CANADIAN TIRE CORPORATION, LIMITED

2011 Annual Information Form

MARCH 15, 2012

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

This Annual Information Form and the documents incorporated herein by reference contain forward-looking information that reflects management's current expectations related to matters such as future financial performance and operating results of the Company. Forward-looking information is provided for the purpose of making available information about management's current expectations and plans and allowing investors and others to better understand the Company's anticipated potential financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

All statements other than statements of historical facts included in this Annual Information Form and the documents incorporated herein by reference may constitute forward-looking information, including, but not limited to, statements concerning management's expectations relating to possible or assumed future prospects and results, the Company's strategic goals and priorities, its actions and the results of those actions, and the economic and business outlook for the Company. Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms, variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made.

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

The key risks and uncertainties, and the material factors and assumptions applied in preparing forward-looking information, that could cause actual results to differ materially from predictions, forecasts, projections, expectations or conclusions are discussed in the "Risk Factors" section of this Annual Information Form and also in the following sections of the Company's Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2011: sections 7.5.1.2 (Retail Segment business risks) and 7.5.2.2 (Financial Services Segment business risks) and all subsections thereunder. For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, please also refer to the Company's public filings available at www.sedar.com and at www.corp.canadiantire.ca.

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

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

ANNUAL INFORMATION FORM

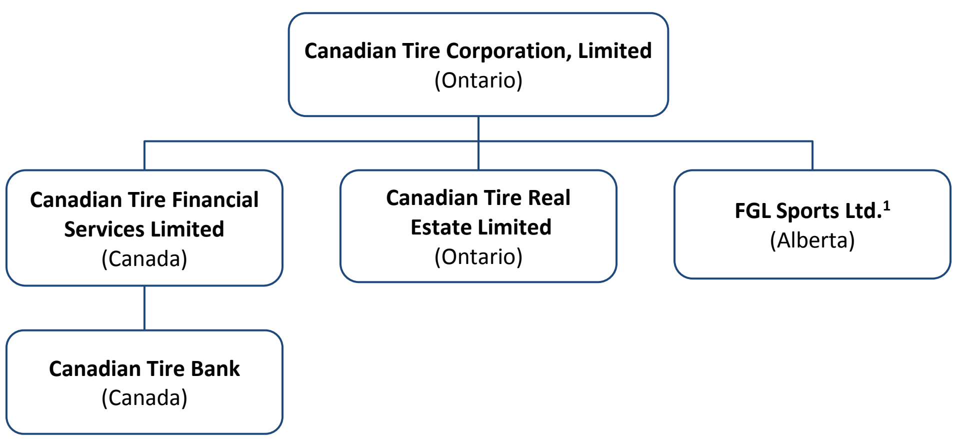
CANADIAN TIRE CORPORATION, LIMITED

Unless otherwise specified herein, the information in this Annual Information Form is presented as at December 31, 2011 (the last day of the Company's most recently completed financial year) and all dollar amounts are expressed in Canadian dollars.

1. CORPORATE STRUCTURE

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

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



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

1. The Company established FGL AcquisitionCo Ltd. ("AcquisitionCo") on May 6, 2011 for the purpose of acquiring all of the issued and outstanding common shares of The Forzani Group Ltd. ("Forzani"). AcquisitionCo acquired 97% of the issued and outstanding common shares of Forzani on August 18, 2011 and acquired the remaining issued and outstanding common shares on August 25, 2011. As of December 31, 2011, the largest asset of AcquisitionCo was the common shares in Forzani. Effective as of January 1, 2012, AcquisitionCo and Forzani were amalgamated and the name was changed to FGL Sports Ltd.

2. GENERAL DEVELOPMENT OF THE BUSINESS

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

Over the past three financial years, the Company has focused on the following key areas to drive sustainable growth and achieve long-term financial targets:

1) *Strengthen core retail* – growing the Company's retail business through a customer centric approach;
2) *Align all business units to reinforce core retail* – operating as "one company";
3) *Build a high-performing organization* – establishing a corporate culture of continuous improvement; and
4) *Create new platforms for growth* – identifying and evaluating new growth opportunities.

Please see section 5.0 (Strategic objectives) of the MD&A in the Company's 2011 Annual Report for additional information about the Company's strategic objectives.

2.1 Retail Business Segment

Canadian Tire Retail

The Company's Canadian Tire® branded retail business ("CTR") includes its automotive business line (including PartSource and Canadian Tire Petroleum) and its "Living", "Fixing" and "Playing" business lines. During the past three years, CTR has continued its "CTR Change" program, a multi-year initiative aimed at improving and upgrading the Company's marketing and merchandising capabilities, by enhancing the systems, processes and operational and organizational structures that support them. The CTR Change program has included the introduction of a new pricing system, the implementation of systems for financial planning in the merchandising area and a system for vendor engagement. In addition, the promotion planning process was significantly streamlined and new capabilities have been introduced.

CTR continued its "Concept Renewal" program over the last three years. The purpose of the program is to renew the CTR store network through building, replacing, retrofitting or expanding Canadian Tire stores. The following table shows the number of Canadian Tire stores that the Company built, replaced, retrofitted or expanded in 2009, 2010 and 2011 respectively:

	2009	2010	2011
New Builds	5	6	4
Replacements	5	3	5
Retrofits/Expansions	29	61	61

The Company intends to continue its store improvement program in 2012 with plans for 4 new builds, 5 replacements and 100 retrofits/expansions.

A key driver of the Store Improvement program is the continued rollout of the "Smart" store format which highlights CTR's category strength in key heritage businesses (Tools, Automotive, Sports, Housewares, Hardware and Backyard) and provides an improved customer experience with various value-added services. The success of the Smart store rollout has been augmented by CTR's operational excellence program which further improves in-store operations. The operational excellence program was introduced in 34 Smart stores in 2009, 67 Smart stores in 2010 and 66 Smart stores in 2011. As of the end of 2011, there were 169 Smart stores in operation. Also in 2011, a new Automotive Concept format was launched in four stores that feature a combination of merchandising changes, new customer facing technology, additional employee training programs on the retail floor and auto service area and quick lube services automotive service.

CTR continued its rollout of the "Small Market" format used to replace existing small, traditional stores in their markets and to allow CTR to enter incremental markets. Small Market stores incorporate a Mark's outlet and a Canadian Tire Petroleum ("Petroleum") gas bar where feasible. By the end of 2011, the Company had opened 14 Small Market stores.

In February 2012, the Company launched the new Canadian Tire 'Money' Advantage program, a redesigned and enhanced loyalty program operating in a pilot phase in Nova Scotia.

The Company also intends to continue discussions with representatives of its Dealers on a new form of contract to be signed by individual Canadian Tire Dealers. The current Dealer contracts are set to expire on June 30, 2014 (subject to a renewal term).

Automotive, including PartSource and Petroleum – In 2010, as part of its strategy to strengthen its core automotive business, CTR combined the strengths and resources of all aspects of its automotive business across all business units and functions (including PartSource, Petroleum, automotive hard parts, accessories, service centres and tires) to enable a clear focus and leadership structure to drive growth in this core business.

Over the past three years, CTR continued its Automotive Infrastructure initiative that is intended to strengthen the Company's automotive businesses and improve the automotive customer experience at Canadian Tire and PartSource stores. The initiative is comprised of three primary components: (i) significantly expanding the automotive parts assortment and replacing aging assortment planning technology with the best commercially available decision rule and predictive modeling based solution; (ii) upgrading CTR's automotive retail operating systems by replacing legacy-based 'green screen' applications with windows-based automotive management software, parts application and data management technology to drive an improved customer experience; and (iii) creating a network of PartSource hub stores ("Hub Stores") across Canada to enhance supply of auto parts at the local market level and training CTR front-line automotive staff on associated new processes. To advance these goals, the Company's distribution facilities have been retrofitted to accommodate 50,000 - 60,000 automotive stock-keeping units ("SKUs") and, as of the end of 2011, carry an auto parts assortment in excess of 55,000 SKUs. Canadian Tire Automotive has also undertaken work during 2010 to improve assortment planning capabilities which will provide the basis upon which to deliver an improved customer experience. In 2011, the Company expanded in-store tire selection kiosks to include online tire purchasing and special ordering, and launched a national Canadian Tire Automotive catalogue.

The Company has continued to invest in new technology and supply chain infrastructure and has expanded warehouse capacity of designated PartSource stores across Canada to drive growth at CTR and PartSource. PartSource is currently used by approximately 210 Canadian Tire stores for emergency auto parts service. PartSource has also developed Hub Stores, which are larger than traditional PartSource stores and are designed to provide a broader assortment of automotive parts to serve both CTR and PartSource customers on an "as needed" basis. PartSource has continued to focus on increasing the number of its corporate stores by building or acquiring new corporate stores and converting franchised stores to corporate stores when the opportunity arises. Of the 87 PartSource branded stores (including Hub Stores), 62 are corporate stores and 25 are franchise locations.

Petroleum has also continued the execution of its plans over the past three years, which has included opening new gas bar sites, re-branding gas bar sites of competitors, retrofitting convenience stores to a new convenience store design and upgrading and building new gas bar kiosks. Over the past three years, Petroleum opened 29 new gas bars, replaced 9 gas bars and refurbished 17 existing gas bars. In 2010, Petroleum entered into an agreement to build and operate 23 state-of-the-art service centres, of which fourteen such service centres were in operation as of December 31, 2011. These service centres are located along Ontario highways (Highway 401 and Highway 400) and feature a Canadian Tire gas bar and an associated convenience store. As of the end of 2011, 289 gas bars, 283 convenience stores and kiosks, 76 car washes, six vehicle lubrication facilities and 89 propane stations carried the Canadian Tire brand. All of the gas bars are operated by independent agents pursuant to agreements governing the sale of petroleum products using the Canadian Tire name and logo.

Living, Fixing, Playing – CTR has built market share in key categories within its "Living", "Fixing" and "Playing" lines of business, with the result that it currently holds a leading market position in the majority of its lines of business Over the past three years CTR continued to consolidate its different private label brands into a better-defined group of brands by growing the product assortment and exposure of key brands. Building on its success from prior years in the home organization solutions and products area, CTR also continued to focus on organization solutions and expanded the presence and impact of storage and organization assortments. CTR grew its fitness segment through expanded store presence, a balanced emphasis between equipment and accessories and consistent promotional activity. In 2010, CTR commenced a new integrated marketing initiative to build the backyard segment, which included the introduction of the "Make the Most of your Backyard" program. In addition, as part of its focus on hockey merchandising, CTR entered into sponsorship arrangements in 2010 with the National Hockey League® and with all-star hockey player Jonathan Toews. The sponsorship includes the launch of The Canadian Tire Hockey School™ and the naming of Mr. Toews as founding member and official spokesperson of the school. In 2011, Canadian Tire introduced a focused assortment of major appliances under the Inglis® and Amana® brand to its national program offering. In addition, CTR tested a new strategy for its "Living" line of business and introduced a hunting pro shop concept into a limited number of stores on a test basis. In 2012, CTR will expand its hunting pro shop concept test and introduce a fishing pro shop concept on a test basis.

FGL Sports

FGL Sports, formerly known as The Forzani Group Ltd., was acquired by the Company in August 2011. Please see section 2.4 of this Annual Information Form entitled "Significant Acquisitions" for additional information on the acquisition of FGL Sports. During 2012, FGL Sports will focus on continuing to drive sales, expanding its successful "store within a store" concept, seeking innovative new ways to connect with customers and realizing the synergies identified during the acquisition.

Mark's Work Wearhouse

During the past three years, Mark's Work Wearhouse ("Mark's") has continued to build its brand by pursuing its strategic initiatives including: store network expansion, where possible with Mark's® stores integrated with Canadian Tire stores; development of its three major categories (industrial wear, men's wear and women's wear); gross margin rate improvement through better sourcing and improved gross margin management tools; expansion of its business-to-business sales through its Imagewear division; and development of consumer awareness of the Mark's brand and the Mark's "Clothes that Work®" and "Smart Clothes, Everyday Living®" messages.

In 2009, Mark's opened 11 new corporate stores (including one temporary clearance centre), relocated nine corporate stores and one franchise store, expanded two corporate stores and one franchise store, and opened three mobile stores. In 2010, to evolve its brand, Mark's began testing the next generation of stores designed to showcase its ever-evolving assortments of innovative apparel. The test involved 26 stores in three metropolitan markets. During 2010, Mark's opened eight new corporate stores and one new franchise store, relocated two corporate stores and expanded two corporate stores. Five of the new Mark's stores were co-located in Canadian Tire stores. In 2011, Mark's rebranded a further 16 stores, opened five new corporate stores, relocated five corporate stores, renovated one corporate store, expanded one corporate store, bought back two franchise stores and closed three corporate stores. Three of the new Mark's stores and one of the relocated Mark's stores were co-located in Canadian Tire stores. As of December 31, 2011, there were 385 Mark's stores (343 corporate and 42 franchise stores), of which 61 were co-located within Canadian Tire stores. In Quebec, Mark's corporate and franchise stores operate under the name "L'Equipeur®". Mark's intends to continue to implement its new store format through 2012.

2.2 Financial Services Segment

The Financial Services segment is comprised of CTFS and CTB. During the past three years, Financial Services has continued to strengthen its Canadian Tire branded credit card portfolio by focusing on credit card growth through increasing average account balances and acquiring new accounts. During 2010, CTB expanded its deferred payment program and in 2011 introduced its equal payment program whereby certain products available in CTR stores are offered on an installment basis over a 12 month term. In 2011, Financial Services also launched a home services program which initially was limited to garage door opener installation services. Financial Services intends to expand the array of products and services offered through its home services program in 2012.

CTB's retail banking business has also evolved during the past three years. Retail Banking commenced as a pilot project through which high interest saving accounts, GICs and residential mortgages were offered in certain pilot markets. CTB subsequently introduced tax free savings accounts in which CTB retail deposit products can be held. In 2009, CTB sold its portfolio of mortgages to National Bank for $162.2 million and expanded the offering of its deposit products nationally except in Quebec.

2.3 Financing of the Company

The Company intends to continue to fund its growth through a combination of financing sources including internal cash generation; GICs offered through deposit brokers; retail deposits including high interest savings accounts and GICs (both of which can be held in tax free savings accounts); securitization of credit card receivables; and accessing the public and private financial markets, as appropriate. Additional information concerning the Company's financing sources can be found under section 8.3 (Financing) of the MD&A in the Company's 2011 Annual Report.

Committed Bank Lines of Credit - As of December 31, 2011, the Company had $1.37 billion in committed bank lines of credit, $1 billion of which is available under a two-year syndicated credit agreement dated June 9, 2009 and last amended April 26, 2011. The syndicated credit facility is available to the Company until June 2013 and can be extended by mutual agreement for an additional 364 day period in June 2012. The remaining lines of credit have been established pursuant to bi-lateral credit agreements that are available to the Company until late 2012. At the end of each quarter, the Company has the ability to request an extension of each of the bi-lateral credit agreements each quarter for an additional 90 day period.

Medium Term Notes Program - In April 2009, the Company filed a shelf prospectus with the securities regulatory authorities in each province and territory of Canada. The prospectus allowed the Company to issue medium term notes up to an aggregate amount of $750 million. On June 1, 2009, the Company issued $200 million in seven-year medium term notes at a rate of 5.65% per annum pursuant to the shelf prospectus. On October 22, 2009, the Company redeemed all $150 million of outstanding 12.10% debentures scheduled to mature on May 10, 2010. On October 1, 2010 the Company repaid $300 million of maturing three year medium term notes with a rate of 5.22%. In March 2011, the Company's public medium term note program was continued for a further 25-month period under a shelf prospectus filed with the securities regulatory authorities in each province and territory of Canada. The prospectus allows the Company to issue medium term notes up to an aggregate amount of $750 million. The Company has not issued any medium term notes pursuant to the March 2011 shelf prospectus. Medium term notes in the amount of $1.05 billion were outstanding as of December 31, 2011.

CTB Deposit Products – Deposit products are a funding source available to CTB. As a member of the Canada Deposit Insurance Corporation ("CDIC"), CTB's GIC and retail deposit products are eligible for CDIC insurance coverage. CTB's GICs are offered in one-month to five-year terms and all issued broker GICs are non-redeemable prior to maturity (except in certain limited circumstances). By the end of 2011, CTB had approximately $1.63

billion in short and long-term broker GIC deposits outstanding. Retail deposits consist of High Interest Savings Accounts and retail GIC deposits. At the end of 2011, the amount of retail deposits held by CTB was in excess of $687 million. Retail deposits provide another alternative, cost-effective funding source to credit card securitization and broker deposits.

Securitization of Receivables – Securitization of receivables is a funding source available to CTB. CTB sells undivided co-ownership interests in a revolving pool of Canadian Tire MasterCard credit card receivables to Glacier Credit Card Trust® ("GCCT"). CTB acts as servicer of the receivables subject to the co-ownership interest and is obligated to use its best efforts to service and administer the receivables and the proceeds therefrom. However, GCCT is not owned or controlled by the Company and GCCT's recourse in connection with the receivables is generally limited to CTB's and CTFS's earned and unearned income on the receivables and any contractual recourse it may have against those entities. GCCT is a reporting issuer and information prepared by it, which information is not incorporated by reference into the continuous disclosure of the Company, may be found on SEDAR at www.sedar.com. CTB assumed the rights and obligations of Financial Services' in organizing GCCT and, as such, may be considered to be a "promoter" of GCCT within the meaning of the securities legislation of certain provinces of Canada.

In 2009, $625 million of five-year GCCT-issued Senior and Subordinated Asset-Backed Notes matured and were repaid in full by GCCT. In 2010, GCCT repaid in full $365 million of five-year GCCT-issued Senior and Subordinated Asset-Backed Notes that matured and issued Senior and Subordinated Asset-Backed Notes resulting in net proceeds of approximately $265 million. In 2011, GCCT repaid in full $317 million of five-year GCCT-issued Senior and Subordinated Asset-Backed Notes that matured and did not issue any Senior and Subordinated Asset-Backed Notes. During 2011, GCCT issued $200 million of Asset-Backed Commercial Paper. At the end of 2011, GCCT's undivided co-ownership interests in the pool of receivables totaled approximately $1.5 billion and GCCT had outstanding approximately $1.2 billion of Senior and Subordinated Asset-Backed Promissory Notes and approximately $303 million of Asset-Backed Commercial Paper.

While no GCCT term notes will mature in 2012, $635 million in GCCT term notes will mature in early 2013. CTB will continue to assess securitization market conditions and may initiate additional sales of ownership interests to GCCT so that GCCT can structure and bring to market new issues of asset-backed securities. The type of securities and number of issues offered will depend on various factors, including market demand; availability of sufficient and appropriate pools of credit card receivables to back the securities; overall financial market conditions; the activities of competitors; and the cost of alternative financing and related services.

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

2.4 Significant Acquisitions

On May 9, 2011, the Company announced its intention to acquire all of the issued and outstanding common shares of The Forzani Group Ltd. On August 18, 2011, the Company acquired control of Forzani for total consideration of $800 million. On that date, the Company took up approximately 97 per cent ownership of the issued and outstanding common shares of Forzani and acquired the remaining issued and outstanding common shares of Forzani on August 25, 2011. The acquisition was financed by a combination of cash on hand and short term financing. The Forzani Group Ltd was renamed FGL Sports Ltd. on January 1, 2012. The Company was not required to file a Form 51-102F4 in respect of the acquisition. Additional information on the acquisition of FGL Sports is provided in section 8.2.2 (Business acquisition) of the MD&A in the Company's 2011 Annual Report.

3. DESCRIPTION OF THE BUSINESS

3.1 Retail Business Segment

Canadian Tire Retail

Canadian Tire Retail is one of Canada's most shopped general merchandise retailers. CTR offers consumers approximately 114,500 SKUs of auto parts and accessories, sports and leisure products and home products through Canadian Tire stores located throughout Canada which are operated by independent third-party operators known as Dealers. Dealers are retailers who own the fixtures, equipment and inventory of, and are responsible for the store staff and operating expenses for, the Canadian Tire stores they operate. There are 488 Canadian Tire stores operated by 482 Dealers. CTR supports Dealers with marketing, supply chain management, purchasing, administrative, financial and information services. Real estate and construction services required by CTR are primarily provided by CTREL. Further information as to recent and proposed activities of CTR is included in section 5.1 (Strategic objectives and initiatives) of the MD&A in the Company's 2011 Annual Report.

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

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

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

The Company's website, available at www.canadiantire.ca, has become a significant source for consumers for product information, providing broad access to information about the CTR assortment, including up-to-date product features, benefits and pricing. In 2011, the Company launched its online e-commerce capability for tires and wheels**.** As of December 31, 2011, over 44,000 product descriptions were posted on the Company's website.

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

A unique feature of Canadian Tire's marketing program is the issuance of its well known Canadian Tire 'Money'®, which is given to customers paying by cash, cheque, debit card, traveller's cheque, Canadian Tire gift card or Canadian Tire 'Money' award at Petroleum outlets and Canadian Tire stores. The Canadian Tire 'Money' awards may be used as a cash substitute for future purchases of merchandise and services at Canadian Tire stores. In addition, the Company operates the Canadian Tire 'Money' on the Card® loyalty program which provides electronic-based Canadian Tire 'Money' awards to customers who use the Canadian Tire Options® and Canadian Tire retail credit cards to purchase merchandise and services at Canadian Tire stores and Petroleum outlets. For customers who use a Canadian Tire Options credit card, Canadian Tire 'Money' on the Card is also earned on world-wide purchases of goods and services at other places where such cards are accepted. Canadian Tire 'Money' on the Card entitles the holders to redeem the awards on future purchases of merchandise and services at Canadian Tire stores. In February 2012, the Company launched a regional pilot of a redesigned and enhanced loyalty offering in Nova Scotia called the Canadian Tire 'Money' Advantage™ program.

Distribution and Supply Chain - CTR's supply chain is responsible for managing the flow of information and goods among approximately 2,340 sources of supply, 488 Canadian Tire stores and 87 PartSource branded stores across Canada. Supply chain uses a number of distribution channels, facilities and modes of transportation and is involved in most aspects of product replenishment and product information flow at Canadian Tire.

During 2011, approximately 165 million cubic feet of merchandise were shipped to Canadian Tire stores and PartSource stores by CTR and third party service providers. Most of CTR's products are distributed through the A.J. Billes Distribution Centre and the Brampton Distribution Centre (both operated by the Company) and the Montreal Distribution Centre and the Calgary Distribution Centre (both operated by GENCO Distribution System of Canada, Inc. ("GENCO") under agreements with the Company). CTR also engages other third party logistics companies to provide distribution capability in Toronto, Halifax and Vancouver and utilizes additional space that it owns or leases primarily for product storage and returns processing.

The A.J. Billes Distribution Centre is a 1.2 million square foot facility located in Brampton, Ontario. The facility includes a computer-controlled pick-to-conveyor sortation system using bar code identification; a computer-driven, facility-wide in-floor towline system with radio frequency identification and tracking of carts; and an automated storage and retrieval system. The Brampton Distribution Centre comprises 1.4 million square feet and has interrelated processing areas for efficient flow of pallet loads and bulk product through receiving, picking and shipping functions. The Calgary Distribution Centre is an approximately 950,000 square foot distribution facility in southeast Calgary (Alberta). The site, operated by GENCO, ships product to over 150 Canadian Tire stores in Western Canada. In January 2009, CTR opened the Montreal Distribution Centre, a 1.5 million square foot distribution centre in Coteau-du-Lac (Quebec) that is one of the largest facilities of its kind in Canada. The facility is capable of supporting future sales growth at CTR and its opening enabled the closure of smaller third-party facilities in Quebec and Ontario. In January 2009, CTR signed a five year agreement with GENCO to operate this facility.

To facilitate the prompt distribution of its products, CTR owns or leases approximately 2,300 trailers, 3,970 chassis and 5,430 intermodal containers. CTR uses various modes of transportation, including common carriers and railway transit, to facilitate inbound and outbound deliveries on a timely basis throughout its network.

CTR also operates three auto parts distribution centres located in Calgary, Alberta, Montreal, Quebec and Vaughan, Ontario. These facilities provide overnight order processing six nights per week for nearly all Canadian Tire and PartSource stores, and provide order delivery to most store locations within 24 to 48 hours from receipt of an order. In 2011, CTR closed the Montreal Express Auto Parts facility and replaced it with a larger facility housed within the Montreal Distribution Centre in Coteau-du-Lac which will provide additional capacity to support the future growth of the auto parts business in Quebec and Eastern Canada.

Canadian Tire Stores and Canadian Tire Dealers - Canadian Tire stores are easily identified by the Canadian Tire name and trade-mark and have established a strong reputation and high recognition throughout the communities they serve. The Company has created a distinctive image for Canadian Tire stores - offering a balanced and interesting assortment of many staple and seasonal automotive, sports and leisure and home products. In addition, substantially all Canadian Tire stores contain service bays for automobiles which provide a significant revenue source for Dealers as well as an outlet for auto part sales.

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

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

During 2007, the Company reached an agreement with representatives of its Dealers on certain amendments to the form of contract signed by individual Dealers. Such amendments include financial adjustments dealing with cost-sharing of marketing expenses, shared savings from store-based energy initiatives, participation in the growth of Dealer profits and certain other important financial and operational adjustments. In addition, the Company and the Dealers agreed to support a major automotive infrastructure project to reinforce the Company's leadership position in its cornerstone automotive business. This project has now been substantially implemented.

The Company is currently having discussions with representatives of its Dealers on a new form of contract to be signed by individual Canadian Tire Dealers. The current Dealer contracts are set to expire on June 30, 2014 (subject to a renewal term).

A policy of the Company is to offer new Dealers smaller volume, entry level Canadian Tire stores and, based upon successful operation of their Canadian Tire stores, to offer them larger volume locations from time to time pursuant to the Dealer mobility system. This policy provides an advancement opportunity for Dealers and therefore tends to encourage them to strive for superior performance. The Canadian Tire store concept combines the flexibility of an independent business with the advantages of a central marketing and purchasing organization. Individual Dealers are provided with support and guidance in all phases of store operations by the Company and through the combined experience of the Dealer network. District Support Managers are available to support Dealers in retail, auto service and the seasonal business categories of their store. A financing program has also been established to provide an efficient and cost effective way for Dealers to access the majority of the financing they require for their store operations with specified support from the Company.

The distribution of the 488 Canadian Tire stores by province and territory is indicated below:

Province or Territory	Number of Canadian Tire stores
British Columbia	52
Alberta	53
Saskatchewan	14
Manitoba	14
Ontario	200
Quebec	99
New Brunswick	19
Nova Scotia	21
Prince Edward Island	2
Newfoundland and Labrador	12
Yukon	1
Northwest Territories	1
Nunavut	0
	488

The retail selling space of Canadian Tire stores ranges from approximately 3,200 square feet to approximately 88,700 square feet. At the end of 2011, the total area of retail space for all Canadian Tire stores was approximately 19.7 million square feet.

Store Support and Operations - The Company provides store and operations support to Dealers. The Store Support and Operations team is comprised of five integrated teams that work with Dealers and other functional areas to improve the customer experience at the store level and to manage Dealer relationships. The core functions of this group include training and programs to further improve the in-store customer experience, retail concept implementation, store operational support and training, monitoring operational and financial performance of Dealers, managing the Dealer mobility and changeover process and finally developing and executing on the Dealer performance audit process. Working closely with the Human Resources team, the group plays a leadership role in sourcing, selecting, developing and training new Dealers. With the Dealers' support, the group also provides a leadership role in the development of business requirements and delivery support for all in-store technology components, including store communications.

PartSource - PartSource is a chain of automotive parts specialty stores that offer brand-name auto parts targeted to medium to heavy "do-it-yourselfers", automotive enthusiasts and commercial installers who do not typically purchase their automotive parts needs at a Canadian Tire store. PartSource stores typically comprise over 7,200 square feet and offer a selection of approximately 15,000 brand name auto parts and accessories, with access to tens of thousands of additional products generally available on a same-day basis. PartSource stores are conveniently located, feature competitive pricing and are generally staffed by expert auto parts professionals. Product assortment at PartSource stores is tailored to regional variations in ages and types of vehicles. PartSource stores also feature many value-added services such as loan-a-tool programs, brake drum and rotor turning and "look-up" systems to locate make and model-specific repair instructions. There are 87 PartSource stores in operation, comprised of 62 corporate stores and 25 franchise stores.

Petroleum - Petroleum is one of Canada's largest independent retailers of gasoline. It is responsible for the operation in nine provinces of 289 retail gas bars, 157 of which are in Ontario and 60 of which are in Quebec. Of these locations, six include separate facilities for vehicle lubrication services, 76 include car washes and 89 supply propane. Petroleum outlets also sell convenience products to the public. All of the gas bars are operated by independent agents pursuant to agreements governing the sale of petroleum products using the Canadian Tire name and logo. Petroleum is in the process of upgrading, replacing and expanding its network of outlets. In 2010, Petroleum entered into an agreement to build and operate 23 state-of-the-art service centres along busy Ontario highways (Highway 401 and Highway 400). Fourteen such service centres are open as of December 31, 2011. In addition, Petroleum opened three other new gas bars during 2011 and plans to expand its network in 2012 by opening 10 new gas bars. Petroleum refurbished or replaced six sites and closed six gas bars in 2011 and plans to refurbish or replace approximately 10 sites in 2012. Petroleum is also continuing with its strategy of re-branding competitor gas bars. This initiative builds upon Canadian Tire's customer value proposition and Petroleum's industry-leading customer traffic count to help drive higher gasoline volumes at these sites. At the end of 2011, Petroleum's gas bars included 41 re-branded sites.

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

For the 2011 and 2010 financial years, the sale of petroleum to end consumers by Petroleum accounted for approximately 17.87% and 17.27% of the Company's total consolidated revenues, respectively.

Real Estate and Construction - Commencing in the late 1950s, as the cost of suitable premises became too great for most new Dealers to finance on their own, the Company became increasingly involved in the ownership and leasing of premises which, in turn, are generally licensed to Dealers. The premises occupied by 482 of the 488 Canadian Tire stores, including all of the newer and larger stores, are licensed by the Company to Dealers. Three of the stores are leased by Dealers from third-party lessors where the Company has the right to assume the tenancy under these leases if there is a default by the Dealer. Of the premises licensed to Dealers by the Company, the Company owns 356 and leases 129 from third parties.

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

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

FGL Sports

FGL Sports operates principally in two business segments: corporately-owned and operated retail stores and a wholesale business through which FGL Sports sells to franchisees and others.

FGL Retail - FGL Sports sells footwear, hardgoods (sporting equipment) and softgoods (clothing and outerwear) through six corporately-owned retail banners: Sport Chek®, Sport Mart®, Atmosphere®, National Sports®, Athletes World® and Hockey Experts®. FGL Sports has also temporarily opened and/or acquired and operates stand-alone stores under the Nevada Bob's Golf® and Fitness Source® retail banners which FGL Sports intends to either close or, in the event a suitable franchisee is found, franchise.

FGL Sports operates branded, interactive websites for its primary banners as a marketing tool to provide customers with store and merchandise information and, in the case of its Sport Chek banner, to permit online sales of sporting goods. FGL plans to refine its online delivery process by expanding the range of products offered on its Sport Chek branded website. FGL Sports does not own any of the real estate or buildings used for its retail stores except for the building which houses the Sport Chek/Atmosphere store at Square One in Mississauga, Ontario. Leased premises are generally leased for a period of ten years, plus renewal options.

Sport Chek is a specialty retailer of sporting goods, including sports equipment and athletic, leisure and recreational footwear and apparel. Sport Chek offers an assortment of brand name, special make up and private-label products at mid-price points. Each Sport Chek store uses creative in-store environments to merchandise its products. Displays are carefully laid out to offer merchandise in an attractive setting. Beginning in 2009, Sport Chek rolled out new apparel merchandising standards and revised its marketing strategies to target the brand at a specific demographic, including the introduction of several Nevada Bob's Golf®, Hockey Experts, Atmosphere and S3® "concept stores" within the larger Sport Chek format. In 2012, FGL Sports intends to expand its network and continue to refurbish several of its Sport Chek stores, which will include the addition of Nevada Bob's Golf, Hockey Experts and soccer concept stores within Sport Chek stores. There are currently 150 stores – 64 are located in Western Canada, 70 in Ontario and 16 in Atlantic Canada.

Sport Mart is a specialty retailer of sporting goods targeting the lower to mid-price point segment of the market. Sport Mart offers an assortment of branded sports equipment and athletic, leisure and recreational footwear and apparel. Sport Mart stores are merchandised with brand-name and private-label footwear, hardgoods and apparel. Merchandise is displayed along outer walls as well as on fixtures throughout the store in an attempt to achieve an attractive layout that conforms with the typical low to mid-price point concepts. There are 59 Sport Mart stores, of which 40 are located in Western Canada and 19 are located in Ontario.

In 2010, FGL Sports re-launched its Coast Mountain Sports™ banner under its "Atmosphere" banner historically used in its franchise operations. Atmosphere is a specialty retailer of brand name, high-end, outdoor technical gear, casual clothing, footwear and accessories and private-label apparel. Atmosphere locations carry similar merchandise and target the same customer demographic as the former Coast Mountain Sports. The re-launch of Coast Mountain Sports under the Atmosphere banner resulted in FGL Sports having a single, outdoor lifestyle-focused banner, which allows FGL Sports to leverage its advertising and merchandising synergies to improve the overall profitability of the business. Atmosphere stores are designed to create a unique shopping environment that inspires customers to explore the great outdoors, with bright, open interiors featuring natural-looking stone, wood accents and large, full colour outdoor images. There are 26 Atmosphere stores, of which 19 are located in Western Canada, six are located in Ontario and one is located in Atlantic Canada.

National Sports is an Ontario-based sporting goods retail chain with a strong position in the hockey and team sports categories. National Sports stores are merchandised with brand-name hardgoods, footwear and apparel. There are 18 National Sports stores, all of which are located in Ontario.

Athletes World is a national retailer of athletic and recreational footwear and apparel. Athletes World stores are merchandised with brand-name and private-label footwear and apparel. As at the end of 2011, Athlete's World was operating 53 stores across Canada, of which 26 are located in Western Canada, 16 in Ontario and 11 in Atlantic or Northern Canada.

FGL Franchise Operations - FGL Sports acts as a franchisor, administering six retail franchise banners within its franchise division: Sports Experts, Intersport®, Atmosphere, Nevada Bob's Golf®, Hockey Experts and S3®. FGL Sports negotiates a franchise agreement with prospective franchisees that generally has an initial term of ten years, with a minimum term of five years, and sets forth the terms upon which a franchisee is entitled to operate one or more franchise store locations under a particular franchise banner. Generally, the agreements provide franchisees with rights to operate under a particular franchise banner, and obligate the franchisee to purchase merchandise from FGL Sports, adhere to company policies, participate in certain marketing and merchandising programs and campaigns and operate the franchise location in accordance with standards established by FGL Sports. FGL Sports' franchisees are contractually obligated to pay a royalty based on a percentage of their retail sales. Franchisees pay FGL Sports additional fees for services rendered for buying, distribution and administration services. These services are provided, and the fees are earned, by FGL Sports.

Each year, FGL Sports holds several private buying shows that provide franchisees with an opportunity to meet major suppliers, review new product lines and preview the upcoming year's advertising programs. Merchandise is generally shipped directly from suppliers to franchisees with most invoices directed through FGL Sports. For franchise shipments invoiced to FGL Sports, franchisees are re-invoiced for their merchandise together with any fees related to their purchases. The supplier payment terms from the original invoice are typically passed on to the franchisee. Invoices sent by FGL Sports to franchisees are recorded as accounts receivable by FGL Sports. Payment of the accounts receivable is generally secured by personal guarantees from franchise shareholders and by registered security against inventory and other franchisee assets.

FGL Sports supervisors regularly visit franchise locations with a view to maintaining company standards and to assist franchisees with store appearance, merchandise displays and profitability. FGL Sports currently provides full accounting services to approximately 151 franchise stores, thereby allowing it to monitor operations and the financial position of those franchisees.

The Sports Experts banner identifies the largest sporting goods retailer in Québec. Sports Experts stores carry a broad assortment of branded and private-label products, complemented by low-priced, close-out merchandise, including equipment, apparel and footwear. Sports Experts has 70 franchise outlets, of which three are located in Western Canada, five are located in Ontario, 61 are located in Québec and one is located in Atlantic Canada.

Intersport is a banner known for its specialized knowledge in selected sports, similar to that of a neighborhood specialty store, with big-box store pricing. There are 51 Intersport franchise stores, of which six are located in Western Canada, one is located in Ontario, 40 are located in Québec and four are located in Atlantic/Northern Canada.

Atmosphere is a big-box franchise banner specializing in outdoor sports, including snowboarding, cross-country and telemark skiing, cycling and camping. There are 42 Atmosphere franchise stores, of which 41 are located in Québec and one is located in Ontario.

There is one Nevada Bob’s Golf franchise store located in Western Canada. In 2006, FGL Sports purchased the assets of a former licensee, and in 2007, FGL Sports purchased the assets of a former franchisee, resulting in FGL Sports owning an aggregate of 15 Nevada Bob’s Golf stores. FGL Sports has closed all but one corporate-owned Nevada Bob’s Golf stores over the past 36 months as it moves to a “Nevada Bob’s Golf” concept shop model within Sport Chek and Sports Experts stores.

In 2006, FGL Sports opened a prototype store in Québec under the Hockey Experts banner, specializing in hockey equipment, apparel and related merchandise and accessories. There are now 19 Hockey Experts franchise stores, all of which are located in Québec. FGL Sports also operates two corporately-owned Hockey Experts stores in Ontario.

S3 is a retail chain specializing in branded surf, snow and skate footwear, apparel and accessories. S3 stores are targeted to reach the 15 to 24 year old demographic. There are currently 11 S3 stores open, ten of which are in Québec and one in Alberta. Based on the success of those stores, FGL Sports expects to expand the number of stores in the coming years, including the expected addition of four stores in 2012.

There are 19 store locations that are buying members only and do not participate in all of the other programs offered to franchisees of FGL Sports. Such locations independently undertake their own merchandising, purchasing, transportation and general administration. Ten of these stores are located in Québec, five in Alberta, three in the Yukon and one in British Columbia. The status of “buying member” is often employed to test new concepts or evaluate independent retailers prior to them becoming franchisees. The franchisor negotiates a buying member agreement with the targeted buying members. The buying member agreement typically sets forth the terms upon which a buying member is entitled to operate its sporting goods business and, generally, FGL Sports agrees to supply the buying member, subject to availability, with products required for the operation of the business and normally sold by FGL Sports in accordance with its policies relating to buying member programs.

FGL Wholesale - INA International Ltd. ("INA"), a wholly-owned subsidiary of FGL Sports, has two business functions: the development, manufacturing and importing of private-label brands and exclusive licensed brands for

FGL Sports for sale in the North American market; and the "opportunity-buy" and licensed business of FGL Sports. INA's operations extend FGL Sports' wholesale reach outside of Canada to limited markets in the United States and United Kingdom while strengthening its ability to compete within Canada by increasing its retail product mix.

FGL Sports' private label and exclusive licensed brand business is developed through INA in conjunction with Intersport International Corporation ("IIC"), one of the world's largest buying groups and retailers of leisure apparel, athletic apparel and sports equipment, of which FGL Sports is a member. Access to private labels and exclusive licensed brands allows FGL Sports to offer consumers high quality merchandise at competitive prices.

INA offers a number of different hardgoods, apparel and footwear products carrying the following private-label brand names: Firefly®, McKinley™, TECNO Pro®, Nakamura™, Sims™, Vic Hockey™, Hespeler™, Diadora™ and Matrix™. Currently, these private-label brands are available in Sport Chek, Sport Mart, Sports Experts, Intersport®, Atmosphere and National Sports stores. These private-label brands are also sold to certain third party retail customers serviced by INA. INA continues to expand its private-label brands and product lines and introduce private-label products under its other banners.

In its licensed business, INA licenses brands from their owners and designs and sells products bearing those brands. The trade-marks to which INA currently has license rights in certain jurisdictions include Airwalk®, Vision Street Wear™, Alien Golf™, Ultra Wheels®, Lego® and Rage™.

FGL Sports' also operates an "opportunity-buy" business which consists of the sourcing, purchase and subsequent re-sale of manufacturers' excess capacity product.

Mark's Work Wearhouse

Mark's offers casual and industrial clothing and footwear to men and women for work and leisure. Mark's operates under the name "L'Équipeur" in Quebec and also conducts a business-to-business operation under the name "Imagewear™, a Division of Mark's Work Wearhouse®".

A wholly-owned subsidiary of the Company, Mark's is one of the largest specialty apparel retailers in Canada. Mark's offers primarily men's and women's clothing, footwear and accessories for casual, business casual and industrial work environments, as well as for recreational use or relaxation. Mark's is a market leader in the retailing of men's industrial apparel and industrial footwear and is a significant presence in the retailing of men's casual apparel and footwear. In recent years, Mark's has also built a market position in women's casual apparel and footwear. In addition, Mark's offers assortments of health care industry and business-to-business apparel. Mark's has established private labels including WindRiver®, Denver Hayes® and Dakota® that have achieved market share in excess of many national brands. Mark's operates 385 stores across Canada under variations of the Mark's or Mark's Work Wearhouse banners ("L'Équipeur" in Quebec). It also operates three stores under the Work World banner.

During 2004, in six small market locations in Western Canada and Ontario, Mark's and CTR tested combination stores which incorporate a Mark's store and a Canadian Tire store under one roof. In these test stores, a Dealer operates the Canadian Tire store and Mark's operates its outlet as a corporate store to create a one-stop shopping experience for hard goods, apparel and footwear. The objective of these combination stores is to bring the high customer traffic of a Canadian Tire store directly to a Mark's store and to lower on-site construction costs when both stores conduct business in the same location. At the end of 2011, the total number of these integrated stores was 61.

Mark's engages a third-party logistics company to transport its product shipments from its two distribution centres to its stores and to transport most of its product shipments from domestic suppliers directly to its stores. The same third-party logistics company operates both Mark's distribution centres in Calgary (Alberta) and Brampton (Ontario) pursuant to an outsourcing arrangement with Mark's. Both distribution centre facilities are leased to Mark's by third-party lessors. The Brampton facility contains approximately 203,000 square feet while the Calgary facility contains approximately 186,500 square feet. The movement of goods from off-shore suppliers to these two distribution centres is managed by Mark's supply chain mostly through CTR's network of third-party logistics companies. Mark's also receives domestic transportation services from other third-party logistics companies.

3.2 Financial Services Segment

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

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

In 2011, Financial Services introduced Home Services products to the market. The initial product service offering was garage door opener installation services. Future products and services, some of which are currently being offered in pilot markets, will include hot water tank and central vacuum installations, and heating and air conditioning system sales and installation.

Information concerning Canadian Tire 'Money' on the Card is set out in section 3.1 of this Annual Information Form entitled "Retail Business Segment – Marketing".

3.3 Competitive Conditions

Retail Business Segment

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

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

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

Petroleum competes with other gas bars, convenience stores and car washes. Petroleum sells approximately twice as much gasoline per site as the Canadian industry average, primarily because of the attractiveness of the Canadian Tire 'Money' and Canadian Tire 'Money' on the Card loyalty programs. Customer traffic is also positively impacted by the success of Petroleum's cross-merchandising programs with Canadian Tire stores, its partnership with Financial Services in connection with the Gas Advantage MasterCard, and the quality of Petroleum's customer service. The development of Canadian Tire service centres along Highway 400 and 401 in Ontario will continue to enhance Petroleum's market position. Petroleum's core objective is to drive traffic and sales at CTR and receivables growth at Financial Services while generating net earnings.

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

FGL Sports – The sporting goods retail industry is highly fragmented and very competitive in terms of price, quality, service, selection, fashion, location and store environment. FGL Sports competes directly or indirectly with large format sporting goods stores; traditional sporting goods stores and chains; specialty sporting goods stores and pro shops; mass merchandisers; discount stores and department stores; and catalogue and internet-based retailers.

FGL Sports operates a combination of "big box" general sporting goods stores, with several specialty "small box" banners, in both corporate and franchise environments. Within these stores, FGL Sports offers a full range of sporting goods and active apparel at various price points in order to appeal to a range of sporting goods consumers. The merchandise offered by FGL Sports includes, in most cases, one or more of the leading manufacturers in each category. FGL Sports' objective is not only to offer leading brands, but a full range of products within each brand, including several premium items in various categories. As beginners move to higher levels in their sports, FGL Sports aims to be prepared to meet their needs.

FGL Sports believes that its broad geographic coverage provided by its corporate and franchise stores in Canada and the merchandise it offers distinguish it from its competitors.

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

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

Additional information on the competitive position of the Retail Business Segment is provided in section 3.3 (Competitive landscape) of the MD&A in the Company's 2011 Annual Report.

Financial Services Segment

The Canadian Tire-branded MasterCard and Visa cards issued by CTB compete with other general purpose credit cards issued by banks and other financial institutions in the highly regulated and competitive Canadian credit card market. The total Canadian credit card market (which is comprised of all MasterCard and Visa branded credit cards as reported by the Canadian Bankers Association) has experienced a small decline over the past two years. While Canada's major banks are the market leaders, U.S.-based credit card issuers are gaining market share and are redefining customer expectations. With the increasing number of credit cards available, consumers are looking for relationships with organizations that offer good value, exceptional service and programs that reward them for their loyalty. Growth of the credit card portfolio and the continued strength of the Canadian Tire brand provides an opportunity to increase the number of credit card customers that purchase other Canadian Tire products and services.

Canadian Tire branded deposit products compete with comparable products offered by banks and other financial institutions and are issued on terms and conditions that are competitive with such other products.

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

Additional information on the competitive position of the Financial Services Segment is provided in section 3.3 (Competitive landscape) of the MD&A in the Company's 2011 Annual Report.

3.4 Business Development Initiatives

Canadian Tire continues to identify and evaluate opportunities to enhance its growth and profitability in the near, medium and long terms. The business development team is focused on identifying potential retail and retail-related business opportunities that leverage core capabilities and fit within the existing network of businesses and played a significant role in identifying and completing the FGL Sports acquisition in 2011.

3.5 New Products

Canadian Tire Retail – CTR's objective is to launch new products with innovative features, at compelling prices, that enhance its unique mix of automotive, home and leisure products and are not sold by any other retailer in this combination. New products recently introduced by CTR include Stanley® FatMax® Air and Mechanics tools, Broadstone™ Pop-Up Tent, Bauer® Vapor JT-19 (Jonathan Toews) hockey sticks, Fiskars® Cuts + More™ Scissors, Yardworks® 16" / 40V Lithium ion cordless mower, Essex® hard topped Gazebo, Hankook® Optimo 4S Tires, Mobile 1 0W20 Synthetic Motor Oil, Windex® – 40 Windshield Washer Fluid, Cataclean™, STP® Motor Treatment, Slyvania Silverstar ZXE Headlamp, Karcher X Series 200 PSI Pressure Washer, Briggs and Stratton 2700 PSI Gas Powered Pressure Washer, Coleman® 1600 Pressure Washer, For Living™ RTA furniture with Assemblease™ and Fit Quick™ technology, Cesar Milan branded pet accessories, The Original Baby Bullet®, expanded offering of Ninja™ branded kitchen products, and the Shark® portable steam cleaners.

Mark's Work Wearhouse – In order to retain competitiveness in the apparel and footwear industry, Mark's continuously introduces new or improved garments and footwear. In recent years Mark's has introduced products such as soft shape retention ladies' sweaters, shape-enhancing technology in Mark's women's wear, Quad Comfort® technology in Mark's men's and women's footwear, Tarantula Antislip™ footwear for specified types of industrial use, never iron shirts for men and women, Freshtech® anti-microbial apparel and dri-Wear® technology now incorporated into Mark's underwear, socks, t-shirts, polo shirts and the lining of some of its outerwear. Mark's has also introduced innovative CTW (Clothes That Work®) products including: quick-dry men's summer swimwear, ladies dress boots to which Duraguard™ anti-salt stain protection has been added for easy care and lasting wear, anti-slip work gloves, Quad Comfort® traction system with a special heel added to the Anti-Slip™ footwear used primarily in the hospitality industry; ladies T-Max® thermal fleece, X-Toe™ external safety toe on men's safety footwear to improve comfort and fit; heated winter boots; Quad Lite™ work boots reducing the weight of work boots significantly; T-Max socks that provide even more warmth than Mark's famous Below Zero® socks; ladies winter vests with temperature regulating T-Max® insulation and HD1™ water-repellent-fleece hoodies in men's wear. These items are advertised in Mark's flyers and are occasionally supplemented with magazine or television advertising campaigns.

FGL Sports – FGL Sports continuously introduces enhanced products from the leading brands/suppliers in the industry as technological improvements are put into production. New products/technologies introduced in FGL Sports various banners in 2011 include: Taylor Made® R11 and Superfast 2.0™ and Callaway® RAZRHawk® drivers;

Titleist® Pro V1® golf balls; Reebok® 11K helmets and protective gear; Easton® RS composite sticks with elliptical taper technology; Under Armour® performance mouth guards with ArmourBite™ technology; Jamis® bicycles in mountain, city and road categories; Gatorade® Sports Nutrition system; Livestrong® fitness products; stand-up paddle boards; "Rocker" technology for ski and snowboard brands; Oakley® Airbrake™ goggle featuring Switchlock™ technology; Go Pro™ brand HD 1080p POV cameras and accessories; Footwear – the introduction of "minimalistic" footwear (ie Barefoot Running Technology) from outdoor and athletic brands such as Vibram®, Merrell®, New Balance®, Reebok®, Saucony®, Under Armour, Asics® and Nike®; Bogs® (insulated rubber boots); Columbia® Buga™ boot Plus (electric winter boots); Adidas® *Cars*® kids footwear; Zoot™ brand triathalon wear; Nike Pro Combat™ athletic clothing; Under Armour Storm Cotton clothing; and Columbia Sportswear's *Omni Heat*™ outerwear and base layer products.

3.6 Seasonality of the Business

The Company derives a significant amount of its revenues from the sale of seasonal merchandise. CTR experiences a degree of sales volatility from abnormal weather patterns and mitigates the risk, to the extent possible, through the breadth of its product mix as well as effective procurement and inventory management practices. Similarly, Mark's and FGL Sports businesses remain very seasonal. Detailed sales reporting and merchandise planning modules assist Mark's in mitigating the risks and uncertainties associated with unseasonable weather and consumer behavior during the important Christmas selling season, but cannot eliminate such risks completely because inventory orders, especially for a significant portion of merchandise purchased offshore, must be placed well ahead of the season. FGL Sports strives to minimize the impact of the seasonality of the business by altering its merchandise mix at certain times of the year to reflect consumer demand. However, any decrease in FGL Sports third or fourth quarter sales due to a slower holiday shopping season, unseasonable weather conditions, economic conditions or otherwise, could adversely affect FGL Sports' business performance.

The Company experiences quarterly fluctuations in revenues with the strongest results typically in the second and fourth quarters (subject to unusual fluctuations as a result of atypical weather), primarily due to the seasonal nature of some merchandise at CTR**,** FGL Sports and Mark's and the timing of marketing programs. The following tables show the quarterly financial performance of the Company over the last two years.

CTR's Quarterly Results	2011					2010[1]				
(C$ in millions)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue[2]	$ 1,103.7	$ 1,598.1	$ 1,496.1	$ 1,573.6	$ 5,771.5	$ 1,107.3	$ 1,609.1	$ 1,424.5	$ 1,535.5	$ 5,676.4
% of full year Revenue	19.1%	27.7%	25.9%	27.3%	100.0%	19.5%	28.3%	25.1%	27.1%	100.0%

Mark's Quarterly Results	2011					2010[1]				
(C$ in millions)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue	$ 182.5	$ 211.7	$ 197.3	$ 388.0	$ 979.5	$ 154.2	$ 195.0	$ 173.9	$ 349.5	$ 872.6
% of full year Revenue	18.6%	21.6%	20.1%	39.7%	100.0%	17.7%	22.3%	19.9%	40.1%	100.0%

FGL Sports' Quarterly Results[3]	2011					2010[1]				
(C$ in millions)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Revenue	$ -	$ -	$ 219.5	$ 426.1	$ 645.6	$ -	$ -	$ -	$ -	$ -
% of full year Revenue	0.0%	0.0%	34.0%	66.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Footnotes:

(1) 2010 Revenue has been restated for International Financial Reporting Standards (IFRS).

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

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

3.7 Intangible Properties

The Company has established procedures to protect the trade-marks which are material to the business carried on by it, including the trade-mark Canadian Tire®, the design presentations associated with that trade-mark and numerous trade-marks associated with the Company's retail brands. Protection of the Canadian Tire trade-mark and associated design presentations is a high priority of the Company. Other trade-marks and intellectual property rights associated with Canadian Tire's retail brands, Financial Services, Petroleum, PartSource, FGL Sports and Mark's are considered to be important assets of the Company and are defended vigorously where appropriate. The Company licenses the use of certain trade-marks to CTFS, CTB and certain other entities.

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

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

3.8 Foreign Operations

Retail Business Segment

For CTR, FGL Sports and Mark's, foreign-sourced products are increasingly important. Ease of access to suppliers outside North America and an appropriate infrastructure for moving goods and information are required to successfully execute foreign sourcing strategies. In particular, Asia has become a critical source of competitively priced products and product innovation.

Canadian Tire Retail - In 2011, approximately 44% of the value of CTR's inventory purchases was sourced directly from vendors outside North America, primarily from Asia. The Company operates representative offices in Hong Kong and Shanghai which provide access to foreign manufacturers and import sourcing support for CTR. CTR uses internal resources and third-party logistics providers to manage supply chain technology and the movement of foreign-sourced goods from suppliers to the Company's Canadian distribution centres and to Canadian Tire stores.

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

FGL Sports - In 2011, approximately 11% of the value of FGL Sports inventory purchases was sourced directly from vendors outside North America, primarily from Asia. As with CTR, FGL Sports is exposed to risks associated with foreign suppliers including but not limited to stability of manufacturing operations, transportation and port disruptions. In 2012, FGL Sports plans to utilize Canadian Tire's superior size and infrastructure capabilities to improve its foreign production and transport efficiency.

Mark's Work Wearhouse - In 2011, approximately 40% of the value of Mark's inventory purchases was sourced directly from vendors outside North America, primarily from Asia. Mark's also acquires merchandise from outside North America through domestic vendors. Mark's engages the same third-party logistics providers as CTR to manage supply chain technology and movement of goods for most of the product sourced by Mark's in Asia. The Company believes that Mark's business practices are appropriate to mitigate risks associated with supply from Asia. In addition, Mark's has the capacity to source some comparable merchandise from alternate areas including Mexico and Europe as well as from domestic and U.S. manufacturers.

Financial Services Segment

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

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

3.9 Economic Dependence

The Company has entered into a standard form individual contract with all of the 482 Dealers who operate the 488 Canadian Tire stores, each of which expires on June 30, 2014 (subject to a renewal term). The Company is not dependent upon any one of these contracts with any Dealer.

Please see section 3.1 of this Annual Information Form entitled "Description of the Business – Retail Business Segment – Petroleum" for a discussion of Petroleum's fuel supply arrangements.

3.10 Lending

The Company arranges for short-term and medium-term loans to, from and between its subsidiaries at market rates. The Company's short-term investments are restricted to Canadian and U.S. government guaranteed securities and high quality commercial paper, including certain bank sponsored asset-backed commercial paper issuers, money market funds, pension funds and preferred shares.

CTB's lending activities in connection with the Canadian Tire branded MasterCard and Visa credit cards, retail credit cards, personal loans and line of credit loans are governed by risk management policies and systems that use customer credit behaviour information to approve customer applications, assign credit limits and manage the credit relationship. The customer base is well diversified and limits for exposure to geographic areas have been established. CTB has established policies which limit investment to highly rated money market and debt instruments with maturities of five years or less.

3.11 Risk Factors

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

- Market place – economic conditions, the competitive landscape, domestic or international political environments, the demographics of the Canadian population, the buying behaviour of consumers, and the available shopping, product and service 'technologies' could have a significant negative impact on Company earnings.

- People – external pressures and/or ineffective internal human resource practices can negatively impact the Company's ability to attract and retain appropriately skilled people who espouse its values and strive to achieve its strategic objectives.

- Technology – not having the right technology and information may affect Canadian Tire's ability to compete effectively and achieve its strategic objectives.

- Key contractual relationships – inadequate management of relationships and contracts with key partners, including exposure to their risks, can result in inadequate products and services, disruptions to the delivery of products and services, including inadequate customer service, and legal disputes which may have a negative impact on Canadian Tire's earnings, reputation and brand.

- Execution of strategy – failure to plan and successfully execute strategic initiatives in alignment with the strategy could have a negative impact on Canadian Tire's mid to long term success as an organization.

- Business continuity – hazards, disasters and business interruptions may compromise the safety of employees or customers and Canadian Tire's ability to provide products and services on a continuous basis.

- Financial markets – significant events or volatility in the financial markets could result in the lack of (i) sufficient capital to absorb the impact of unexpected losses and/or (ii) sufficient liquidity or financing to fund operations and strategic initiatives. Furthermore, significant volatility in exchange rates and interest rates could have an adverse impact on product pricing, gross margins and net interest expense. In addition, inappropriate hedging strategies for mitigating foreign exchange, interest rate and equity exposures could cause a significant negative impact on earnings.

- Consumer lending – failure or inability to accurately predict the creditworthiness or credit behaviour of its customers may significantly affect the earnings of Financial Services.

- Legal and legislative compliance – failure to comply with laws and regulations could result in sanctions and financial penalties that could negatively impact the Company's earnings and reputation. Additionally, non-compliance with expectations arising from common law can give rise to legal action that may result in financial or reputational damage.

- Financial reporting – financial information and reporting that lacks integrity or is not compliant with accounting standards and securities regulation may have a negative impact on the Company's shares and reputation.

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

Further information about the above noted risks, including the mitigation strategies by which the Company manages them, and other risk factors that may cause actual results or events to differ materially from those forecast, can be found under sections 7.5.1.2 (Retail Segment Business Risks), 7.5.2.2 (Financial Services Segment business risks), 11.2 (Principal risks), 11.3 (Financial risks), 11.4 (Legal risks) and 11.5 (Other risks) in the MD&A in the Company's 2011 Annual Report.

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

3.12 Information Technology

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

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

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

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

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

3.13 Employees

As of December 31, 2011, the number of full-time and part-time employees (excluding seasonal temporary help) of the Company was approximately as follows:

	Full-Time Employees	Part-Time Employees
CTC	4,605	89
PartSource	493	479
Financial Services	765	266
Petroleum	53	0
Mark's	1,298	5,305
FGL	3,080	9,053

The Company employs highly qualified individuals specializing in marketing, category management, supply chain, store operations and design, information technology, finance, and customer service. Financial Services also employs highly qualified individuals in credit risk management. Expertise is gained through internal training programs, industry involvement and academic achievements which are enhanced by internal leadership forums. Ongoing professional development is made available to employees through internal and external courses.

3.14 Social and Environmental Policies

Corporate Social Responsibility - Annually, the Company allocates funds for social investments, with a corporate donations policy in place to guide the allocation process. The implementation of the corporate donations policy is the responsibility of the President and Chief Executive Officer and is governed by the Social Responsibility Committee of the Board of Directors.

The Company supports a variety of social causes but the largest single beneficiary is Canadian Tire Jumpstart Charities. Canadian Tire Jumpstart Charities is an independent, non-profit charitable organization committed to assisting financially challenged families and children in communities across Canada. It is best known for the award winning Canadian Tire Jumpstart program, launched in 2005, that helps kids in need participate in organized sport and recreation. The organization also lends a hand to help families and communities in times of crisis, like a natural disaster, by providing essential goods and services.

The Canadian Tire Supplier Code of Business Conduct (the "Supplier Code") sets out the principles and practices of ethical business conduct that the Company expects of its suppliers of goods and services. Compliance with the Supplier Code is monitored through periodic assessments of suppliers, including third-party audits where appropriate. The Company also has an internal Code of Business Conduct (the "Code of Business Conduct") which addresses the ethical business standards and expectations of its directors, officers and employees in relation to compliance with all laws and commitment to integrity, honesty and respect when dealing with each other, business partners and communities. Oversight responsibility for the Supplier Code and the Code of Business Conduct has been delegated by the Board of Directors to the Audit Committee. The Company's Business Conduct Compliance Office monitors compliance with both codes.

Copies of each of the above mentioned codes may be obtained without charge by contacting Canadian Tire Corporation, Limited, 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario, M4P 2V8, Attention: Business Conduct Compliance Office. The codes are also available at www.corp.canadiantire.ca and on SEDAR at www.sedar.com.

Business Sustainability - The Company is committed to business sustainability with three primary aspirations — to profitably grow the business without increasing the net carbon footprint of the economy, to eliminate unnecessary packaging while sending zero waste to landfills, and to provide innovative products and services that meet customers' needs without compromising the ability of future generations to meet their needs. The Company's business sustainability strategy is supervised by the Social Responsibility Committee of the Company's Board of Directors and by the Executive Business Sustainability Committee.

The specific sustainability measures and other initiatives derived from the Company's business sustainability strategy are reported in relation to three key segments of the business operations: Retail Products, Product Transportation and Building and Operations. Within these areas, the Company reports on the implementation of process improvements and upgrades and the forecasted annual economic and environmental benefits they will deliver related to forecast annual avoided cost, energy use, greenhouse gas emissions and waste. The Company discloses its business sustainability performance each quarter. Please see Section 13.3 (Business Sustainability) of the MD&A in the Company's 2011 Annual Report for additional information.

Environmental and Health and Safety Compliance - The Company has established Environmental and Occupational Health and Safety ("OHS") policies and practices to support ongoing compliance with applicable laws and regulations and develop consistent practices across the organization. The Company requires its Dealers, agents and franchisees to comply with all laws and regulations applicable to their business operations and expects them to implement appropriate Environmental and OHS programs. Environmental protection requirements related to the business of the Company do not, and are not expected, to have a significant financial or operational effect on the capital expenditures, earnings or competitive position of the Company during the 2012. Additional information about environmental risks can be found under section 7.5.1.2 (Retail Segment business risks – Environmental risk) of the MD&A in the Company's 2011 Annual Report.

In 2011, CTR diverted 63% (3,481 metric tons) of its waste from the Toronto area distribution facilities away from landfill to recycling. The Company also continued to make product safety information for the chemical products it sells accessible to the public through web-based access to Material Safety Data Sheets. CTR Supply Chain continued the successful implementation of an integrated environment, health and safety system with a focus on hazard identification and risk control measures to proactively reduce injuries. The focus on hazards will continue into 2012 with a goal of implementing effective controls for known hazards by year end. FGL Sports also initiated a number of programs to reduce environmental impacts including: recycling initiatives at retail locations and Distribution Centers; use of LEED certified material for new store builds, where possible and practical; use of energy efficient lighting in all stores; and having all bags used at store level contain recycled material. During 2011, Petroleum continued its comprehensive program to control and safely manage gasoline inventory. As a result of this program, Petroleum's gasoline inventory variances are significantly below the government tolerance limit.

Petroleum also continued its program of replacing underground steel gasoline storage tanks and piping at Petroleum sites with double walled fiberglass tanks and piping which reduce the risk of gasoline leaks. All sites with existing underground steel equipment are maintained in accordance with applicable regulations and are on a schedule for upgrading over approximately the next 4 years. CTREL has developed and implemented an environmental program for Canadian Tire stores and Petroleum gas bars. During 2011, CTREL completed environmental information sessions with over 50 Canadian Tire Dealers and Dealers in training, as well as CTREL staff, on methods to improve operational housekeeping policies and procedures to safeguard the environment.

In 2011, CTR Supply Chain updated the systems for managing health and safety training records through the introduction of a new employee development management system which includes a built in process to ensure that all employees receive the training required to perform their tasks safely and effectively. PartSource developed and implemented a new health and safety program to facilitate compliance with emergency evacuation and equipment maintenance requirements under applicable health and safety requirements. Action plans were also created to support compliance with the Prevention of Workplace Violence and Harassment legislation. Store visits were conducted throughout the year to ensure that all programs were operating effectively and that all health and safety requirements were being met. A detailed review of the emergency evacuation procedures at the Company's corporate head office was initiated and work continued on updating the ergonomic risk reduction strategies across the organization.

FGL Sports continued its OHS program, in all banners, at its head office in Calgary and at its Distribution Centres. Committees are in place at all locations with monthly meetings and safety checks to support legislative compliance and workplace safety. Store audits are completed throughout the year to confirm that key components of the OHS program are met. In addition, all employees at store level are required to successfully complete OHS training courses prior to commencing activities on the sales floor.

Mark's has a new health and safety program aimed at enhancing corporate store compliance with applicable health and safety legislative requirements. District Managers report quarterly to the Mark's corporate office on the status of this program in the field. Each Regional Human Resources Manager also schedules store visits and escalates health and safety concerns to the District Manager and corporate office. Regular store compliance audits are conducted on most Mark's stores.

Petroleum continued to support OHS compliance at the retail level within its gas bar agent network. Financial Services advanced its OHS program by aligning employee training initiatives with other enterprise OHS programs, upgrading first aid and emergency response practices and by implementing a hazards assessment program.

Financial Services also continued its "Community Green" partnership with Abitibi Bowater which encourages paper recycling, promotes environmental stewardship and supports Canadian Tire Jumpstart Charities.

4. CAPITAL STRUCTURE

4.1 Description of Capital Structure

The authorized capital of the Company consists of 100,000,000 Class A Non-Voting Shares and 3,423,366 Common Shares, of which 78,038,790 Class A Non-Voting Shares and 3,423,366 Common Shares were issued and outstanding as of March 15, 2012. Please see Note 29 of the notes to the 2011 Financial Statements of the Company for additional information.

Material Characteristics of Common Shares - The holders of Common Shares of the Company are entitled to vote at all meetings of holders of Common Shares and to vote on the election of thirteen of the sixteen directors to be elected at the annual meeting of shareholders to be held in May 2012 and on the appointment of auditors. Each Common Share carries one vote. In addition, each holder of a Common Share is entitled to have all or any number of the Common Shares held by them converted into Class A Non-Voting Shares on the basis of one Class A Non-Voting Share for each Common Share. The foregoing is a summary of certain of the conditions attached to the Common Shares of the Company. Reference should be made to the Company's articles for a full statement of such conditions.

Material Characteristics of Class A Non-Voting Shares - The holders of Class A Non-Voting Shares of the Company are entitled to vote on the election of three of the sixteen directors to be elected at the annual meeting of shareholders to be held in May 2012. Each Class A Non-Voting Share carries one vote. With the exception of the entitlement to vote for the election of three directors, or, if the number of directors of the Company exceeds 17, four directors, the entitlement to vote in the circumstances referred to under the heading "Change in Class A Non-Voting Shares and Common Shares" and as provided under applicable law, the holders of Class A Non-Voting Shares are not entitled as such to vote at any meeting of shareholders of the Company. However, the articles of the Company provide that in the event an offer to purchase Common Shares is made to all or substantially all of the holders of Common Shares or is required by the applicable securities legislation or by the Toronto Stock Exchange to be made to all holders of Common Shares in Ontario (other than an offer to purchase both Class A Non-Voting Shares and Common Shares at the same price per share and on the same terms and conditions) and a majority of the Common Shares then issued and outstanding are tendered and taken up pursuant to such offer, the Class A Non-Voting Shares shall thereupon and thereafter be entitled to one vote per share at all meetings of shareholders and thereafter the Class A Non-Voting Shares shall be designated as Class A Shares.

The Common Shares and Class A Non-Voting Shares are each voted separately as a class, except in clearly-defined circumstances as described above in this section. Accordingly, aggregating the voting rights attached to the Common Shares and Class A Non-Voting Shares is not relevant to any corporate action currently contemplated. If, however, the holders of the Common Shares and the holders of the Class A Non-Voting Shares are entitled to vote together (rather than separately as a class), then based on the numbers of Common Shares and Class A Non-Voting Shares outstanding at March 15, 2012, the Class A Non-Voting Shares would represent approximately 95.8% of the aggregate voting rights attached to the Common Shares and the Class A Non-Voting Shares. The foregoing is a summary of certain of the conditions attached to the Class A Non-Voting Shares of the Company, including voting rights. Reference should be made to the Company's articles for a full statement of such conditions.

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

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

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

4.2 Market for Securities

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

The price ranges and volumes of Common Shares of the Company traded on the TSX on a monthly basis from January 2011 to and including December 2011 were as follows:

Common Shares (CTC)

	High ($)	Low ($)	Volume Traded
January 2011	76.00	71.25	8,446
February 2011	75.48	70.00	14,249
March 2011	77.40	70.02	9,906
April 2011	77.08	69.01	9,964
May 2011	75.60	69.75	20,713
June 2011	72.97	70.00	5,695
July 2011	72.10	67.82	8,143
August 2011	72.24	61.01	16,116
September 2011	72.00	64.00	11,558
October 2011	69.19	63.50	4,860
November 2011	73.50	67.50	7,131
December 2011	74.75	71.76	5,797

The price ranges and volumes of Class A Non-Voting Shares of the Company traded on the TSX on a monthly basis from January 2011 to and including December 2011 were as follows:

Class A Non-Voting Shares (CTC.a)

	High ($)	Low ($)	Volume Traded
January 2011	68.93	62.14	4,483,529
February 2011	67.15	61.43	5,329,599
March 2011	64.64	61.20	3,544,393
April 2011	66.70	59.51	4,399,260
May 2011	65.04	57.81	6,516,875
June 2011	64.65	60.61	3,685,373
July 2011	63.27	57.99	2,131,041
August 2011	58.42	51.80	7,293,149
September 2011	59.54	52.85	4,659,502
October 2011	60.87	54.00	3,181,983
November 2011	64.60	57.10	6,297,412
December 2011	66.85	63.17	3,636,834

5. DIVIDENDS

Dividends are declared at the discretion of the Board of Directors of the Company after consideration of earnings available for dividends, financial requirements and other conditions prevailing from time to time. The Company's dividend policy was amended in November 2010 to provide for dividend payments equal to approximately 20% to 25% (previously 15% to 20%) of the prior year's normalized basic net earnings per share, after giving consideration to the period end cash position, future cash requirements, capital market conditions and investment opportunities. Normalized net earnings per share for this purpose exclude non-recurring items but include gains and losses on the ordinary course disposition of property and equipment.

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

Year	Annual Dividend Per Share
2009	$0.840
2010	$0.905
2011	$1.125

On November 10, 2011, the Board of Directors approved an increase in the quarterly dividend per share (on each Common and Class A Non-Voting share) from $0.275 effective for the dividends paid in the four quarters of 2011 to $0.30 per quarter effective commencing with the dividend declared on November 10, 2011.

The dividends declared in 2011 and 2012 to date are as follows:

Dividend Amount	Declaration Date	Payable to Holders of Record As Of	Payable Date
$0.275	10-Feb-11	29-Apr-11	01-Jun-11
$0.275	12-May-11	29-Jul-11	01-Sep-11
$0.275	11-Aug-11	31-Oct-11	01-Dec-11
$0.30	10-Nov-11	31-Jan-12	01-Mar-12
$0.30	09-Feb-12	30-Apr-12	01-Jun-12

The June 4, 1993 Trust Indenture pursuant to which the Company issued medium term notes due in 2028 and 2034, as well as the Company's committed bank lines of credit, contain restrictions on the ability of the Company to declare and pay dividends. The financial position of the Company is such that these restrictions do not practically limit the payment of dividends by the Company at this time. The Company also issued medium term notes which are due in 2015, 2016 and 2035 pursuant to a trust indenture dated March 14, 2005 which does not contain any restrictions concerning dividend declaration and payment.

6. SECURITY RATINGS

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

Security	Rating
Commercial Paper	DBRS R-2 (high)
Unsecured and Medium Term Notes	DBRS BBB (high)
Commercial Paper	S&P A-1 (low) (CDN)
Senior Unsecured Debt and Medium Term Notes	S&P BBB+

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

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

DBRS rates commercial paper and short-term debt ranging from a high of R-1 to a low of D. Short-term debt rated R-2 (high) by DBRS is considered to be on the upper end of adequate credit quality with the obligor having acceptable capacity for the payment of short term financial obligations as they fall due. Companies rated in the category may be vulnerable to future events. S&P rates commercial paper and short-term debt ranging from a high of A-1 to a low of D. A short term obligation rated A-1(low) (CDN) by S&P is slightly more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory. Obligations rated A-1(low) on the Canadian commercial paper rating scale would qualify for a rating of A-2 on S&P's global short-term rating scale.

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

7. TRANSFER AGENTS AND REGISTRARS

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

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

8. DIRECTORS AND OFFICERS

Members of the Board of Directors

The names, provinces or states and countries of residence, year first elected as a director and present principal occupations of the directors of the Company as at March 15, 2012 are as follows:

Name and Province or State and Country of Residence	**Year First Elected as a Director[1]**	**Present Principal Occupation[2]**
Maureen J. Sabia Ontario, Canada	1985	Non-Executive Chairman of the Board of the Company; President, Maureen Sabia International, a consulting firm; and Corporate Director
Iain C. Aitchison New Jersey, U.S.A.	2009	Corporate Director
Martha G. Billes Alberta, Canada	1980	President, Albikin Management Inc., an investment holding company
Owen G. Billes Ontario, Canada	2004	President, Sandy McTyre Retail Ltd., which operates a Canadian Tire Store
H. Garfield Emerson, Q.C. Ontario, Canada	2007	Principal, Emerson Advisory, an independent advisory firm; and Corporate Director

Name and Province or State and Country of Residence	Year First Elected as a Director[1]	Present Principal Occupation[2]
John A. F. Furlong British Columbia, Canada	2011	Corporate Director
James L. Goodfellow Ontario, Canada	2010	Corporate Director
Claude L'Heureux Ontario, Canada	2011	President, Gestion Claude L'Heureux, which operates a Canadian Tire store
Frank Potter Ontario, Canada	1998	Corporate Director
Timothy R. Price Ontario, Canada	2007	Chairman, Brookfield Funds, Brookfield Asset Management Inc., an asset management company
James A. Riley Ontario, Canada	2006	Managing Director and Chief Operating Officer, The Catalyst Capital Group Inc., a private equity firm
Alan P. Rossy Quebec, Canada	2011	President and CEO, Groupe Copley, a real estate leasing and development company
Peter B. Saunders Florida, U.S.A.	2009	Corporate Director
Graham W. Savage[3] Ontario, Canada	1998	Corporate Director
George A. Vallance British Columbia, Canada	2011	President, G.A. Vallance Holdings Limited, which operates a Canadian Tire store
Stephen G. Wetmore Ontario, Canada	2003	President and Chief Executive Officer of the Company

NOTES:

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

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

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

3. G.W. Savage was a director of Microcell Inc. when it filed for protection under the *Companies' Creditors Arrangement Act* in 2003. Mr. Savage was also a director of Sun-Times Media Group, Inc. ("Sun Times"), formerly Hollinger International Inc. ("Hollinger"). He served as a director of that company from July 2003 until November 2009. On June 1, 2004, the Ontario Securities Commission issued a permanent management cease trade order (the "Ontario Cease Trade Order") against the insiders of Hollinger for failing to file its interim financial statements and interim MD&A for the three-month period ended March 31, 2004 and its annual financial statements, MD&A and Annual Information Form for the year ended December 31, 2003. In addition, the British Columbia Securities Commission issued a cease trade order against an insider of Hollinger resident in British Columbia on May 21, 2004, as updated on May 31, 2004 (the "BC Cease Trade Order"). The Ontario Cease Trade Order was allowed to expire on January 9, 2006

and is no longer in effect. The BC Cease Trade Order was revoked on February 10, 2006 and is no longer in effect. Sun Times filed for protection under Chapter 11 of the United States Bankruptcy Code in April 2009.

Committees of the Board of Directors

As of December 31, 2011, the Board of Directors had four committees: the Audit Committee, the Management Resources and Compensation Committee, the Governance Committee, and the Social Responsibility Committee. The present members of the Company's Audit Committee are G.W. Savage (Chairman), H.G. Emerson, J.L. Goodfellow and A.P. Rossy. The present members of the Company's Management Resources and Compensation Committee are F. Potter (Chairman), I.C. Aitchison, M.G. Billes, J.A. Riley and P.B. Saunders. The present members of the Company's Governance Committee are J.A. Riley (Chairman), M.G. Billes, F. Potter, T.R. Price and G.W. Savage. The present members of the Company's Social Responsibility Committee are T.R. Price (Chairman), O.G. Billes, J.A.F. Furlong, J.L. Goodfellow, C. L'Heureux and G.A. Vallance.

Audit Committee

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

Member	**Experience**
Graham Savage, Chairman	Mr. Savage is a Corporate Director and has 39 years of experience in the finance and investment industry, including seven years as Chief Financial Officer of a major public company. He has been a member of many board audit committees, a number of which he has chaired. Mr. Savage holds an undergraduate degree and an M.B.A. from Queen's University.
H. Garfield Emerson	As a securities and corporate lawyer, investment banker and corporate director, Mr. Emerson has over 40 years experience in corporate finance, including advising public corporations on financial reporting. He served as the Vice-Chair of the Auditing and Assurance Standards Board and as chair and member of audit committees of public, private, not-for-profit and Crown corporations for over 25 years. As an investment banker advising public and Crown corporations, he provided financial advisory services, including evaluation of financial statements of large public corporations. Mr. Emerson is a graduate of the University of Toronto and the University of Toronto Law School and, since 1968, a member of the Law Society of Upper Canada.
James L. Goodfellow	Mr. Goodfellow is a Chartered Accountant with over 40 years experience in public accounting. He was a senior partner and Vice-Chairman of Deloitte & Touche LLP and has also been an active contributor to the accounting profession. Mr. Goodfellow is past Chairman of the Canadian Institute of Chartered Accountants' Accounting Standards Board and its Canadian Performance Reporting Board. He was made a Fellow of the Ontario Institute of Chartered Accountants in 1986 for distinguished service to the profession and, in 2009, was awarded the Ontario Institute's Distinguished Order of Merit, the highest honour given by the Institute. He is a frequent speaker on both governance issues and matters related to auditing financial reporting. He has authored various articles and professional publications.
Alan P. Rossy	Mr. Rossy held an executive position in his family's retailing business from 1985 to 2007. In 1991, he became Executive Vice President of Store Operations at Dollarama. He is currently President and Chief Executive Officer of Groupe Copley, a real estate leasing and developing company. Mr. Rossy currently also serves as a member of the audit, finance and risk management committee of Aimia (formerly Group Aeroplan). He graduated from McGill University in 1985 with a Bachelor of Arts, majoring in Economics.

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

On March 31, 2011, the Company was granted temporary relief, pursuant to Part 8 of NI 52-110, from the additional independence requirements prescribed by section 1.5 of NI 52-110, to allow summer employment of the adult child of an Audit Committee member. Pursuant to section 1.5 of NI 52-110, temporary employment by the Company of a summer intern who was the adult child of a member of the Company's Audit Committee and the payment to the summer intern of a salary for his summer employment is deemed to be an indirect acceptance of compensation by the member of the Audit Committee and creates a "material relationship", for the purposes of NI 52-110, between the member of the Audit Committee and the Company. Accordingly, upon employment of the Audit Committee member's child, absent the relief, the Audit Committee member could no longer have been considered "independent" for the purposes of NI 52-110 and the Company would not have been able to satisfy the audit committee composition and independence requirements of section 3.1(3) of NI 52-110.

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

Executive Officers of the Company

The names, provinces and countries of residence and present principal occupations of the executive officers of the Company as at March 15, 2012 are as follows:

Name and Province and Country of Residence	**Present Principal Occupation**[1]
Maureen J. Sabia Ontario, Canada	Non-Executive Chairman of the Board of the Company; President, Maureen Sabia International, a consulting firm; and Corporate Director
Stephen G. Wetmore Ontario, Canada	President and Chief Executive Officer
Marco Marrone[2] Ontario, Canada	Chief Operating Officer, Canadian Tire Retail and Executive Vice-President , Canadian Tire Corporation, Limited
Dean McCann Ontario, Canada	Chief Financial Officer and Executive Vice-President, Finance
G. Michael Arnett Ontario, Canada	Executive Vice-President, Corporate Development
Glenn Butt Ontario, Canada	Executive Vice-President, Customer Experience and Automotive
Michael B. Medline Ontario, Canada	President, FGL Sports Ltd. and Executive Vice-President, Canadian Tire Corporation, Limited
Mary L. Turner Ontario, Canada	Chief Operating Officer, Canadian Tire Financial Services Limited

Harry P. Taylor Ontario, Canada	Chief Operating Officer, Mark's Work Wearhouse Ltd.
Robyn A. Collver Ontario, Canada	Senior Vice-President, Secretary and General Counsel
Kristine Freudenthaler Ontario, Canada	Senior Vice-President, Information Technology and Chief Information Officer
Douglas B. Nathanson Ontario, Canada	Senior Vice-President, Chief Human Resources Officer
John Salt Ontario, Canada	Senior Vice-President, Supply Chain
Kenneth Silver Ontario, Canada	Senior Vice-President, Corporate Strategy and Real Estate
Duncan Fulton Ontario, Canada	Senior Vice-President, Communications and Corporate Affairs
Candace A. MacLean Ontario, Canada	Vice-President and Treasurer

As at December 31, 2011, the individuals listed below served as executive officers of the Corporation, but ceased to be executive officers effective March 5, 2012. With the exception of the holding of other positions and offices within the Company, these former executive officers held the principal occupation referred to opposite his or her name during the past five years.

Name and Province and Country of Residence	**Principal Occupation (as at December 31, 2011)**
Patrick R. Sinnott Ontario, Canada	Executive Vice-President, Technology and Supply Chain
Paul Wilson Alberta, Canada	President, Mark's Work Wearhouse Ltd.
Sharon Patterson Ontario, Canada	Senior Vice-President, Human Resources

1. Each of the officers who is not a director of the Company has held the principal occupation referred to opposite his or her name or has held other positions and offices within the Company during the past five years except:

   (a) M.B. Medline, who between November, 2010 and August, 2011 served as a consultant to the Company;
   (b) H.P. Taylor, who from October, 2006 to November, 2007 served as Senior Vice-President Operations at Home Depot Canada and who from August, 2008 to November, 2010 served as Chief Financial Officer at Holt Renfrew Limited;
   (c) D.B. Nathanson, who prior to August, 2009 served as Vice-President and Associate General Counsel at MI Developments Inc.; and
   (d) D. Fulton, who prior to November, 2009, served as Senior Partner and General Manager of Fleishman-Hillard International, a global communication firm.

2. M. Marrone was a director of One Signature Financial Corporation until December 2005. Subsequent to his resignation as a director, a management cease trade order was issued by the Ontario Securities Commission for One Signature Financial Corporation in May 2006 due to its failure to file its financial statements and MD&A for the financial year ending December 31, 2005, which expired in August 2006.

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

On March 15, 2012, all directors and executive officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 2,101,152 Common Shares of the Company (approximately 61.4% of the issued and outstanding Common Shares of the Company) and 901,030 Class A Non-Voting Shares of the Company (approximately 1.2% of the issued and outstanding Class A Non-Voting Shares of the Company). These figures do not include the Common Shares and Class A Non-Voting Shares in the CTC Share Fund held in connection with the Company's Deferred Profit Sharing Plan, in which the Company's executive officers have rights as part of the Company's compensation program. In addition, as of March 15, 2012, two executive officers of the Company act as trustees of the Company's deferred profit sharing plan that controls or directs 419,280 of the Common Shares of the Company (approximately 12.2% of the issued and outstanding Common Shares of the Company) and 1,000,270 of the Class A Non-Voting Shares of the Company (approximately 1.3% of the issued and outstanding Class A Non-Voting Shares of the Company).

Conflicts of Interest

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

9. INTERESTS OF EXPERTS

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

The aggregate fees billed by the Company's external auditors for audit services in the financial years ended January 1, 2011 and December 31, 2011 were $2,616,050 and $3,018,599, respectively.

The aggregate fees billed by the Company's external auditors for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements and were not reported in the preceding paragraph for the financial years ending January 1, 2011 and December 31, 2011 were $1,767,103 and $3,371,085, respectively. These services related primarily to existing and new accounting guidance issued by the Canadian Institute of Chartered Accountants, including International Financial Reporting Standards, that apply to financing transactions and to due diligence and related work on the acquisition of FGL Sports.

The aggregate fees billed by the Company's external auditors for professional services related to tax compliance, tax advice and tax planning for the financial years ending January 1, 2011 and December 31, 2011 were $599,982 and $478,124, respectively. These services related primarily to tax advice in connection with foreign operations and the Canadian tax implications thereof, transfer pricing and indirect tax and tax compliance related to the acquisition of FGL Sports.

The aggregate fees billed by the Company's external auditors for services other than those reported above for the financial years ending January 1, 2011 and December 31, 2011 were $73,724 and $20,111, respectively. These fees related primarily to investigative services.

10. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company and certain of its subsidiaries are party to a number of legal proceedings, two of which are briefly described below. As at December 31, 2011 there were a number of claims outstanding. The Company believes that each such proceeding constitutes a routine legal matter incidental to the business conducted by the Company. The Company cannot determine the ultimate outcome of all of the outstanding claims but believes that the ultimate disposition of the proceedings will not have a material adverse effect on its consolidated earnings, cash flow or financial position.

CTB is the subject of two class action proceedings regarding allegations that certain fees charged on CTB issued credit cards are not permitted under the Quebec Consumer Protection Act (CPA). The first proceeding (the Desjardins-Emond Action) involves a class action that was certified against CTB and a number of other banks in October, 2004 by the Quebec Superior Court. The Plaintiff alleges that cash advance transaction fees charged by CTB (and other banks) are not permitted under the Quebec CPA and is seeking a return of all fees assessed against class members, plus punitive damages of $200 per class member. The class in the Desjardins-Emond Action is comprised of all persons in Quebec who have a credit card agreement with CTB and who have paid CTB fees for cash advances in Canada or abroad from October 1, 2001 to September 30, 2010. The second proceeding (the Marcotte Action) involves a motion filed in December, 2010 with the Quebec Superior Court for authorization to proceed with a class action against CTB and a number of other banks alleging that the mark up on the exchange rate charged by CTB (and other banks) on credit card transactions made in a foreign currency are not permitted under the Quebec CPA and is seeking a return of all fees assessed against class members, plus punitive damages of $25 per class member. The class in the Marcotte Action is comprised of all residents of Quebec who have a credit card agreement with CTB and who have paid CTB amounts relating to a mark up for credit card transactions made in a foreign currency since January 1, 2008. CTB believes it has a solid defense to both actions on the basis that banks are not required to comply with provincial legislation because banking and cost of borrowing disclosure is a matter of exclusive federal jurisdiction. Accordingly, no provision has been made for amounts, if any, that would be payable in the event of an adverse outcome. If adversely decided, the present total aggregate exposure to CTB is expected to be approximately $17.7 million in the Desjardins-Emond Action and $6.7 million in the Marcotte Action.

During the 2011 Financial Year: (a) there have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (b) there have been no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; and (c) the Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

11. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Management Information Circular prepared in connection with the Annual Meeting of Shareholders of the Company that was held on May 12, 2011, which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com. Additional financial information is provided in the Company's Consolidated Financial Statements and MD&A for the financial year ended December 31, 2011, which are also available on SEDAR at www.sedar.com. Other additional information relating to the Company may also be obtained on SEDAR at www.sedar.com.

ANNEX A

CANADIAN TIRE CORPORATION, LIMITED

AUDIT COMMITTEE MANDATE AND CHARTER

I THE BOARD OF DIRECTORS' MANDATE FOR THE AUDIT COMMITTEE

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

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

(a) financial reporting and disclosure;

(b) risk management; and

(c) compliance with applicable laws and regulations.

(a) <u>Financial Reporting and Disclosure Duties of the Board</u>

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

(i) that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;

(ii) that the accounting principles, significant judgements and disclosures which underlie or are incorporated in the Corporation's financial statements are the most appropriate in the prevailing circumstances;

(iii) that the Corporation's quarterly and annual financial statements are accurate and present fairly the Corporation's financial position and performance in accordance with generally accepted accounting principles and together with management's discussion and analysis, the annual information form and associated officer certifications constitute a fair presentation of the Corporation's financial condition; and

(iv) that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public in a timely manner.

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

(A) the Corporation's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation's financial transactions;

(B) material information about the Corporation including its consolidated subsidiaries is captured in accordance with a system of disclosure controls and procedures designed to provide reasonable assurance to management that information required to be disclosed by the Corporation in its filings under securities legislation is recorded, processed, summarized and reported in accordance with specified time periods;

(C) the Corporation's internal financial controls and disclosure controls and procedures are regularly assessed for effectiveness and efficiency;

(D) the Corporation's quarterly and annual financial statements are properly prepared by management;

(E) the Corporation's quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Corporation; and

(F) the financial components of the Corporation's Disclosure Policy are complied with by management and the Board.

(b) <u>Risk Management Duties of the Board</u>

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

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

(i) a policy which accurately sets out the Risk philosophy and appetite of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring, managing and responding to Risks (the “ERM Policy”) is developed, implemented and maintained;

(ii) the most significant Risks, including those Risks related to or arising from the Corporation’s weaknesses, threats to the Corporation’s business and the assumptions underlying the Corporation’s strategic plan (“Principal Risks”) are identified in a timely manner;

(iii) a formalized, disciplined and integrated enterprise risk management process (the “ERM Process”) is developed and employed to appropriately identify, assess, monitor, manage and respond to Risks; and

(iv) the ERM Policy and ERM Process are reviewed and, to the extent required, updated annually.

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

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

(i) the Corporation to issues that may negatively impact its reputation; and

(ii) the Corporation, its employees and directors to financial penalties and civil and criminal liability.

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

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

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

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

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

(b) All members of the Committee shall be financially literate as described in paragraph 3 of the Operating Principles.

(c) The Governance Committee shall designate the Chairman of the Committee.

3. Reliance on Management and Experts

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

(a) financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and

(b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

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

4. Limitations on Committee's Duties

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

II AUDIT COMMITTEE CHARTER

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

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

A. Operating Principles

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

(1) Committee Values

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

(2) Communications

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

(3) Financial Literacy

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

(4) Annual Audit Committee Work Plan

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

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

(5) Meeting Agenda

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

(6) Committee Expectations and Information Needs

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

(7) External Resources

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

(8) In Camera Meetings

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

(9) Reporting to the Board

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

(10) Committee Self Assessment

(a) On a bi-annual basis, the Committee shall conduct an evaluation of the Committee's performance including its ability to meet the requirements of this Charter and Mandate in accordance with the evaluation process developed and approved by the Governance Committee, and provide the results of the performance evaluation to the Governance Committee and the Board. In addition, the Committee shall periodically review its role and responsibilities.

(b) The Committee shall approve criteria for evaluating the financial literacy of its members in accordance with the terms of sections 1.6 and 3.1 of National Instrument 52-110 Audit Committees, as amended or replaced from time to time, and shall conduct an annual assessment of the financial literacy of its members and determine those members to be identified as financially literate in the Corporation's annual continuous disclosure documents in accordance with regulatory requirements.

(11) The External Auditors

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

(12) Approval of Other Engagements

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

(13) Committee Chairman's Job Description

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

B. Operating Procedures

(1) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two members of the Committee or at the request of the external auditors, and a majority of the members of the Committee shall form a quorum.

(2) The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Each Committee member (including the Chairman) is entitled to one vote in Committee proceedings. For greater certainty the Chairman does not have a second or casting vote.

(3) Any Director is entitled to attend, and the Committee may invite any officer or employee of the Corporation or any other person to attend, any Committee meetings to participate in the discussion and review of the matters considered by the Committee.

(4) Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as Secretary of all meetings of the Committee.

(5) In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.

(6) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

C. Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Financial Reporting

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

(2) review with management and the external auditors the financial statements of the Corporation's significant subsidiaries and of the Corporation's profit sharing plans;

(3) receive from the external auditors reports on their review of the annual and quarterly financial statements;

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

(5) review and, if appropriate, approve news releases and reports to shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements;

(6) review and if appropriate, approve all public disclosure documents containing material audited or unaudited financial information, except those referred to in paragraph (7) below, including annual information forms, annual and interim management's discussion and analysis, annual and interim CEO/CFO certifications of results, annual and quarterly earnings news releases, dividend declaration news releases, normal course issuer bid news releases, earnings guidance and associated news releases, rights offering circulars and material change reports of a financial nature; in circumstances where events render it impractical for the Board or the Audit Committee to review any such news releases and material change reports with management prior to issuing or filing such news releases and material change reports, authority to review and approve such news releases and material change reports may be exercised by the Chairman of the Audit Committee and the Chairman of the Board, acting together;

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

(8) satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements in order to satisfy itself that such information is fairly presented and periodically assess the adequacy of these procedures.

Accounting Policies

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

(2) review major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the accounts of the Corporation and its subsidiaries;

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

Risk and Uncertainty

Enterprise Risk Management

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

(1) considering and recommending to the Board for approval the ERM Policy setting out the Risk philosophy and appetite of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring, managing and responding to Risks;

(2) conducting an annual review of the ERM Policy and considering and recommending to the Board for approval any changes thereto;

(3) considering and recommending to the Board for approval the Principal Risks of the Corporation;

(4) considering and approving the ERM Process to be used to appropriately identify, assess, monitor, manage and respond to Risks;

(5) conducting an annual review of the ERM Process and considering and approving any changes thereto;

(6) considering and approving policies regarding the management of the Corporation's Principal Risks;

(7) at least semi-annually, obtaining from management a report addressing the Corporation's exposure to each Principal Risk;

(8) obtaining from management an annual report on compliance with the ERM Policy and ERM Process, as well as any other policies of the Corporation that address the management of Risks;

(9) obtaining from the internal auditor biennial reports regarding management's implementation and maintenance of an effective ERM Process and the management of the Corporation's Principal Risks; and

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

In addition, the Committee shall:

(1) review regularly with management, the external auditors and the Corporation's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements;

(2) approve counterparties to derivative transactions with long term investment grade ratings pursuant to the Securities and Derivatives Board Policy;

(3) approve continuing transaction limits in the event of a downgrade of financial institutions rated "AA" or "A" pursuant to the Securities and Derivatives Board Policy; and

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

Financial Controls and Control Deviations

(1) regularly assess the Corporation's system of internal financial controls and the Corporation's control environment to gain reasonable assurance that such controls are effective and efficient and to assist the Board in assessing whether senior management has created a culture of integrity and an effective control environment throughout the organization.

(2) review the plans of the internal and external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;

(3) receive regular reports from management, the external auditors and the Corporation's legal advisors on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

Disclosure Controls and Deviations

(1) satisfy itself that management has developed and implemented a system to ensure that the Corporation meets its continuous disclosure obligations;

(2) receive regular reports from management and the Corporation's legal advisors on the functioning of the disclosure compliance system, including any significant instances of non-compliance with such system, in order to satisfy itself that such system may be reasonably relied upon.

Compliance with Laws and Regulations

(1) review regular reports from management and others (e.g., internal and external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:

- (a) tax and financial reporting laws and regulations;
- (b) legal withholding requirements;
- (c) environmental protection laws and regulations;
- (d) other laws and regulations which expose directors to liability;

(2) review the status of the Corporation's tax returns and those of its subsidiaries;

(3) review regular reports from management and others with respect to the Corporation's compliance with laws and regulations and gain reasonable assurance that the Corporation's policies, procedures and programs in relation thereto are operating effectively and that the Corporation's provisions with respect to such matters are sufficient and appropriate;

(4) (a) approve a Code of Business Conduct that is comprised of standards reasonably designed to promote integrity and to deter wrongdoing and that addresses the following issues:

- (i) conflicts of interest, including transactions and agreements in respect of which a director or member of management has a material interest;
- (ii) protection and proper use and exploitation of the Corporation's assets and opportunities;
- (iii) confidentiality of private information relating to the business and affairs of the Corporation;
- (iv) fair and ethical dealing with the Corporation's security holders, customers, suppliers, competitors and employees;
- (v) compliance with applicable laws, rules and regulations; and
- (vi) reporting of any illegal or unethical behavior or other breaches of the Code of Business Conduct;

(b) gain reasonable assurance that waivers of compliance with the Code of Business Conduct granted for the benefit of any director or executive officer are being granted only by the Board or an appropriately empowered Board committee;

(c) review annually the process for monitoring compliance with and communication of the Code of Business Conduct to the Corporation's employees and directors and gain reasonable assurance that such process is operating effectively;

(5) discuss with the General Counsel any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the business and affairs of the Corporation, or on the compliance policies of the Corporation.

Relationship with External Auditors

(1) recommend to the Board the nomination of the external auditors and the remuneration and the terms of engagement of the external auditors;

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

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

(4) receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;

(5) receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;

(6) establish a policy under which management shall bring to the attention of the Chairman of the Committee all requests for non-audit services to be performed by the external auditors for the Corporation and its subsidiaries before such work is commenced. The Chairman is authorized to approve all such requests, but if any such service exceeds $250,000 in fees, or the service is of a sensitive or unusual nature, the Chairman shall consult with the Committee before approving the service. The Chairman has the responsibility to inform the Committee of all pre-approved services at its next meeting;

(7) discuss with management and the external auditors the timing and the process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner;

(8) review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the external audit can be coordinated with internal audit activities and the materiality levels which the external auditors propose to employ;

(9) meet regularly with the external auditors in the absence of management to determine, *inter alia*, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;

(10) establish effective communication processes with management and the Corporation's internal and external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee;

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

(12) request that the external auditors provide to the Committee, at least annually, an oral and/or written report describing the external auditors' internal quality assurance policies and procedures as well as any material issues raised in the most recent internal quality assurance reviews, quality reviews conducted by the Canadian Public Accountability Board, or any inquiry or investigation conducted by government or regulatory authorities.

<u>Internal Auditor</u>

(1) review the Internal Auditor's terms of reference;

(2) review the annual plan of the Internal Auditor;

(3) review the reports of the Corporation's Internal Auditor with respect to control and financial Risk, and any other matters appropriate to the Committee's duties. The Committee shall review the adequacy and appropriateness of management's response, including the implementation thereof;

(4) review and approve the reporting relationship of the Internal Auditor to ensure that an appropriate segregation of duties is maintained and that the Internal Auditor has an obligation to report directly to the Committee on matters affecting the Committee's duties, irrespective of his or her other reporting relationships;

(5) approve the appointment, replacement, reassignment or dismissal of the Internal Auditor;

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

<u>Other Responsibilities</u>

(1) periodically review the form, content and level of detail of financial reports to the Board;

(2) review annually the expenses of the Chairman of the Board and the Chief Executive Officer for the purpose of gaining reasonable assurance as to the reasonableness of such expenses;

(3) after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources;

(4) review in advance the appointment of the Corporation's Chief Financial Officer and its other senior financial executives;

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

(6) review reports from the Internal Auditor, the external auditors, and/or other Committee Chairmen on their review of compliance with the Corporation's Code of Business Conduct, and the Corporation's policies on political donations and payments to suppliers or others;

(7) review and approve the Corporation's policies with respect to the hiring of partners, employees and former partners and employees of the current and former external auditors;

(8) (a) establish procedures for:

(i) the confidential receipt, retention and treatment of complaints received by the Corporation regarding the Corporation's accounting, internal accounting controls or auditing matters; and

(ii) the confidential anonymous submission, retention and treatment of concerns by employees regarding questionable accounting or auditing matters; and

(b) require that all such matters be reported to the Committee together with a description of the resolution of the complaints or concerns;

(9) review management's reports on compliance with, and proposed changes to, all Board level policies that have been approved by the Board from time to time.

<u>Accountability</u>

(1) review and assess this Mandate and Charter at least once every three years, or more frequently if necessary, or at the request of the Secretary or Assistant Secretary of the Corporation as a result of legislative or regulatory changes, taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Corporation has a reporting relationship and, if appropriate, recommend changes to the Mandate and Charter to the Governance Committee for recommendation to the Board for its approval, except for minor technical amendments to this Mandate and Charter, authority for which is delegated to the Secretary or Assistant Secretary of the Corporation, who will report any such amendments to the Board at its next regular meeting.

(2) from time to time, as requested by the Board, disclose its Mandate and this Charter in the Corporation's statement of corporate governance practices and in its annual information form.

(3) review the description of the Committee's activities as set forth in the Corporation's statement of corporate governance practices.