,177 Common Shares of CTC (representing approximately 61.4% of the issued and outstanding Common Shares of CTC) and 847,195 Class A Non-Voting Shares of CTC (representing approximately 1.3% of the issued and outstanding Class A Non-Voting Shares of CTC). The Common Shares held by this group include 2,101,150 Common Shares beneficially owned, controlled or directed by Ms. Billes through two privately held companies, Tire 'N' Me Pty. Ltd. and Albikin Management Inc.

The above figures do not include the Common Shares and Class A Non-Voting Shares held in connection with CTC's Deferred Profit Sharing Plan ("CTC DPSP"), in which certain of CTC's executive officers have rights under CTC's compensation program. One executive officer of CTC also 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 Company's shares held in relation to the CTC DPSP. As a result, as at December 30, 2017, 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 593,410 of the Class A Non-Voting Shares of CTC (representing approximately 0.9% of the issued and outstanding Class A Non-Voting Shares of CTC) held in relation to the CTC DPSP. As at December 30, 2017, the directors and executive officers of CTC, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 77,130 Units of CT REIT (representing approximately 0.1% of the issued and outstanding Units of CT REIT).

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 directors are currently Dealers. CTC is a party to a contract with each such director pursuant to which each operates the retail business of a Canadian Tire store. Mr. Wetmore, the President and Chief Executive Officer of CTC, and Mr. McCann, the Executive Vice-President and Chief Financial 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. The following table sets forth the aggregate fees billed for professional services rendered by Deloitte LLP for the fiscal years ended December 30, 2017 and December 31, 2016, respectively:

	Year Ended December 30, 2017	Year Ended December 31, 2016
Audit Fees(1)	$5,025,000	$4,648,000
Audit-Related Fees(2)	$1,279,000	$596,000
Tax Fees(3)	$97,000	$236,000
All Other Fees(4)	$188,000	$270,000
Total	**$6,589,000**	**$5,750,000**

NOTES:

1. "Audit Fees" are the aggregate fees billed by CTC's external auditors for audit services. In the 2017 fiscal year, these fees include $289,000 related to the audit of CT REIT and $664,000 related to the audit of CTFS Holdings Limited.

2. "Audit-Related Fees" are the aggregate fees billed by CTC's external auditors for assurance and related services that were reasonably related to the performance of the audit or review of CTC's financial statements and were not reported under "Audit Fees" in the table above. In the 2017 fiscal year, these services related to translations, accounting advisory and due diligence on various projects.

3. "Tax Fees" include the aggregate fees billed by CTC's external auditors for professional services related to tax compliance, tax advice and tax planning. In the 2017 fiscal year, these services related primarily to tax advice in connection with foreign operations and the Canadian tax implications thereof, transfer pricing, tax compliance, and tax planning.

4. "All Other Fees" are aggregate fees billed by CTC's external auditors for services, other than the services reported under "Audit Fees", "Audit-Related Fees" and "Tax Fees" in the table above. In the 2017 fiscal year, these services related to various consulting projects.

10. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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 2017, (i) there have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority, (ii) there have been no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and (iii) the Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

11. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, principal holders of 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 11, 2017, which is available on SEDAR at www.sedar.com. Additional financial information is provided in CTC's Consolidated Financial Statements and MD&A for the financial year ended December 30, 2017, which are also available on SEDAR at www.sedar.com. Other information relating to CTC may also be obtained on SEDAR at www.sedar.com.

12. FORWARD LOOKING INFORMATION

This Annual Information Form contains "forward-looking information" within the meaning of applicable securities legislation that reflects management's current expectations relating to matters such as future financial performance and operating results of CTC including all entities controlled by it and their collective businesses, unless the context otherwise requires. Specific forward-looking statements included in this Annual Information Form include, but are not limited to, statements with respect to:

Section 2 – Description of the Business
- Canadian Tire Marketing on pages 4 to 5;
- Canadian Tire Distribution on page 5;
- FGL Competitive Conditions on page 10;
- Consumer Brands Division on pages 12 to 13;
- Foreign Operations on page 16; and
- Environmental Sustainability on page 20;

Section 3 – General Development of the Business
- General Development of the Business on pages 21 to 22;
- Retail Business Developments – Canadian Tire on pages 22 to 25;
- CT REIT Business Development on pages 27 to 28; and
- Share Repurchase Intention and NCIB on pages 30 to 31;

Section 6 – Security Ratings
- Security Ratings on pages 34 to 35; and

Section 10 – Legal Proceedings and Regulatory Actions
- Legal Proceedings and Regulatory Actions on page 41.

Forward-looking statements provide information about management’s current expectations and plans and allow 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.

Certain statements included or incorporated by reference in this Annual Information Form 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 material assumptions and management’s beliefs, which may prove to be incorrect include, but are not limited to, the effectiveness of certain performance measures, current and future competitive conditions and CTC’s position in the competitive environment, expectations around CTC’s core capabilities and the availability of sufficient liquidity to meet CTC’s contractual obligations. Although CTC believes that the forward-looking information in this Annual Information Form is 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, but may cause actual results to differ from the results expressed by forward-looking information, 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, Dealers, Canadian Tire Petroleum retailers and Mark’s and FGL 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 owned brands, or CTC’s financial products and services; (d) CTC’s margins and sales and those of its competitors; (e) the changing consumer preferences and expectations related to eCommerce, online retailing, and the introduction of new technologies; (f) the possible effects on our business from international conflicts, political conditions and developments, including changes relating to or affecting economic or trade matters; (g) risks and uncertainties relating to information management, technology, cyber threats, property management and development, environmental liabilities, supply chain management, product safety, changes in law, regulation, competition, seasonality, weather patterns, commodity prices and 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; (h) CTC’s capital structure, funding strategy, cost management programs and share price; and (i) 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 entitled “Risk Factors” and also in the following sections of CTC’s MD&A for the year ended December 30, 2017: sections 7.2.4 entitled “Retail Segment Business Risks”, 7.3.2 entitled “CT REIT Segment Business Risks” and 7.4.3 entitled “Financial Services Segment Business Risks” and all subsections thereunder. For more information, please also refer to CTC’s public filings available on SEDAR at www.sedar.com and at www.corp.canadiantire.ca.

CTC cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this Annual Information Form is based on certain factors and assumptions as of the date hereof and does 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. 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 (other than CTC’s profile on SEDAR at www.sedar.com) does not form part of this Annual Information Form 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.

ANNEX A

CANADIAN TIRE CORPORATION, LIMITED
AUDIT COMMITTEE MANDATE

The Board of Directors (the "Board") of Canadian Tire Corporation, Limited (the "Corporation") has established the Audit Committee (the "Committee").

This mandate (the "Mandate") sets out the Committee's purpose, composition, member qualifications, member appointment and removal, responsibilities, operations, manner of reporting to the Board, requirement for an evaluation of this Mandate and the Committee, and certain other items. 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.

1. <u>Purpose of the Committee</u>

The purpose of the Committee is to assist the Board in fulfilling its oversight accountabilities with respect to:

(a) financial reporting and disclosure including gaining reasonable assurance as to:

- (i) the integrity of the financial statements of the Corporation and the soundness of the Corporation's accounting principles and significant judgments;
- (ii) the compliance by the Corporation with legal, regulatory and other requirements relating to its financial statements and disclosures;
- (iii) the adequacy and effectiveness of the Corporation's internal financial and disclosure control systems and procedures and the sufficiency of periodic testing thereof;
- (iv) the effectiveness of oversight functions including the Corporation's internal audit and risk management functions; and
- (v) the qualifications, independence and performance of the Corporation's external auditor.

(b) the development and implementation of a comprehensive enterprise risk management policy and enterprise risk management program that appropriately identify, assess, monitor and manage the Corporation's risks; and

(c) legislative and regulatory compliance, including gaining reasonable assurance that the business and affairs of the Corporation are conducted in a manner that limits the exposure of the Corporation, its directors and employees to financial penalties or civil or criminal liability or to issues that may negatively impact the reputation of the Corporation.

2. <u>Composition of the Committee</u>

(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) One of the Committee members shall be designated by the Governance Committee as the Committee Chairman.

3. Member Qualifications

All members of the Committee shall be financially literate which requires that all Committee members 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. Member Appointment and Removal

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.

5. 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:

(i) 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 ("GAAP"); and

(ii) 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.

6. Approval of Non-Audit Services

(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 shall 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.

7. Responsibilities of the Committee

To fulfill its responsibilities and duties, the Committee shall:

(a) Financial Reporting

(i) 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 "MD&A"), the Annual Information Form and CEO/CFO 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;

(ii) review the external auditors' reports on their review of the annual and quarterly financial statements;

(iii) review a copy of the representation letter provided to the external auditors from management and any additional representations required by the Committee;

(iv) review and, if appropriate, recommend to the Board for approval all public disclosure documents containing material audited or unaudited financial information, including the Annual Information Forms, the annual and interim MD&As, 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 and rights offering circulars; in circumstances where events render it impractical for the Board or the Audit Committee to review any such news releases with management prior to issuing or filing such news releases, authority to review and approve such news releases may be exercised by the Chairman of the Audit Committee and the Chairman of the Board, acting together;

(v) review and, if appropriate, recommend to the Board for approval all prospectuses, take-over bid circulars, issuer bid circulars and directors' circulars;

(vi) 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

(vii) 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.

(b) Accounting Policies

(i) review with management and the external auditors the appropriateness of the Corporation's accounting policies and principles, disclosures, reserves, key estimates and judgments, including changes or variations thereto and obtain reasonable assurance that they are presented fairly in accordance with GAAP, and report thereon to the Board;

(ii) 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

(iii) review with management and the external auditors the degree of conservatism of the Corporation's underlying accounting policies, key estimates and judgments and reserves.

(c) Internal Control over Financial Reporting

(i) satisfy itself that the Corporation has designed and maintains a system of internal control over financial reporting ("ICFR") and an appropriate control environment to provide reasonable assurance over the reliability of financial reporting;

(ii) satisfy itself that the Chief Executive Officer and the Chief Financial Officer have conducted an annual evaluation of the effectiveness of ICFR and disclosed in the annual MD&A their conclusions about the effectiveness of ICFR;

(iii) review the plans of the executive who manages the internal audit function (the "Internal Auditor") and the external auditors with respect to ICFR; and

(iv) receive regular reports from management, the Internal Auditor and the external auditors on the effectiveness of ICFR, including any indication of fraud and the corrective activity undertaken in respect thereto.

(d) Disclosure Controls and Procedures

(i) satisfy itself that management has designed and maintains a system of disclosure controls and procedures ("DC&P") to provide reasonable assurance that information required to be disclosed by the Corporation in its continuous disclosure or other filings under securities legislation is recorded, processed, summarized and reported appropriately;

(ii) satisfy itself that the Chief Executive Officer and the Chief Financial Officer have conducted an annual evaluation of the effectiveness of DC&P and disclosed in the annual MD&A their conclusions about the effectiveness of DC&P; and

(iii) receive regular reports from management, the Internal Auditor and the external auditors on the effectiveness of DC&P, including any indication of fraud and the corrective activity undertaken in respect thereto.

(e) Other Financial Matters

(i) prior to the declaration 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;

(ii) 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; and

(iii) reviewing and approving the adequacy of insurance coverages maintained by the Corporation and reporting thereon to the Board.

(f) Risk Management

(i) annually review and recommend to the Board for approval the principal risks of the Corporation; and

(ii) recommend to the Board a comprehensive enterprise risk management policy and report to the Board on the enterprise risk management program established by management.

(g) Compliance with Laws and Regulations

(i) review regular reports from management with respect to the Corporation's compliance with laws and regulations having a material impact on the Corporation's financial statements and financial condition including:

(A) tax and financial reporting laws and regulations;

(B) tax withholding requirements;

(C) requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure; and

(D) other laws and regulations which expose directors to liability;

(ii) review the status of the Corporation's tax filings and assessments and those of its subsidiaries;

(iii) review and recommend to the Board for its approval 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 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 behaviour or other breaches of the Code of Business Conduct;

(iv) 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;

(v) 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; and

(vi) 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.

(h) Compliance with Policies

(i) 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 issued 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

(ii) review and recommend to the Board for approval proposed changes to all Board level policies that manage financial risk from time to time.

(i) Relationship with External Auditors

(i) recommend to the Board the nomination of the external auditors;

(ii) approve the terms of engagement of and, subject to the approval of the shareholders authorizing the Board to do so, determine the remuneration to be paid by the Corporation to the external auditors with respect to the conduct of the annual audit, and report thereon to the Board;

(iii) if necessary, recommend the removal by the shareholders of the current external auditors and replacement with new external auditors;

(iv) review the performance of the external auditors annually or more frequently as required;

(v) 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;

(vi) 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;

(vii) 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;

(viii) 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;

(ix) 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;

(x) 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;

(xi) 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;

(xii) oversee the work of the external auditors and the resolution of disagreements between management and the external auditors with respect to financial reporting; and

(xiii) 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.

(j) Internal Auditor

(i) review and approve the Internal Auditor's terms of reference;

(ii) review and approve the annual plan of the Internal Auditor;

(iii) 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;

(iv) review and approve the reporting relationship of the Internal Auditor to ensure that independence and objectivity are maintained and that the Internal Auditor is aware of his or her obligation to report directly to the Committee on matters affecting the Committee's duties, irrespective of his or her other reporting relationships; and

(v) approve the appointment, replacement, reassignment or dismissal of the Internal Auditor, and review the terms of the Internal Auditor's compensation.

(k) Other Key Responsibilities

(i) 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;

(ii) 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, including consultants and systems;

(iii) review in advance the appointment of the Corporation's Chief Financial Officer, the Controller and the Treasurer of the Corporation;

(iv) investigate any matters that, in the Committee's discretion, fall within the Committee's duties;

(v) review periodic reports from the Internal Auditor on its review of compliance with the Corporation's Code of Business Conduct and other applicable policies;

(vi) review and approve the Corporation's policy with respect to the hiring of partners, employees and former partners and employees of the current and former external auditors, in compliance with the external auditor's independence guidelines;

(vii) establish and periodically monitor procedures for (1) the confidential receipt, retention and treatment of complaints received by the Corporation regarding the Corporation's accounting, internal accounting controls or auditing matters, and (2) the confidential anonymous submission, retention and treatment of concerns by employees regarding questionable accounting or auditing matters, and require that all such matters be reported to the Committee together with a description of the resolution of the complaints or concerns;

(viii) in consultation with management and the external auditors, schedule continuing education opportunities on important financial topics;

(ix) annually review and approve a report of the Committee's activities for inclusion in the Corporation's management information circular; and

(x) perform such other responsibilities and duties that are delegated by the Board to the Committee pursuant to the "Delegation of Board Duties to Committees".

8. <u>Operating Procedures</u>

(a) The Committee shall meet four times annually and as many additional times as necessary 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.

(b) 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.

(c) The Committee Chairman shall develop the agenda for all meetings of the Committee as well as an annual work plan responsive to the Committee's responsibilities as set out in this Mandate and its strategic priorities, all in consultation with Committee members, management and the external auditors, as appropriate.

(d) Unless the Committee otherwise specifies, the Secretary of the Corporation (or his or her designate) shall act as secretary of the meetings of the Committee, and minutes shall be kept for each Committee meeting.

(e) The Committee Chairman shall conduct all meetings of the Committee at which he or she is present. In the absence of the Committee Chairman, the Committee members shall appoint an acting Chairman.

(f) 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.

(g) The Chairman of 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.

(h) A copy of the minutes of each meeting of the Committee shall be provided to each Director.

9. <u>Operating Principles</u>

(a) 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.

(b) 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.

(c) 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.

10. <u>Reporting to the Board</u>

The deliberations, decisions and recommendations of the Committee, including with respect to the most significant matters discussed by the Committee, shall be reported to the Board at the Board's next regular meeting.

11. Evaluation and Assessment of this Mandate, the Committee and its Compliance with this Mandate and the Chairman's Position Description

(a) Every three years, the Committee shall review and assess the appropriateness of this Mandate 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 to the Governance Committee for recommendation to the Board for its approval, except for minor technical amendments to this Mandate, 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.

(b) Every two years, the Committee shall conduct a review and evaluation of the Committee's performance including its ability to meet the requirements of this 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.

(c) The Committee shall develop and recommend to the Governance Committee a position description for the Chairman of the Committee. Every three years, the Committee shall review and update as necessary the Chairman's position description and recommend any changes thereto to the Governance Committee for its approval.

12. Advisors

The Committee may at the expense of the Corporation retain and terminate external advisors having particular expertise for the purposes of fulfilling its Mandate, and shall be entitled to rely in good faith upon any report by any advisor. The Committee shall also have the authority to approve the proposed fees of these external advisors and any other terms of engagement.

APPENDIX A
Board Level Policies

Financial Risk Management Board Policy
Legal Risk Management Board Policy
Financial Reporting Board Policy
Enterprise Risk Management Board Policy
Business Continuity Board Policy
Ethical Business Conduct Board Policy