Reitmans (CANADA) LIMITED

ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED

February 2, 2013

May 3, 2013

TABLE OF CONTENTS

Page

THE CORPORATION

(a) Incorporation

Reitmans (Canada) Limited ("Reitmans" or the "Corporation") was incorporated under the laws of Canada on April 5, 1947 and continued under the *Canada Business Corporations Act* on May 23, 1980. By certificate of amendment dated June 22, 1983, the legal designation of the Class A shares of the capital stock of Reitmans was changed to "Class A non-voting" shares. On February 3, 1992 Reitmans was amalgamated with Reitmans Holdings Limited, a wholly-owned subsidiary. On August 2, 1998 Reitmans and its wholly-owned subsidiary, Reitmans Inc. were amalgamated. Subsequent to the Corporation's 2003 year end, Shirmax Fashions Ltd. and its subsidiaries were amalgamated and the resulting amalgamated corporation was subsequently wound-up into the Corporation.

The registered office of Reitmans is located at 3300 Highway #7 West, Suite 702, Vaughan, Ontario L4K 4M3. The principal office of Reitmans is located at 250 Sauvé Street West, Montreal, Québec H3L 1Z2.

(b) Subsidiaries

As at February 2, 2013, Reitmans had no subsidiaries whose total assets constitute more than 10% of the consolidated assets of the Corporation or whose total revenues constitute more than 10% of the consolidated revenues of the Corporation, and no subsidiaries with total assets and total revenues constituting, in the aggregate, more than 20% of the consolidated assets of the Corporation and more than 20% of the consolidated revenues of the Corporation, respectively.

BUSINESS OF THE CORPORATION

(a) Introduction

The Corporation engages principally in the retail sale of women's wearing apparel. The retail activities of the Corporation are conducted under various trade names through the retail store banners of the Corporation. The majority of Reitmans' merchandise is moderately priced and targeted to appeal principally to young and contemporary customers. The merchandise offered by the Corporation includes coats, dresses, skirts, pants, sweaters, shirts, blouses, lingerie and accessories. The Corporation diversifies its sales by targeting different markets through each of its different store banners. See "Business of the Corporation - Stores".

(b) General Development of the Corporation Over the Last Three Years

In November 2007, the Corporation embarked on an e-commerce initiative in its plus-size banners (Penningtons and Addition Elle) and launched an e-commerce website for these banners. In December 2010, the e-commerce shopping experience was expanded to include the Reitmans banner. This online channel offers customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands. Early in fiscal 2014, the Corporation will launch e-commerce for the Smart Set, RW & CO. and Thyme Maternity banners with fulfillment through the Corporation's distribution centre (the "Reitmans Distribution Centre").

In the year ended January 28, 2012, the Corporation opened 10 Thyme Maternity boutiques in select Babies"R"Us locations in Canada, including access to e-commerce website shopping through the Babies"R"Us Canadian website. This new retail channel offers Thyme Maternity customers an easy and convenient offering in a 300 to 500 square foot environment. In

June 2012, the Corporation announced a partnership with Babies“R”Us to sell Thyme Maternity apparel and accessories in the United States. In the year ended February 2, 2013, the Corporation began selling Thyme Maternity products in the United States in 154 Babies“R”Us stores and online through the Babies“R”Us U.S. website. These new retail channels offer Thyme Maternity customers an easy and convenient offering along with the opportunity to access Thyme Maternity merchandise via the Internet.

In the year ended January 29, 2011, the Corporation embarked on a significant upgrade to its merchandising and supply chain operations, important to the Corporation’s growth strategy. The technology initiatives, along with warehouse management systems improvements, will support changes and growth across all areas of the Corporation, with improved integration while enabling the Corporation to reduce the overall cost of system maintenance and upgrades. The total project is being phased in through to completion in fiscal 2015. In June 2012, the Corporation installed a new warehouse management system. Complications associated with the system resulted in a disruption in the flow of inventory to stores in the third quarter of the year ended February 2, 2013, resulting in loss of sales and a decline in gross margin. The Corporation addressed the issues related to the warehouse management system in the year ended February 2, 2013 and continues to improve the flow of goods to its stores and to optimize system performance.

In the year ended January 28, 2012, the Corporation announced the plan to close its 25 Cassis stores. The Corporation has refocused its sales and merchandising efforts by converting these stores to other banners, where possible, with a view of enhancing sales in these store locations.

In November 2012, the Corporation partnered with EziBuy Ltd. (“EziBuy”), a New Zealand based retailer, to sell Addition Elle merchandise through its online sales channel. EziBuy is a multi-channel retailer offering fashion clothing and home decor in Australia and New Zealand.

In the year ended February 2, 2013, the Corporation undertook a comprehensive review of its global sourcing strategy and execution with a goal of reducing lead time for bringing products to the market. Additionally, a corporate initiative aimed at reducing overhead across the organization has been introduced which includes a review of head office activities and processes targeted at improving efficiencies.

(c) Stores

As at April 6, 2013, the Corporation operated a total of six retail store banners consisting of 358 Reitmans, 145 Smart Set, 73 RW & CO., 72 Thyme Maternity, 159 Penningtons and 104 Addition Elle, for a total of 911 stores. In addition, there were 20 Thyme Maternity boutiques (“shop-in-shop”) in select Babies“R”Us locations in Canada and 154 boutiques in Babies“R”Us stores in the United States.

Depending on market conditions and other considerations, Reitmans currently expects to open a total of 30 new stores during the fiscal year ending February 1, 2014 under the following banners: 6 Reitmans, 1 Smart Set, 6 RW & CO., 5 Addition Elle and 12 Penningtons. In addition, the Corporation expects to open 2 Thyme Maternity boutiques (“shop-in-shop”) in select Babies“R”Us locations in Canada and 15 boutiques in Babies“R”Us stores in the United States.

The majority of the Corporation’s stores are located in enclosed shopping malls, which are situated both in central and suburban metropolitan areas and in smaller towns in Canada.

Operating 358 stores averaging 4,600 square feet, Reitmans understands and fulfills the need of every woman of every shape to look and feel beautiful. As Canada's largest women's apparel specialty chain and leading fashion brand, Reitmans has developed strong customer loyalty through superior service, insightful marketing and quality merchandise. Reitmans' fashions can also be purchased online at reitmans.com.

With 145 stores, averaging 3,400 square feet, Smart Set is a style destination for young women. From wear-to-work separates, denim, essentials and accessories, Smart Set offers the latest styles in women's fashions to mix, match and innovate. Smart Set's fashions can also be purchased online at smartset.ca.

RW & CO. is an aspirational lifestyle brand, which caters to a customer with an urban mindset. RW & CO. offers fashions for both men and women that blend the latest trends with style, quality and with a unique attention to detail. RW & CO. operates 73 stores averaging 4,500 square feet in premium locations in major shopping malls. RW & CO.'s apparel is also available online at rw-co.com.

Thyme Maternity, Canada's leading fashion brand for moms-to-be, offers current styles for every aspect of life, from casual to work, plus a complete line of nursing fashions and accessories. Thyme's unique "full of life experience" delivers future moms with valuable advice, fashion tips and product knowledge to help them on the incredible journey during and after pregnancy. Thyme operates 72 stores averaging 2,300 square feet in major malls and power centres nationwide, as well as 20 Thyme shop-in-shops in select Babies"R"Us locations in Canada and 154 in Babies"R"Us locations in the Unites States.

As the Canadian leader of the plus-size market, Penningtons offers trend-right styles and affordable quality while creating a unique inspiring shopping experience for its customers. The plus-size fashion destination for sizes 14-32, Penningtons operates 159 stores across Canada averaging 6,000 square feet and an e-commerce site at penningtons.com. Penningtons' customers will find the best fitted clothing such as intimate apparel, basic to fashion denim, work to weekend outfits, footwear and activewear.

Addition Elle is Canada's leading fashion destination for plus size women. Addition Elle delivers the latest "must-have" trends to updated fashion essentials in an inspiring shopping environment, including casual daywear, amazing dresses, contemporary career apparel, intimate apparel, accessories, footwear, high performance activewear and the largest assortment of premium denim labels. Addition Elle's fashion for plus size women comprises a phenomenal range of fashions for all, with a focus on fashion, quality and fit. Addition Elle operates 104 stores averaging 6,000 square feet in major malls and power centres nationwide and an e-commerce site at additionelle.com.

All of the Corporation's stores feature wall and selling-floor displays which coordinate merchandise in order to promote multiple sales. The number of apparel items being displayed in each store varies depending on the selling season and size of the store. The stores, which the Corporation believes must constantly present a fresh, contemporary shopping environment, are redecorated periodically or fully remodeled as necessary to augment sales. New store designs in all banners have proven successful in generating increased sales and will be implemented in new store locations and renovated stores, where appropriate.

The Corporation's stores accept a variety of tenders, including debit cards, a number of national credit cards, cash and gift cards, providing customers with convenient payment options.

(d) Merchandising and Marketing

The merchandise sold by the Corporation is produced by a large number of manufacturers in Canada, Asia and Europe. While some branded merchandise is sold by the Corporation, most of the merchandise consists of items produced for one of the Corporation's private labels. The Corporation's private label program is aimed at satisfying the demand for better quality merchandise, comparable to certain national brands, at lower prices. The Corporation uses its buying power in the marketplace and directly with manufacturers to have goods specially made to the Corporation's specifications (construction, fabric, fit and style), which are sold at attractive prices while providing higher average mark-up for the Corporation than branded products.

The Corporation views its retail apparel market as having two principal selling seasons, spring/summer and fall/winter. As is generally the case in the women's apparel industry, the Corporation experiences its peak sales activity during the fall/winter season. This seasonal sales pattern results in increased inventory during the holiday selling period.

The Corporation follows a policy of continuous review of its inventory in order to identify slow-selling merchandise. If inventory exceeds customer demand for reasons of style, seasonal adaptation, adverse weather conditions or changes in customer preference, markdowns are taken to clear the merchandise. The Corporation emphasizes rapid turnovers and takes markdowns where required to keep merchandise fresh and current with customers' requirements and fashion trends.

The Corporation emphasizes customer service, including the presence of sales people in the stores, rather than self-service, and acceptance of merchandise returns for cash or credit within a reasonable time. Specific standards regarding customer service and employee conduct have been put in place throughout the Corporation.

(e) Purchasing and Distribution

Purchasing is conducted for each of the six banners of the Corporation by a staff of merchandise managers and buyers dedicated to such banner. The Corporation believes that this specialization of buyers for each banner allows them to focus on the particular customers and marketplace of the banner, thereby maximizing sales and gross margin by banner.

Distribution is conducted through the Reitmans Distribution Centre where all merchandise is received and processed for distribution to stores throughout Canada, primarily by common carrier.

The Reitmans Distribution Centre, located in Montreal, has 566,000 square feet of working area, serving all 6 banners. Set on 1,100,000 square feet of land, the facility has over 40 shipping and receiving docks and is capable of processing up to 500,000 garments a day in peak receiving and shipping season and more than 55,000,000 units of merchandise per year. Computerized sortation equipment for both hanging garments and flat items is capable of serving over 1,100 stores.

During the past fiscal year, no supplier to the Corporation accounted for more than 10% of the Corporation's merchandise purchases (determined at cost). The Corporation's merchandise is obtained from over 180 North American suppliers as well as a number of offshore suppliers. During the fiscal year ended February 2, 2013, approximately 20% of the Corporation's merchandise was purchased from Canadian sources and the balance was directly imported by the Corporation. The Corporation does not have any formal, long-term arrangements with any of its merchandise suppliers. This allows the Corporation flexibility in placing its purchase orders. The Corporation maintains buying offices in Montreal and sourcing offices in Hong Kong and Dhaka.

The Corporation has adopted a code of conduct for its suppliers. The Corporation is committed to conducting its business in accordance with ethical standards and the countries' local labor laws in which it does business. The Corporation will only do business with manufacturers whose practices conform to its code of conduct for suppliers, and will not do business with any manufacturer which the Corporation knows violates the laws of the country in which it operates or permits its contract facilities to do so. The Corporation's code of conduct for suppliers is available on its website at reitmans.ca.

The Corporation's arrangements with its foreign suppliers are subject to the risks attendant to doing business abroad, including the imposition of export duties, increases in the rate of import duties, custom clearances, political and social instability, late deliveries, currency revaluations and fluctuations in exchange rates. The Corporation seeks to continually minimize its potential exposure to risks through, among other measures, geographical diversification of its sources of supply and shifts of purchases among countries and suppliers. The Corporation constantly monitors duty, tariff and quota-related developments. The Corporation believes that its operations have not been adversely affected by any of these factors to date. However, the imposition or reimposition of new quotas, duties, tariffs or other restrictions, or the adverse adjustment of presently prevailing quota, duty or tariff levels, could have adverse effects upon the Corporation's operations and its ability to continue to import products at current or increased levels. The Corporation cannot predict with any degree of certainty the likelihood of any such events occurring.

The vast majority of the Corporation's non-Canadian sourced merchandise is priced and paid for in U.S. dollars. The Corporation in its normal course of business must make long lead-time commitments for a significant proportion of its merchandise purchases, in some cases as long as eight months. The Corporation uses a variety of strategies designed to fix the cost of its continuing U.S. dollar long-term commitments at the lowest possible cost while at the same time allowing itself the opportunity to take advantage of a positive swing in the value of the Canadian dollar vis-à-vis the U.S. dollar.

The Corporation believes that the number and geographical diversity of its sources of supply minimize the risk of adverse consequences that would result from termination of its relationship with any of its larger suppliers. The Corporation also believes that it would have the ability to develop, over a reasonable period of time, adequate alternate sources of supply should any of its existing arrangements terminate. To date, the Corporation has not experienced any significant difficulty in obtaining merchandise and considers its sources of supply to be adequate.

The Corporation's merchants obtain chain-wide inventory information for each of the Corporation's banners generated by the Corporation's merchandise information system utilizing point-of-sale terminals, through which merchandise can be followed from the placement of the order to the actual sale. Based upon this data, the merchandise managers compare budgeted to actual sales and make merchandising decisions, as required, including re-order, markdowns and changes in buying plans.

(f) Intangible Rights

The Corporation is the registered owner of approximately 417 trademarks in Canada. The Corporation considers that some of its registered trademarks have significant value in the marketing of its merchandise.

(g) Competition

The retail sale of women's apparel is a highly competitive business with numerous competitors, including individual and chain fashion specialty stores, department stores and e-commerce sellers. The Corporation cannot reasonably estimate the number of its competitors.

However, the Corporation believes, based on such trade information as is available, that the Corporation is one of the largest Canadian retailers of women's apparel.

(h) Employees

As at February 2, 2013, the Corporation employed approximately 3,900 persons on a full-time basis and approximately 5,900 persons on a part-time basis (fewer than 29 hours per week).

The Corporation is not a party to any collective bargaining contract with respect to its employees and the Corporation considers its employee relations to be highly satisfactory.

(i) Principal Properties of the Corporation

The Corporation leases all of its retail locations. In addition, the Corporation owns the Reitmans Distribution Centre located at 5555 Henri-Bourassa Blvd. West, St-Laurent, Québec and its administration office premises comprising 385,000 square feet located at 250 Sauvé St. West, Montreal, Québec.

RISK FACTORS

The risks included here are not exhaustive. The Corporation operates in a very competitive and rapidly changing environment. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Corporation's business.

<u>Business Operation Risks</u>

(a) Competitive and Economic Environment

Fashion retailing is a highly competitive global business that is subject to rapidly changing consumer demands. In addition, there are several external factors which affect the economic climate and consumer confidence over which the Corporation has no influence, including the disruptions in the international and regional credit markets and other financial systems and the ongoing poor global economic conditions witnessed over the course of the past years.

This environment intensifies the importance of in-store differentiation, quality of service and continually exceeding customer expectations, thereby delivering a total customer experience.

(b) Foreign Exchange

The Corporation's foreign exchange risk is limited to currency fluctuations between the Canadian and U.S. dollar. When merchandise is sourced offshore and must be paid for in U.S. dollars, the Corporation uses a variety of defensive strategies to protect the cost of U.S. dollars against any material adverse fluctuations in the value of the Canadian dollar between the time the relevant merchandise is ordered and when it must be paid for.

(c) Distribution and Supply Chain

The Corporation depends on the efficient operation of its sole distribution centre, such that any significant disruption in the operation thereof (e.g. natural disaster, system failures, destruction or major damage by fire), could materially delay or impair its ability to replenish its stores on a timely basis causing a loss of sales, which could have a significant effect on the Corporation's results of operations. In June 2012, the Corporation converted to a new warehouse management system. The unforeseen complications associated with the new system resulted in a disruption in the flow of inventory to stores in the third quarter of fiscal 2013. The disruption resulted in a loss of sales and a decline in gross margin in the year ended February 2, 2013. The Corporation has addressed the issues related to the warehouse management system and continues to improve the flow of goods to the stores and to optimize system performance.

(d) Consumer Shopping Patterns

Changes in customer shopping patterns could affect sales. Many of the Corporation's stores are located in enclosed shopping malls. The ability to sustain or increase the level of sales depends in part on the continued popularity of malls as shopping destinations and the ability of malls, tenants and other attractions to generate a high volume of customer traffic. Many factors that are beyond the control of the Corporation may decrease mall traffic, including economic downturns, closing of anchor department stores, weather, concerns of terrorist attacks, construction and accessibility, alternative shopping formats such as e-commerce, discount stores and lifestyle centres, among other factors. Any changes in consumer shopping patterns could adversely affect the Corporation's financial condition and operating results.

(e) Weather

Extreme changes in weather can affect the planned receipt and/or distribution of merchandise and the timing of consumer spending, and may have an adverse effect upon the Corporation's results of operations. In particular, unseasonably warm or cold weather, especially during the Corporation's peak selling seasons, may have an adverse effect on the Corporation's sales.

(f) Leases

All of the Corporation's stores are held under leases, most of which can be renewed for additional terms at the Corporation's option. The Corporation has good relationships with its landlords. Any factor which would have the effect of impeding or affecting, in a material way, the Corporation's ability to lease prime locations or re-lease and/or renovate existing profitable locations, or retard the Corporation's ability to close undesirable locations could adversely impact the Corporation's operations.

(g) Seasonality

The Corporation's business is somewhat seasonal, as are most retail businesses. Sales have traditionally been higher in the fourth quarter compared to other quarterly periods due to consumer holiday buying patterns. However, with the growth of the Corporation's plus-size and maternity businesses, second and third quarters' merchandise sales have been positively impacted resulting in higher sales revenues relative to the fourth quarter. Management assumes that this trend will continue in the future. The Corporation's quarterly results of operations may also fluctuate as a result of a variety of other factors, including the timing of new store openings and net sales contributed by new stores, the impact of new stores on existing stores within the same trade area, the merchandise mix and the timing and level of markdowns, promotions by competitors and consumer shopping patterns and preferences.

(h) Information Technology

The Corporation depends on information systems to manage its operations, including a full range of retail, financial, merchandising and inventory control, planning, forecasting, reporting and distribution systems. The Corporation regularly invests to upgrade, enhance, maintain and replace these systems. The Corporation is presently upgrading its merchandising and supply chain operations management systems. In June 2012, the Corporation converted to a new warehouse management system. The Corporation has addressed issues previously discussed related to its warehouse management system and continues to improve the flow of goods to the stores and to optimize system performance. Any significant disruptions in the performance of distribution or any other systems could have a material adverse impact on the Corporation's operations and financial results.

(i) Government Regulation

The Corporation is structured in a manner that management considers to be most effective to conduct its business across Canada. The Corporation is therefore subject to all manner of material and adverse changes in federal or provincial government regulation that can take place in any one or more of these jurisdictions, as such changes might impact income and sales taxation, duties, quota impositions or re-impositions and other legislated or government regulated matters and may affect the Corporation's operations and financial results.

(j) Merchandise Sourcing

Virtually all of the Corporation's merchandise is private label. The Corporation directly imports a large proportion of its merchandise from China. There are a variety of alternative sources (both domestic and offshore) for virtually all of the Corporation's merchandise. The Corporation has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would operate to prevent the Corporation from acquiring, distributing and/or selling merchandise on an ongoing basis.

The Corporation endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Corporation has adopted sourcing and other business practices to address the environmental concerns of its customers. The Corporation has established guidelines that require compliance with all applicable environmental laws and regulations. Although the Corporation requires its suppliers to adhere to these guidelines, there is no guarantee that these suppliers will not take actions that hurt the Corporation's reputation, as they are independent third parties that the Corporation does not control. However, if there is a lack of apparent compliance, it may lead the Corporation to search for alternative suppliers. This may have an adverse effect on the Corporation's financial results, by increasing costs and potentially causing delays in delivery.

Financial Risks

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk are provided below.

(k) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, marketable securities, trade and other receivables and foreign currency option contracts. The Corporation limits its exposure to credit risk with respect to cash and cash equivalents by investing available cash in short-term deposits with Canadian financial institutions and commercial paper with a rating not less than R1. Marketable securities consist primarily of preferred shares of highly-rated Canadian public companies. The Corporation's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year.

As at February 2, 2013, the Corporation's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 97,626,000
Marketable securities	71,630,000
Trade and other receivables	3,600,000
	$ 172,856,000

(l) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of trade and other payables is within six months. As at February 2, 2013, the Corporation had a high degree of liquidity with $169,256,000 in cash and cash equivalents and marketable securities. In addition, the Corporation has unsecured credit facilities of $125,000,000, subject to annual renewals. The Corporation has financed its store expansion through internally-generated funds and its unsecured credit facilities are used to finance seasonal working capital requirements for U.S. dollar merchandise purchases. The Corporation's long-term debt consists of a mortgage loan bearing interest at 6.40% due November 2017, which is secured by the Reitmans Distribution Centre.

(m) Foreign Currency Risk

The Corporation purchases a significant amount of its merchandise with U.S. dollars and as such significant volatility in the U.S. dollar vis-à-vis the Canadian dollar can have an adverse impact on the Corporation's gross margin. The Corporation has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. This includes, but is not limited to, various styles of foreign currency option or forward contracts, not to exceed six months, and spot rate purchases. A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Corporation reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions. For fiscal 2013, the Corporation satisfied its U.S. dollar requirements primarily through a combination of spot purchases and foreign exchange option contracts.

(n) Interest Rate Risk

Interest rate risk exists in relation to the Corporation's cash and cash equivalents, defined benefit pension plan and supplemental executive retirement plan. Market fluctuations in interest rates impact the Corporation's earnings with respect to interest earned on cash and cash equivalents that are invested in bank bearer deposit notes and bank term deposits with major Canadian financial institutions and commercial paper with a rating not less than R1. Overall return in the capital markets and the level of interest rates affect the funded status of the Corporation's pension plans. Adverse changes with respect to pension plan returns and the level of interest rates from the date of the last actuarial valuation may have a material adverse effect on the funded status of the retirement benefit plans and on the Corporation's results of operations. The Corporation has unsecured borrowing and working capital credit facilities available up to an amount of $125,000,000 or its U.S. dollar equivalent that it utilizes for documentary and standby letters of credit, and the Corporation funds the drawings on these facilities as the payments are due.

(o) Equity Price Risk

Equity price risk arises from changes in market price of available-for-sale equity securities. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. The Corporation monitors the mix of equity securities in its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Chief Executive Officer.

DIVIDEND POLICY

The Corporation has paid a quarterly cash dividend on its Common shares for 62 years and on its Class A non-voting shares for 52 years.

The cash dividends declared per Class A non-voting and Common share for the three most recently completed financial years amounted to $0.80 per share for fiscal 2013, $0.80 per share for fiscal 2012 and $0.78 per share for fiscal 2011.

A quarterly cash dividend of $0.20 per share was declared on all Class A non-voting and Common shares outstanding, payable April 25, 2013 to shareholders of record on April 12, 2013.

DESCRIPTION OF CAPITAL STRUCTURE

Holders of Common shares are entitled to receive notice, attend and vote at meetings of shareholders of the Corporation. Shareholders are entitled to one vote for each Common share held in respect of all matters which may properly come before meetings of shareholders. The holders of Class A non-voting shares are not entitled to receive notice of, attend or vote at meetings of shareholders of the Corporation, except as expressly provided by law or in certain circumstances.

The Class A non-voting shares and the Common shares of the Corporation rank equally and *pari passu* with respect to the right to receive dividends and upon any distribution of the assets of the Corporation. However, in the case of stock dividends, the holders of Common shares shall have the right to receive Common shares and the holders of Class A non-voting shares shall have the right to receive Class A non-voting shares.

MARKET FOR SECURITIES

The Common shares and the Class A non-voting shares of the capital of Reitmans are listed on the Toronto Stock Exchange (the "TSX").

The price ranges and volume of the Class A non-voting shares of the Corporation traded on the TSX on a monthly basis from February 2012 to January 2013 were as follows:

Class A Non-Voting Shares (RET.A)

Month	High ($)	Low ($)	Volume Traded
February 2012	15.30	14.48	1,305,190
March 2012	15.96	14.51	2,026,079
April 2012	15.47	14.82	1,018,871
May 2012	15.40	14.00	879,200
June 2012	14.08	12.14	1,801,181
July 2012	12.44	11.49	1,045,177
August 2012	12.95	12.00	1,030,916
September 2012	13.53	12.36	3,400,791
October 2012	13.22	12.12	864,569
November 2012	12.90	11.61	1,186,088
December 2012	12.19	11.30	3,232,168
January 2013 (Up to and including January 31, 2013)	12.75	11.75	1,717,275

The price ranges and volume of the Common shares of the Corporation traded on the TSX on a monthly basis from February 2012 to January 2013 were as follows:

Common Shares (RET)

Month	High ($)	Low ($)	Volume Traded
February 2012	15.50	14.75	73,345
March 2012	16.24	14.90	88,143
April 2012	15.72	15.05	165,864
May 2012	15.55	14.08	54,641
June 2012	14.05	12.10	110,153
July 2012	12.61	11.85	81,385
August 2012	12.89	12.15	100,217
September 2012	13.21	12.45	132,905
October 2012	12.92	12.07	89,183
November 2012	12.70	11.50	137,673
December 2012	11.78	10.68	213,142
January 2013 (Up to and including January 31, 2013)	12.12	11.35	127,952

PRIOR SALES

No securities of the Corporation that are outstanding but not listed or quoted on a marketplace were issued during the fiscal year ended February 2, 2013.

DIRECTORS AND OFFICERS

During the last five years, all of the directors and officers listed below have been engaged in their present principal occupations or in other executive capacities with the companies indicated opposite their names or with related or affiliated companies, except as noted below:

Name and municipality of residence	Position held with Reitmans	Director since	Principal occupation during last 5 years if different than position held with the Corporation
Cathryn Adeluca Ile Bizard, Québec, Canada	Vice-President - RW & CO.	N/A	-
Diane Archibald Montreal, Québec, Canada	Vice-President – Store Design and Development	N/A	-
Nathalie Bélanger Montreal, Québec, Canada	Vice-President – e-Commerce	N/A	Prior to October 2012, Ms. Bélanger was Vice-President of Travel Partnerships at Aimia Inc. (Groupe Aeroplan Inc.) (loyalty management) ("Aeroplan"). Prior to March 2011, Ms. Bélanger was Vice-President Product Management at Aeroplan. Prior to February 2010, Ms. Bélanger was General Manager, Rewards at Aeroplan
Stéphanie Bleau Montreal, Québec, Canada	Vice-President – Reitmans	N/A	-
Frédéric Boivin St-Bruno, Québec, Canada	Vice-President - Penningtons	N/A	Prior to April 2011, Mr. Boivin was Vice-President of RW & CO.
Domenic Carbone Montreal, Québec, Canada	Vice-President - Distribution and Logistics	N/A	Prior to June 2008, Mr. Carbone was Assistant Comptroller for the Corporation
Nadia Cerantola Montreal, Québec, Canada	President – Reitmans	N/A	Prior to April 2011, Ms. Cerantola was Vice-President – Reitmans
Cathy Cockerton Montreal, Québec, Canada	Vice-President - Smart Set	N/A	-
Mimi Cohen Montreal, Québec, Canada	Vice-President - Thyme Maternity	N/A	Prior to March 2012, Ms. Cohen was Director of Marketing for Thyme Maternity. Prior to September 2010, she served as Director of Marketing for Limited Brands - LaSenza (lingerie retailer). Prior to January 2010, Ms. Cohen was Director of Marketing - Beauty, Wellness at Avon Canada Inc. (global beauty company)
Richard Dumont Terrebonne, Québec, Canada	Vice-President - Addition Elle	N/A	Prior to February 2012, Mr. Dumont was Director of Sales and Operations for Reitmans
Henry Fiederer Montreal, Québec, Canada	Senior Vice-President	N/A	Prior to April 2011, Mr. Fiederer was President of Reitmans
Sylvain Forest Montreal, Québec, Canada	Vice-President - Smart Set	N/A	-
Marie Frenneaux Montreal, Québec, Canada	Vice-President - Thyme Maternity	N/A	-
Roslyn Griner Montreal, Québec, Canada	Vice-President - Addition Elle	N/A	Prior to April 2011, Ms. Griner was Senior Vice-President Marketing and Product Development for Fusion Brands Inc. (consumer packaged goods)
Ginette Harnois Beloeil, Québec, Canada	Vice-President - Penningtons	N/A	Prior to April 2011, Ms. Harnois was Vice-President Sales & Marketing for Summum Beauté International (consumer packaged goods). Prior to June 2008, Ms.Harnois was Customer Marketing Director for Johnson & Johnson Inc. Canada (consumer packaged goods)
Fiona Horgan Hudson, Québec, Canada	Vice-President - RW & CO.	N/A	-

Name and municipality of residence	Position held with Reitmans	Director since	Principal occupation during last 5 years if different than position held with the Corporation
David J. Kassie[(1)] Toronto, Ontario, Canada	Director	2012	Group Chairman, Canaccord Financial Inc. (financial services). Prior to May 2010, Mr. Kassie was Principal, Chairman and CEO of Genuity Capital Markets
Stephen J. Kauser[(1),(2),(3)] Ocean Ridge, Florida, United States	Director	1995	Business consultant
Walter Lamothe Laval, Québec, Canada	President – Penningtons / Addition Elle	N/A	Prior to September 2011, Mr. Lamothe was President and CEO for Mexx Canada (retailer)
Janice Leclerc Montreal, Québec, Canada	Vice-President - Addition Elle	N/A	Prior to May 2010, Ms. Leclerc was General Merchandise Manager for Addition Elle
Brian Lindy, CPA, CA Montreal, Québec, Canada	Executive Vice-President	N/A	Prior to August 2012, Mr. Lindy was President of Stokes Inc. (housewares retailer)
Bruce MacKeracher Ile Bizard, Québec, Canada	Vice-President – Reitmans	N/A	-
Claude Martineau Longueuil, Québec, Canada	Vice-President - Information Technology	N/A	-
Samuel Minzberg[(2),(3)] Montreal, Québec, Canada	Director	2000	Partner, Davies Ward Phillips & Vineberg LLP (attorneys)
Alain Murad Montreal, Québec, Canada	Vice-President, Legal and Secretary	N/A	Prior to February 2012, Mr. Murad was Legal Counsel for the Corporation. Prior to June 2010, Mr. Murad was Partner, Davies Ward Phillips & Vineberg LLP (attorneys). Prior to January 2009, he was an Associate at Davies Ward Phillips & Vineberg LLP (attorneys)
Isabelle Oliva Montreal, Québec, Canada	Vice-President - Human Resources	N/A	-
Jonathan Plens Boucherville, Québec, Canada	President - Thyme Maternity	N/A	Prior to May 2009, Mr. Plens was Vice-President - Penningtons / Addition Elle
Daniel Rabinowicz[(3)] St.Lambert, Québec, Canada	Director	2012	Business consultant. Before joining the Board of Directors in November 2012, Mr. Rabinowicz was President of Taxi New York (advertising agency) ("Taxi") until his retirement from Taxi in August 2009
Diane Randolph Montreal, Québec, Canada	Vice-President – Chief Information Officer	N/A	-
Stefanie Ravenda Brossard, Québec, Canada	Vice-President – Reitmans	N/A	-
Jeremy H. Reitman Montreal, Québec, Canada	Chairman and Chief Executive Officer and Director	1975	Prior to June 2010, Mr. Reitman was President and Chief Executive Officer
Stephen F. Reitman Montreal, Québec, Canada	President and Chief Operating Officer and Director	1984	Prior to June 2010, Mr. Reitman was Executive Vice-President
Jeff Ronald Georgetown, Ontario, Canada	Vice-President - Penningtons	N/A	Prior to February 2012, Mr. Ronald was Vice-President- Penningtons / Addition Elle. Prior to June 2009, Mr. Ronald was Director of Sales and Operations for Penningtons / Addition Elle
Allen F. Rubin Montreal, Québec, Canada	Vice-President - Operations	N/A	-
Rhonda Sandler Montreal, Québec, Canada	Vice-President - Penningtons	N/A	Prior to April 2009, Ms. Sandler was Vice-President - Addition Elle
Saul Schipper Montreal, Québec, Canada	Vice-President - Real Estate	N/A	Prior to February 2012, Mr. Schipper was Vice-President - Real Estate and Secretary of the Corporation. Prior to June 2008, Mr. Schipper was Vice-President - Secretary of the Corporation

Name and municipality of residence	Position held with Reitmans	Director since	Principal occupation during last 5 years if different than position held with the Corporation
Howard Stotland(1),(2) Montreal, Québec, Canada	Director	2003	Business consultant
Fernanda Sousa Montreal, Québec, Canada	Vice-President - Thyme Maternity	N/A	-
John J. Swidler, FCPA, FCA(1) Montreal, Québec, Canada	Director	2008	Senior advisor, Richter L.L.P. (accountants and consultants)
Jacqueline Tardif Ile Bizard, Québec, Canada	Vice-President – Reitmans	N/A	-
Danielle Vallières Laval, Québec, Canada	Vice-President – Smart Set	N/A	-
Valérie Vedrines Montreal, Québec, Canada	Vice-President – Smart Set	N/A	Prior to August 2012, Ms. Vedrines was Vice-President, Marketing and Visual for Boutique Jacob Inc. (ladies specialty retailer). Prior to June 2010, Ms. Vedrines was Vice-President Marketing for Lise Watier Cosmétiques Inc. (cosmetic brand)
Robert S. Vineberg(2),(3) Montreal, Québec, Canada	Director	1987	Partner, Davies Ward Phillips & Vineberg LLP (attorneys)
Suzana Vovko Montreal, Québec, Canada	President - RW & CO.	N/A	-
Richard Wait, CPA, CGA Montreal, Québec, Canada	Vice-President - Comptroller	N/A	-
Eric Williams, CPA, CA Montreal, Québec, Canada	Vice-President – Finance and Chief Financial Officer	N/A	Prior to October, 2009, Mr. Williams was Vice-President -Treasurer

NOTES:

(1) Member of the Audit Committee of the Board of Directors of Reitmans.
(2) Member of the Compensation Committee of the Board of Directors of Reitmans.
(3) Member of the Corporate Governance Committee of the Board of Directors of Reitmans.

As a group, the directors and senior officers of Reitmans beneficially own, directly or indirectly, or have control or direction over approximately 7,624,679 Common shares, representing approximately 57% of the issued and outstanding Common shares and 3,506,463 Class A non-voting shares, representing approximately 7% of the issued and outstanding Class A non-voting shares.

The term of office of each director expires at the close of the annual meeting of shareholders, unless such director is re-elected at such meeting. There is no executive committee of the Board of Directors of Reitmans. There is an Audit Committee, Compensation Committee and Corporate Governance Committee of the Board of Directors of Reitmans.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the directors and officers of the Corporation, except as set forth below, no director or executive officer of the Corporation:

(a) is, as at the date of this annual information form ("Annual Information Form"), or has been, within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company, that,

(i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer that was in effect for a period of more than 30 consecutive days; or

(ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer that was in effect for a period of more than 30 consecutive days; or

(b) is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. David J. Kassie was chairman and a director of SkyPower Corporation ("SkyPower") when, on August 12, 2009, the Ontario Superior Court of Justice (Commercial List) made an order under the *Companies' Creditors Arrangement Act* (Canada) in respect of SkyPower. The realizations in the estate of SkyPower (now called Interwind Corporation) are ongoing, and any shortfall to the creditors is unknown at this time. Mr. Kassie was also a director of ACE Aviation Holdings Inc. ("ACE") whose shareholders passed a special resolution on April 25, 2012 approving the voluntary liquidation of ACE. Pursuant to an order issued by the Superior Court of Québec (Commercial Division) on June 28, 2012, Ernst & Young Inc. (the "Liquidator") was appointed as liquidator of ACE effective as of June 28, 2012. All of the directors and officers of ACE resigned from their positions and the Liquidator was vested with the powers of the directors and officers of ACE effective as of June 28, 2012. The liquidation process is ongoing.

AUDIT COMMITTEE AND ACCOUNTANT'S FEES AND SERVICES

The Charter of the Audit Committee is attached hereto as Schedule A.

The mandate of the Audit Committee includes assisting the Board of Directors in its oversight of (i) the integrity of the Corporation's financial statements, (ii) the Corporation's compliance with, and process for monitoring compliance with, legal and regulatory requirements; (iii) the external auditor's qualifications and independence; and (iv) the performance of the external auditors.

(a) Composition of the Audit Committee

The Audit Committee is currently composed of David J. Kassie, Stephen J. Kauser, Howard Stotland and John J. Swidler, FCPA, FCA (Chair), each of whom is (i) independent and (ii) financially literate.

(b) Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Committee.

DAVID J. KASSIE graduated from McGill University in 1977 with a Bachelor of Commerce (Honours) degree. He received a Master of Business Administration from the University of Western Ontario in 1979. Prior to 2004, Mr. Kassie was Chairman and Chief Executive Officer of CIBC World Markets and the Vice Chairman of CIBC. Mr. Kassie was Principal, Chairman and Chief Executive Officer of Genuity Capital Markets ("Genuity") from November 2004 to May 2010 at which time Genuity was acquired by Canaccord Genuity Financial. Mr. Kassie is currently Group Chairman of Canaccord Financial Inc. (which owns Canaccord Genuity Corp.). Mr. Kassie has extensive experience as an advisor, underwriter and principal. He sits on a number of corporate boards and is on the Advisory Board of Omers Ventures.

STEPHEN J. KAUSER graduated from McGill University in 1963 with a Bachelor of Commerce degree. He has served as an investment analyst with the Sunlife Insurance Company and as Portfolio Manager with Capital Management Limited and Altamira Limited. He was a founding partner of Kauser, Lowenstein and Meade, Investment Managers. From 1973 to 1994, he served as President of Innocan. He currently serves as a business consultant.

HOWARD STOTLAND graduated from McGill University in 1966 with a degree in Civil Engineering. He received a master's degree in engineering from the Massachusetts Institute of Technology in 1968. From 1972 to 2002, he was the Chief Executive Officer of STS Systems, a manufacturer of retail technology systems. From 2002 to the present, he has served as a business consultant.

JOHN J. SWIDLER graduated from McGill University in 1965 with a Bachelor of Commerce degree and in 1967 obtained his designation as a Chartered Accountant. He received a Bachelor of Civil Law degree from McGill University in 1969. He joined the firm of Richter, Usher & Vineberg in 1971 and was admitted to partnership of the firm in 1973. He continued as a partner of its successor firm, RSM Richter Chamberland LLP (now known as Richter L.L.P.), where he currently acts as a senior advisor. From 1982 to 1996, he was the Chairman of the Executive Committee of RSM Richter Chamberland LLP and from 1996 to 2008 was the Managing Partner of RSM Richter Chamberland LLP. He received his Fellow Chartered

Accountant (FCA) designation from the Ordre des comptables agréés du Québec in 1992. He was the President of the Canadian Association of Insolvency and Restructuring Professionals in 1984 and a founding member of The Insolvency Institute of Canada and member of the Board of Directors and Vice President of this organization in 2000.

Messrs. Kassie, Kauser, Stotland and Swidler all have the ability to read and understand financial statements that present a breadth and complexity of accounting issues comparable to the breadth and complexity of the issues raised by the Corporation's own financial statements, understand the accounting principles the Corporation uses to prepare its financial statements and have the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves.

All members of the Audit Committee have an understanding of internal controls and procedures for financial reporting.

(c) Pre-Approval Policies and Procedures

The Corporation's Audit Committee pre-approves every engagement by KPMG LLP ("KPMG") to render audit or non-audit services. All of the services described below were approved by the Audit Committee.

(d) External Auditor Services Fees

KPMG, the Corporation's external auditors, provided services and billed the Corporation the following fees in each of the last two fiscal periods:

Audit Fees

The following sets forth the aggregate fees billed by KPMG for the audit of the annual financial statements, quarterly review of the Corporation's financial statements and for services normally provided by the external auditor, such as services in connection with statutory and regulatory filings or prospectus.

Fiscal year ended February 2, 2013	$286,000
Fiscal year ended January 28, 2012	$308,000

Audit Related Fees

The following sets forth the aggregate fees billed for assurance and related services by KPMG that are reasonably related to the performance of the audit or review of the financial statements, and are not reported under "Audit Fees", such as consultations related to accounting, implementation of International Financial Reporting Standards and reporting matters:

Fiscal year ended February 2, 2013	$34,500
Fiscal year ended January 28, 2012	$93,840

Non-Audit and Tax Fees

The following sets forth the aggregate fees billed in each of the last two fiscal periods for professional services rendered by KPMG for translation services related to annual and interim financial statements, municipal property tax consultation, tax compliance, tax advice and consultation on refund of sales taxes and tax planning:

Fiscal year ended February 2, 2013	$113,975
Fiscal year ended January 28, 2012	$123,220

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Currently, there are no outstanding material legal proceedings to which the Corporation is a party or of which any of its properties is the subject matter, and the Corporation's directors and officers are not aware of any material threatened or contemplated proceedings against the Corporation. In addition, during the fiscal year ended February 2, 2013, the Corporation was not subject to: any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority; any penalties or sanctions imposed by a court or regulatory body that would be considered important by a reasonable investor; or any settlement agreements relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Corporation leases two retail locations which are owned by Consol Holdings Canada Limited, an associate of Jeremy H. Reitman and Stephen F. Reitman. The leases for such premises were entered into on commercial terms similar to those for leases entered into with third parties for similar premises.

MATERIAL CONTRACTS

The Corporation has not entered into any contract that would constitute a "material contract" for purposes of this Annual Information Form.

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc. is the transfer agent and registrar for the Corporation's Common shares and Class A non-voting shares. The registers of transfers of each class of securities are located at its principal offices in Montreal and Toronto.

INTEREST OF EXPERTS

KPMG has audited the Corporation's consolidated financial statements for the year ended February 2, 2013. The Corporation is advised that, as of the date hereof, the members of KPMG are independent in accordance with the Code of Ethics of *L'Ordre des comptables Agréés du Québec*.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's management proxy circular for its most recent annual meeting of securityholders that involved the election of directors.

Additional financial information is provided in the Corporation's financial statements and management discussion and analysis for its most recently completed financial year.

SCHEDULE A

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;

(g) "**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; and

(h) "**External Auditor**" means the Corporation's independent auditor.

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 of:

(a) the integrity of the Corporation's financial statements;

(b) the Corporation's compliance with legal and regulatory requirements;

(c) the External Auditor's qualifications and independence; and

(d) the performance of the External Auditor.

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 Corporate Governance Committee of the Board.

(b) *Annual Appointments*. The appointment of members of the Committee shall 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.

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 Committee's 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.

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 and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, 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 approve the annual audited financial statements or at which the Committee approves the quarterly financial statements, the Committee shall meet separately with each of:

(a) management; 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 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.

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, the Corporation's audited annual financial statements and related MD&A together with the report of the External Auditor thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements.

(b) *Interim Financial Statements*. The Committee shall review and discuss with management and the External Auditor and, if appropriate, approve, the Corporation's interim unaudited financial statements and related MD&A.

(c) *Material Public Financial Disclosure*. The Committee shall, to the extent practicable, discuss with management and the External Auditor:

(i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases;

(ii) financial information and earnings guidance (if any) provided to analysts and rating agencies; and

(iii) press releases containing financial information.

(d) *Procedures for Review*. The Committee shall 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 (other than financial statements, MD&A and earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.

(e) *Accounting Treatment*. The Committee shall review and discuss with management and the External Auditor:

(i) major issues 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 and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods 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 management certifications of the financial statements as required under applicable securities laws in Canada or otherwise; and

(v) pension plan financial statements, if any.

8.2 <u>External Auditor</u> –

(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 person or 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) 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

(iii) 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 and

(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.

(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.

(d) *Non-Audit Services*.

(i) The Committee shall either:

(A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of the Corporation to the Corporation (including its subsidiaries); 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 audit committee's responsibilities to management.

(i) 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.

(ii) 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 lead partner of the External Auditor; and

(ii) obtain the opinions of management with respect to the performance of the External Auditor.

(f) *Review of Management's Evaluation and Response*. The Committee shall:

(i) review management's evaluation of the External Auditor's audit performance;

(ii) review the External Auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses; and

(iii) review management's response to significant internal control recommendations of the External Auditor.

8.3 Whistle Blowing – The Committee shall put in place procedures 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 Corporate 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.