

## **REITMANS (CANADA) LIMITED**

### **AUDIT COMMITTEE CHARTER**

#### **1. THE COMMITTEE**

1.1 Audit Committee of the Board – The audit committee of the Board shall have the purpose, constitution and responsibilities set forth herein.

1.2 Certain Definitions – In this Charter:

- (a) “**Board**” means the board of directors of the Corporation;
- (b) “**Chair**” means the chairperson of the Committee;
- (c) “**Charter**” means this written charter of the Committee;
- (d) “**Committee**” means the audit committee of the Board;
- (e) “**Corporation**” means Reitmans (Canada) Limited;
- (f) “**Director**” means a member of the Board who is duly elected or appointed;
- (g) “**External Auditor**” means the Corporation’s independent auditor; and
- (h) “**MD&A**” means Management’s Discussion & Analysis as contemplated in National Instrument 51-102 – *Continuous Disclosure Obligations*, as same may be amended, supplemented or replaced from time to time.

1.3 Interpretation – The provisions of this Charter are subject to the provisions of the by-laws of the Corporation and to the applicable provisions of applicable legislation and regulation.

#### **2. PURPOSE**

2.1 Purpose – The primary purpose of the Committee is to assist Board oversight by:

- (a) monitoring the integrity of the Corporation’s financial statements, MD&As and annual and interim profit or loss press releases;
- (b) reviewing the Corporation’s compliance with certain legal and regulatory requirements;
- (c) evaluating the External Auditor’s qualifications and independence; and
- (d) monitoring the performance of the External Auditor.

Nothing contained in this Charter is intended to transfer to the Committee the Board’s responsibility to ensure the Corporation’s compliance with applicable laws or regulations or to expand the applicable standards of liability under statutory or regulatory requirements for the Directors or the members of the Committee. Notwithstanding the specific mandate of the Committee and the fact its members may have financial experience, its members do not have the obligation to act as auditors or to perform auditing functions, or to determine that the Corporation’s financial statements are complete and accurate and are in accordance with International Financial Reporting Standards. Such matters are the responsibility of management and the External Auditor. Members of the Committee are entitled to rely, absent knowledge to the contrary, on (i) the

integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Corporation by the External Auditor. The Committee's oversight responsibilities are not established to provide an independent basis to determine that (i) management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures, or (ii) the Corporation's financial statements have been prepared and, if applicable, audited in accordance with International Financial Reporting Standards.

### 3. **CONSTITUTION AND FUNCTIONING OF THE COMMITTEE**

3.1 Number of Members – The Committee shall consist of not fewer than three members, each of whom shall be a Director.

3.2 Appointment and Removal of Members of the Committee –

- (a) *Board Appoints Members.* The members of the Committee shall be appointed by the Board, having considered the recommendation of the Governance Committee of the Board.
- (b) *Annual Appointments.* The appointment of members shall generally take place annually at the first meeting of the Board after the annual meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (c) *Vacancies.* The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors.
- (d) *Removal of Member.* Any member of the Committee may be removed from the Committee by a resolution of the Board.

3.3 Independence of Members – Each member of the Committee shall be independent or unrelated, as the case may be, for the purposes of all applicable regulatory and stock exchange requirements. For purposes of this Charter, “independence” shall have the meaning ascribed to such term in National Instrument 52-110 – *Audit Committees*, as same may be amended, supplemented or replaced from time to time.

3.4 Financial Literacy –

- (a) *Financial Literacy Requirement.* Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- (b) *Definition of Financial Literacy.* “Financially literate” means 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. **COMMITTEE CHAIR**

4.1 Board to Appoint Chair – The Board shall appoint the Chair from the members of the Committee (or, if it fails to do so, the members of the Committee shall appoint the Chair of the Committee from among its members).

4.2 Chair to be Appointed Annually – The designation of the Chair shall take place annually at the first meeting of the Board after the annual meeting of the shareholders of the Corporation at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

4.3 Chair to be Appointed From to Time – The Board may appoint a new Chair to fill a vacancy which may occur between annual elections of Directors.

4.4 Removal of Chair – The Chair may be removed by a resolution of the Board.

#### 5. **COMMITTEE MEETINGS**

5.1 Quorum – A quorum of the Committee shall be a majority of its members.

5.2 Secretary – Subject to the by-laws of the Corporation, the Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

5.3 Time and Place of Meetings – The time and place of the meetings of the Committee shall and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; *provided*, however, that (i) as the context generally permits, the meetings shall take place contemporaneously with the Board meetings; (ii) the Committee shall meet as frequently as the Chair of the Committee deems appropriate; and (iii) the Committee shall meet at least quarterly.

5.4 In Camera Meetings – As part of each meeting of the Committee at which the Committee recommends that the Board approves the annual audited financial statements or at which the Committee approves the interim financial statements, the Committee shall meet separately with each of:

- (a) management of the Corporation; and
- (b) the External Auditor.

5.5 Right to Vote – Each member of the Committee shall have the right to vote on matters that come before the Committee.

5.6 Invitees – The Committee may invite Directors, officers and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

#### 6. **AUTHORITY OF COMMITTEE**

6.1 Retaining and Compensating Advisors – The Committee shall have the authority to engage independent counsel and other advisors as the Committee may deem appropriate in its sole discretion and to set and to have the Corporation pay the compensation for any such advisors. The

Committee shall not be required to obtain the approval of the Board in order to retain or compensate such counsel or advisors.

6.2 Recommendations to the Board – The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

6.3 Free, Direct and Open Communication – The Committee has the authority to maintain free, direct and open communication with the Corporation’s officers, employees, the External Auditor and outside counsel at all times.

## 7. **REMUNERATION OF COMMITTEE MEMBERS**

7.1 Remuneration of Committee Members – Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

7.2 Directors’ Fees – No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than directors’ fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation.

## 8. **DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

8.1 Review and Approval of Financial Information –

- (a) *Annual Financial Statements.* The Committee shall review and discuss with management and the External Auditor, including their annual audit findings report, the Corporation’s audited annual financial statements and related MD&As and earnings press releases, and, if appropriate, recommend to the Board that it approve the audited annual financial statements, the MD&As and earnings press releases, prior to their release, filing and distribution.
- (b) *Interim Financial Statements.* The Committee shall review and discuss with management and the External Auditor, including a review of their interim review findings report, and, if appropriate, recommend to the Board that it approve the Corporation’s interim unaudited financial statements and related MD&A and the earnings press release, prior to their release, filing and distribution.
- (c) *Material Public Financial Disclosure.* The Committee shall, to the extent practicable, discuss with management and where appropriate the External Auditor:
  - (i) the financial information contained in prospectuses, offering memoranda, annual information forms, management proxy circulars and any other document required to be disclosed or filed with the regulatory authorities;
  - (ii) the type, presentation, controls and processes relating to financial information to be included in profit or loss press releases and other documents required to be filed with regulatory authorities; and
  - (iii) financial information and earnings guidance (if any) provided to analysts and rating agencies.

- (d) *Procedures for Review.* The Committee shall monitor 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 (other than financial statements, MD&A and profit or loss press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures through discussions with management of the Corporation and the External Auditor.
- (e) *Accounting Treatment.* The Committee shall review and discuss with management and the External Auditor:
  - (i) the quality, appropriateness and disclosure regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;
  - (ii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues, including the method used to account for significant unusual transactions or events and the disclosures related thereto, critical accounting estimates and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative acceptable accounting policy choices and the disclosure of sensitive matters such as related party transactions on the financial statements;
  - (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the Corporation's financial statements;
  - (iv) the potential impact of any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the Corporation and the appropriateness of the disclosure thereof in the documents reviewed by the Committee; and
  - (v) the management certifications of the financial statements as required under applicable securities laws in Canada or otherwise and the procedures undertaken to ensure the certifications are accurate.
- (f) *Insurance Coverage.* The Committee shall review insurance coverage annually and as may otherwise be appropriate. Matters relating to Directors and officers insurance coverage shall be reviewed by the Board.

## 8.2 External Auditor

- (a) *Authority with Respect to External Auditor.* The Committee shall be directly responsible for the oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or

attest services for the Corporation. In the discharge of this responsibility, the Committee shall:

- (i) have responsibility for recommending to the Board the firm to be proposed to the Corporation's shareholders for appointment as External Auditor for the above-described purposes as well as the responsibility for recommending such External Auditor's compensation and determining at any time whether the Board should recommend to the Corporation's shareholders whether the incumbent External Auditor should be removed from office;
  - (ii) oversee the rotation of lead, concurring and other external audit partners, to the extent required by the securities regulations;
  - (iii) review at least annually, representations by the External Auditor describing their internal quality-control procedures, as well as significant results arising from regulatory and professional quality-control procedures;
  - (iv) review with the External Auditor and management of the Corporation the audit plan, including scope and approach, of the External Auditor for the current year;
  - (v) review with the External Auditor and management, the quality, appropriateness and disclosure of the Corporation's accounting principles and policies, underlying assumptions and reporting practices, and any proposed changes thereto;
  - (vi) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be responsible for approving such audit fees; and
  - (vii) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.
- (b) *Independence.* The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:
- (i) unless and until the Committee adopts pre-approval policies and procedures and subject to subsection 8.2(d)(ii), approve any non-audit services to be provided by the External Auditor;
  - (ii) review and approve the policy setting out the restrictions on the Corporation hiring partners, employees and former partners and employees of the Corporation's current or former External Auditor; and
  - (iii) obtain annually from the External Auditor a letter confirming their independence with respect to the Corporation and its employees within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

- (c) *Issues between External Auditor and Management.* The Committee shall:
- (i) review any problems or concerns experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or an access to requested information;
  - (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor; and
  - (iii) review with the External Auditor:
    - (A) any accounting adjustments that were proposed by the External Auditor, but were not made by management;
    - (B) any communications between the audit team and audit firm's national office respecting auditing or accounting issues presented by the engagement; and
    - (C) any management or internal control letter issued, or proposed to be issued by the External Auditor to the Corporation and management's response and/or action plan related to any significant recommendations contained therein.
- (d) *Non-Audit Services.*
- (i) The Committee shall either:
    - (A) approve in advance any non-audit services to be provided by the External Auditor or the external auditor of any subsidiary of the Corporation; or
    - (B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.
  - (ii) The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.
  - (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.
- (e) *Evaluation of External Auditor.* The Committee shall evaluate the External Auditor each year, and present its conclusions to the Board. In connection with this evaluation, the Committee shall:

- (i) review and evaluate the performance of the External Auditor;
- (ii) obtain the opinions of management with respect to the performance of the External Auditor; and
- (iii) discuss with the External Auditor any area noted through the evaluation process where improvements can be made.

8.3 Whistle Blowing – The Committee shall monitor that procedures are in place for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

8.4 Special Outside Advisors – The Committee shall consider and, if determined to be appropriate, approve requests from Directors or committees of the Board for the engagement of special outside advisors from time to time (in addition to any right that a Director or committee of the Board may have to engage outside advisors under general corporate law).

## 9. **SUBCOMMITTEES**

9.1 Delegation to Subcommittees – The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

## 10. **REPORTING TO THE BOARD**

10.1 Regular Reporting – The Committee shall report to the Board following each meeting of the Committee and at such other times as the Chair may determine to be appropriate.

## 11. **PERFORMANCE EVALUATION**

11.1 Performance Evaluation – The Committee shall follow the process established by the Governance Committee for all committees of the Board for assessing the performance and effectiveness of the Committee.

## 12. **CHARTER REVIEW**

12.1 Charter Review – The Committee shall review and assess the adequacy of this Charter on a regular basis and recommend to the Board any changes it deems appropriate.

## 13. **OTHER RESPONSIBILITIES**

13.1 The Committee shall perform such other duties as may be required by law or requested by the Board or deemed appropriate by the Committee. The Committee shall discharge its responsibilities, and shall assess the information provided to the Committee, in accordance with its business judgment. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate.

13.2 The Committee shall review the adequacy of the Corporation's financing, including terms and conditions of all new material financing arrangements and compliance with the terms thereof.