

RONA INC.



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 25, 2011

March 22, 2012

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Except as otherwise indicated, the information contained herein is given as of March 22, 2012, based on the Corporation's most recently completed financial year ended December 25, 2011, and all dollar amounts set forth herein are expressed in Canadian dollars.

In this Annual Information Form, "RONA", the "Corporation", "we" and "our" refer, depending on the context, either to RONA inc. or to RONA inc. together with its subsidiaries. References to "RONA stores" or to "the Corporation's stores" refer to affiliated, franchised and corporate stores, all of which are supplied by RONA's distribution system. References to "dealer-owners" refer to dealers who own affiliated stores or all of, or a portion of, franchised stores. References to "network retail sales" reflect the combined retail sales generated by affiliated, franchised and corporate stores. Unless otherwise indicated, references to the Corporation's market share and position and other similar references are based upon network retail sales. The Corporation's consolidated sales do not include retail sales from dealer-owned stores except for the retail sales of stores in which RONA has an equity participation of at least 50% in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, same-store sales include retail sales from both corporate and franchised stores which were part of the Corporation's network.

The information appearing in the extracts from the documents listed below and specifically referred to in this Annual Information Form is incorporated herein by reference: (i) the 2011 Annual Report; and (ii) the 2011 Management Proxy Circular (the "Circular"). The foregoing documents are available on the SEDAR website at www.sedar.com and on the Corporation's website at www.rona.ca.

ITEM 1 - CORPORATE STRUCTURE

A – Name and Incorporation

RONA results from the amalgamation of Marchands Ro-Na Inc. and Le Groupe RO-NA Inc. through articles of amalgamation dated January 2, 1984 under Part IA of the *Companies Act* (Quebec) (the "Act"). Following the acquisition of Dismat inc. in 1988, the Corporation changed its name to Le Groupe RO-NA DISMAT inc. on January 11, 1989. On May 14, 1998, the Corporation again changed its name and is now known as RONA inc. Over the years, the Corporation has modified its articles of amalgamation several times to reflect changes in its authorized share capital and in connection with the entering into force of the new *Business Corporations Act* (Québec).

Our head office is located at 220 chemin du Tremblay, Boucherville, Quebec, Canada J4B 8H7 and our website address is www.rona.ca.

Our financial year is a 52 or 53 week period ending on the last Sunday of December.

B – Intercorporate Relationships

As at December 25, 2011, our significant subsidiaries were 4536631 Canada Inc.⁽¹⁾, which carries on its operations in the provinces of Quebec and Ontario, RONA Revy Inc. and TOTEM Building Supplies Ltd. ("TOTEM"), which carry on their operations in Western Canada (Manitoba, Saskatchewan, Alberta and British Columbia), 4338553 Canada Inc.⁽²⁾, which carries its operations in Newfoundland and Labrador, 7594828 Canada Inc., which carries its operations in all provinces of Canada, Buildrite Centres Inc.⁽²⁾, which carries its operations in Nova Scotia, and 220 Real Estate Limited Partnership, which carries its operations in Alberta, British Columbia, Manitoba, New-Brunswick, Nova Scotia, Ontario, Quebec, Saskatchewan and Newfoundland and Labrador. These subsidiaries are all directly or indirectly wholly owned by the Corporation. RONA Revy Inc., 4536631 Canada Inc., 4338553 Canada Inc., 7594828 Canada Inc. and Buildrite Centres Inc. were incorporated

(1) Results from the amalgamation of RONA Ontario Inc. and Réno-Dépôt Inc. pursuant to the federal laws of Canada as of December 28, 2009.

(2) Buildrite Centres inc. and 4338553 Canada Inc. were amalgamated into 4536631 Canada Inc. on December 26, 2011.

pursuant to the federal laws of Canada, TOTEM was incorporated pursuant to the laws of Alberta and 220 Real Estate Limited Partnership was formed under the laws of Quebec.

ITEM 2 - GENERAL DEVELOPMENT OF THE BUSINESS

A – RONA’s Origins and Recent Highlights

RONA was created in 1939 by a group of independent merchants. In the last decade, we completed several acquisitions. The most significant are described below.

On March 6, 2000, we acquired Cashway, the third largest retailer of building materials in Ontario with 66 bannered stores and one distribution centre. These stores now fly the RONA banner.

Effective June 6, 2001, we acquired the majority of the assets of Revy Home Centres Inc. (“Revy”), which comprised 51 stores (including 14 big-box stores) and three distribution centres in five provinces (Ontario, Manitoba, Saskatchewan, Alberta and British Columbia). These stores now fly the RONA banner.

On November 5, 2002, we completed a public offering. The Toronto Stock Exchange then approved the listing of our Common Shares (as defined herein) under the symbol “RON”. On May 21, 2003, we completed the closing of another issue of Common Shares for an amount of approximately \$130 million.

On September 10, 2003, we completed the acquisition of all of the issued and outstanding shares of Réno-Dépôt, consisting of 20 big-box stores, for total consideration of approximately \$371 million, including closing adjustments.

On April 14, 2005 we completed the acquisition of TOTEM, a home improvement leader in Alberta. This acquisition was completed for a total cash payment of approximately \$100 million. The network acquired from TOTEM represents 16 points of sale in Alberta, namely, 14 retail stores and 2 stores for contractors. These stores are expected to fly the RONA banner after their transformation into RONA’s new proximity store concept as presented in RONA’s 2012 business plan.

On March 13, 2006, we completed the acquisition of Chester Dawe, adding eight points of sale to our network, all in Newfoundland and Labrador. These stores now fly the RONA banner.

On April 3, 2006 we acquired a 51% interest in the operating businesses of Matériaux Coupal Inc., a market leader in the sale of building materials for housing industry professionals in the Greater Montreal area, adding nine points of sale and two factories that manufacture roof trusses, joists and prefabricated walls.

On July 24, 2006 we acquired Curtis Lumber, a leading supplier of building materials and home improvement and hardware products in British Columbia, providing us with six additional points of sale on the West Coast: four in Burnaby, one in Langley and one in Pender Harbour (Sunshine Coast).

On April 2, 2007, we completed the acquisition of the assets of Noble Trade Inc., one of the largest plumbing and heating supply wholesalers in Ontario, serving a commercial and professional customer base. This company was rebranded under Noble in 2011.

On December 3, 2007 we completed the acquisition of the operating assets and real estate of lumber, building materials and hardware specialist Dick’s Lumber based in British Columbia.

On January 9, 2008 we expanded the commercial and professional market division through the acquisition of Ontario plumbing specialist Best-MAR. The points of sale acquired are now flying the Noble banner.

On February 22, 2010, through Noble, our subsidiary specialized in the plumbing and heating, ventilation and air conditioning products (HVAC) market, we acquired Plomberie Payette & Perreault Inc. This transaction represented the first step in our development plan for this market in Quebec.

On June 16, 2010, we continued our expansion in the Atlantic Provinces with the acquisition of the retailer Pierceys, operating five hardware stores, major lumberyards and one of the biggest fleets of construction materials and hardware delivery trucks in Nova Scotia. These stores now fly the RONA banner.

On November 1, 2010, through Noble, our subsidiary specialized in the plumbing and HVAC market, we acquired MPH Supply Limited. This transaction represented the first step in our development plan for this market in British Columbia.

On November 4, 2010, we closed the acquisition of the distributor TruServ Canada Inc., a dealer-owned distributor headquartered in Winnipeg, Manitoba.

On December 20, 2010, we closed the acquisition of Ontario HVAC specialist Don Park Limited Partnership.

On January 31, 2011, we closed the acquisition of Quebec plumbing specialist La Boutique de Plomberie Décoration 25 Inc.

During the third quarter of 2011, RONA put in place a financial strategy focusing on three main financial objectives: improve efficiency, optimise the capital structure and increase the return on capital for the Corporation. The Corporation repurchased \$283 million aggregate principal amount of its 5.40% debentures due October 20, 2016. Also, in November 2011, the Corporation launched a normal course issuer bid allowing it to repurchase, in the normal course of its activities between November 11, 2011 and November 10, 2012, up to 11,016,854 common shares, representing 10% of its 110,168,541 public float or 8.4% of its 130,520,489 common shares issued and outstanding on October 31, 2011. As at March 5, 2012, 7,617,800 shares had been repurchased at an average price of \$9.38 per share. The common shares thereby purchased have been cancelled. Finally, in December 2011, RONA renewed its existing credit facility for a period of five years. The facility, which matured in 2012 was renewed to 2016 and the total amount available was increased from \$650 million to \$950 million.

B – Trends

For a discussion of industry and other trends, commitments, events or uncertainties reasonably expected to have a material effect on our business, financial condition or results of operations, see “Item 3 – Narrative Description of the Business – Industry Overview” below.

ITEM 3 - NARRATIVE DESCRIPTION OF THE BUSINESS

A – Overview

RONA is the largest Canadian distributor and retailer of hardware, home renovation and gardening products. The Corporation operates a network of close to 800 corporate, franchise and affiliate stores of various sizes and formats under several banners, and a network of 14 hardware and construction materials distribution centres. RONA is also a leader in the specialized plumbing and HVAC market, primarily serving commercial and

professional customers with a network of close to 60 sales outlets and four main distribution centers across the country.

In total, RONA supplies nearly 1,500 sales outlets, of which some 860 are under one of its banners, as well as close to 600 clients (independent dealers), in its distribution network. With close to 30,000 employees working under its family of banners in every region of Canada, the RONA store network generated, in the financial year ended December 25, 2011, consolidated sales of \$4.8 billion and over \$6 billion, when taking into account the total impact of the retail sales of franchise dealers, affiliates and other independent dealers who buy their supplies at RONA.

B – Industry Overview

Size and Fragmented Nature of the Hardware, Home Improvement and Gardening Products Marketplace

The hardware, home improvement and gardening products industry serves a large market that includes the entire Canadian population. This industry is very competitive and fragmented, with numerous local and regional businesses. We believe that RONA is well positioned to compete effectively in this fragmented marketplace and that this fragmentation provides it with a significant opportunity for consolidation.

Based on companies' estimated sales and available industry data, in 2011, the three largest players of the industry, in Canada, accounted for less than half of the total Canadian market, with no one company exceeding a market share of 19%. Our market share, in Canada, is estimated at 19%. Close to 5,000 independent operators share the rest of the total Canadian market for hardware, home improvement and gardening products.

Seasonal Nature of the Industry

Our industry sector is seasonal. First quarter and last quarter sales are typically weaker than sales in the other two quarters, due to the low level of activity in the renovation/construction sector in winter. In addition, bad weather can impact our sales, particularly those of seasonal products. Moreover, fluctuations in the price of lumber and other building materials can have an impact on sales in our industry.

Industry Segments

As mentioned above, the hardware, home improvement and gardening products segment is highly competitive. Our competitors are large national and international chains and regional groups or independent stores. Nonetheless, management believes that RONA has demonstrated its ability to perform in all market segments of the industry. We have a number of advantages: a portfolio of banners and multiple store formats, evolving concepts, locations coast-to-coast and an efficient distribution network.

C – Our Business

RONA has two distinct operating segments: (i) distribution and (ii) retail and commercial. Revenues for our financial years 2011 and 2010, for each of our operating segments and in aggregate, are set forth below.

<u>2011</u>	<u>Distribution</u> <u>\$(000's)</u>	<u>Retail and commercial</u> <u>\$(000's)</u>	<u>Total</u> <u>\$(000's)</u>
Segment sales.....	2,401,224	3,591,200	5,992,424
Intersegment sales and royalties.....	(1,187,840)	-	(1,187,840)
Sales	<u>1,213,384</u>	<u>3,591,200</u>	<u>4,804,584</u>
<u>2010</u> ⁽¹⁾	<u>Distribution</u> <u>\$(000's)</u>	<u>Retail and commercial</u> <u>\$(000's)</u>	<u>Total</u> <u>\$(000's)</u>
Segment sales.....	2,433,080	3,621,096	6,054,176
Intersegment sales and royalties.....	(1,234,587)	-	(1,234,587)
Sales	<u>1,198,493</u>	<u>3,621,096</u>	<u>4,819,589</u>

⁽¹⁾ For comparative purposes, each of our operating segments and in aggregate for our financial year 2010 have been restated under IFRS.

Retail and Commercial

In our retail and commercial segment, we classify the stores that are part of our network according to two basic criteria: type of ownership and store format. To reach our customers, we offer a national network of stores under various banners designed to serve the targeted profiles. As at December 25, 2011, December 26, 2010 and December 27, 2009, our store network consisted of:

<i>Number of bannered stores</i>	<u>December 25,</u> <u>2011</u>	<u>December 26,</u> <u>2010</u>	<u>December</u> <u>27, 2009</u>
Big-box	80	78	77
Proximity and Specialized	179	151	138
Commercial and Professional	55	62	40
Affiliates or independent dealers.....	524 ⁽¹⁾	522 ⁽¹⁾	431
Total store count	<u>838</u>	<u>813</u>	<u>686</u>

⁽¹⁾ Affiliated stores that have no specific RONA or TRU banner have been reclassified for as non-bannered distribution customers. We currently have close to 600 such customers.

Stores that are part of our network fall within one of three types of ownership (corporate, franchised and affiliated or independent). Each of these types of ownership has the following attributes:

Ownership Type	RONA's Typical Equity Participation	RONA's Economic Interest	Number of bannered stores		
			As at December 25, 2011	As at December 26, 2010	As at December 27, 2009
Corporate	More than 50%	Distribution, retail and commercial sales	295	271	233
Franchised	From 0% to 50%	Royalties on sales, distribution sales and retail sales	19	20	22
Affiliated or Independent Dealers	0%	Distribution sales	524 ⁽¹⁾	522 ⁽¹⁾	431
Total			838	813	686

⁽¹⁾ Affiliated stores that have no specific RONA or TRU banner have been reclassified for as non-bannered distribution customers. We currently have close to 600 such customers.

Corporate Stores are owned and fully operated by RONA.

Franchised stores are owned either by dealer-owners or by dealer-owners in partnership with RONA. The franchised stores enter into commercial agreements with RONA which include certain obligations similar to those affecting the affiliated stores. These agreements also allow us to manage product selection, supply and assortment, and to exercise control over the site on which such stores are operated through leasing and subleasing agreements.

Affiliated stores of our network are owned by dealer-owners who have entered into a commercial agreement with RONA. Pursuant to this agreement, dealer-owners are committed to respecting certain RONA guidelines regarding marketing, advertising, image and purchasing loyalty.

On November 4, 2010, when RONA closed the acquisition of TruServ Canada Inc., the Corporation added new bannered independent dealer-owners among its customers. RONA now offers three different purchase solutions to independent dealers in Canada: the RONA banner, the TruServ Canada family of banners and the non-bannered distribution program.

Our Network Retail Sales

Annualized network retail sales of our affiliated, franchised and corporate stores represented more than \$6 billion as at December 25, 2011.

Big-Box Stores

Our big-box stores offer an extensive variety of products ranging from hardware products, tools and building materials, to gardening, paint, decoration and seasonal items. Over 75% of our big box stores are corporate stores, the rest being franchised stores.

Throughout the years, we have developed or acquired the following banners for big-box stores:

- RONA, RONA L'entrepôt, RONA Home & Garden, Réno-Dépôt and RONA Le Régional: The stores operating under these banners generally vary from 60,000 to 165,000 square feet in size and offer over 40,000 products.

Proximity and Specialised Stores

Our network of specialised stores includes small or medium-sized neighbourhood hardware stores. Their objective is to meet the basic needs of our customers in hardware and seasonal items and to offer an extended selection of painting and interior decorating products. In addition to these hardware stores, our proximity stores include renovation centres. The management and employees of the stores operating under the proximity store banners specialize in building materials and paint. The renovation centres offer a wide range of seasonal products and a complete assortment of other basic merchandise.

In February 2012, RONA announced its 2012 business plan under the theme *New Realities, New Solutions*, acknowledging the need to adapt its offering to the new expectations and changes in behaviour of many consumers in the industry. This new plan combines developments regarding new store formats and new retail sales approaches into a new proximity store format.

The new proximity store format, with an average area of 35,000 square feet, has been tested over the past year in Edmonton, Alberta, Repentigny, Québec and St. John's, Newfoundland and Labrador. The new proximity store emphasizes on customer service, offering experienced staff and a central service counter in a user-friendly layout, with an optimal choice of products in key categories.

We have developed or acquired the following banners for the proximity and specialized stores:

- RONA, RONA Le Rénovateur and RONA Home Centre. These stores generally vary between 5,000 and 60,000 square feet in size. They offer a wide variety of products and generate a higher proportion of sales in lumber and building materials. These stores now fly the RONA banner.
- TOTEM: These stores established exclusively in Alberta serve mostly “do-it-yourselfers” and craftsmen looking for specialized home renovation products and services. These stores are approximately 30,000 square feet in size. These stores are expected to fly the RONA banner after their transformation into RONA's new proximity store concept as presented in RONA's 2012 business plan.
- Matériaux Coupal: one of the market leaders in the sales of building materials for housing industry professionals in the Greater Montreal Area, in Quebec.
- Dick's Lumber: a leading lumber, building materials and hardware specialist in British Columbia.

Affiliated and Independent Stores

Operated by independent dealer-owners, these stores purchase a large part of their supplies from the RONA and TruServ Canada distribution networks. They are generally small and mid-size stores.

We have developed or acquired the following banners for our specialized stores:

- RONA Home Centre, RONA Le Rénovateur, RONA Le Quincaillier, RONA Hardware, RONA L'express, RONA L'express matériaux and RONA Building Centre: These stores generally vary

between 5,000 and 60,000 square feet in size. They offer a wide variety of products and generate a higher proportion of sales in lumber and building materials.

- **BOTANIX:** Knowledgeable staff at these stores offer our customers advice regarding plant selection, upkeep and landscaping. Customers can take advantage of a large selection of products, including a wide range of plants and gardening items.

TruServ Canada principal banners include TRU, Country Depot and V&S: These stores generally vary between 1,000 and 10,000 square feet in size. They offer a wide variety of products and generate a higher proportion of sales in hardware, general merchandising and agriculture.

Commercial and Professional Market division stores

These stores or branches are adapted to the needs of commercial and professional customers. They offer a wide variety of specialized products in specific categories.

We have developed or acquired the following banners for our specialized commercial and professional market:

- **Noble:** one of the largest plumbing and heating supply wholesalers in Ontario, serving a commercial and professional customer base.
- **Plomberie Payette & Perreault and Les Boutiques Eaudace:** a specialist in the distribution and retail sales of finishing plumbing products, which has a distribution centre in Le Gardeur, Quebec, and two retail outlets in Repentigny and Boucherville, Quebec operating under the Les Boutiques Eaudace banner.
- **MPH Supply Limited and Better Bathrooms:** a specialist in the distribution of plumbing products, which operates branches in Vancouver and the Lower Mainland and a retail outlet specialized in sales of finishing plumbing products operating under the Better Bathrooms banner.
- **Don Park Limited Partnership in Canada:** a leading player in the distribution and manufacturing of heating, ventilation and air conditioning products (HVAC) in Ontario.
- **La Boutique de Plomberie Décoration 25:** a specialist in the retail sales of plumbing products and fixtures located in St-Eustache, Quebec.

Product Offering

Our product offering features around 90,000 different products from close to 2,200 suppliers. We purchase at competitive prices approximately 90% of our products from suppliers having a place of business in Canada. The rest of our products are imported from Asia and the U.S. Furthermore, we offer over 6,000 different private and controlled brand products that cater to the most common needs of consumers. The house brand is sold under the name “RONA” and the most important controlled brands are sold under the names “HAUSSMANN”, “UBERHAUS”, “PRO-PULSE” and “FACTO”. In order to meet our customers’ needs and improve our profit margins, we regularly review our product assortment to eliminate unprofitable and slow-moving product lines. No product represents more than 10% of our purchases or sales.

Distribution Activities

Our Distribution System

We rely on a national distribution system which supports close to 1,500 stores of our bannered store network and our distribution clients. This distribution system is used to minimize order sizes and increase the frequency of delivery, thereby reducing retail inventory levels and providing access to a broad product assortment.

Our stores are supplied by two sources: direct delivery from suppliers and delivery via our distribution centres. The use of each of these sources varies depending on the nature and size of the orders, the stores' geographic location and the agreements with the suppliers.

Our integrated distribution network consists of 18 distribution centres in Eastern, Central and Western Canada, as follows:

(in thousands of square feet)	Hardware	Lumber	Commercial and Professional
Boucherville, QC	926	-	-
Le Gardeur, QC	-	-	20
Montreal, QC	-	-	44
Terrebonne, QC	380	-	-
Concord, ON	-	-	328
Halton Hills, ON	-	590	-
Kitchener, ON	250	-	-
Winnipeg, MB	400	-	-
Edmonton, AB	-	185	-
Calgary, AB (5 centres)	780	-	-
Calgary (TOTEM), AB	104	375	-
Calgary (Palisser), AB	-	1,000	-
Surrey, BC	-	463	-
Langley, BC	-	-	120
	2,840	2,613	512

The three main distribution centres which are dedicated to hardware products (Boucherville, Calgary and Terrebonne) have quality control systems that provide step-by-step monitoring of each order, matching orders and stores as necessary. This procedure has helped improve the efficiencies of the distribution operations by lowering the probabilities of errors, thereby minimizing losses.

In total, RONA has more than 5,965,000 square feet of distribution capacity, including 2,840,000 square feet in hardware, 2,613,000 square feet in lumber and 512,000 square feet in plumbing and HVAC for the commercial and professional market.

Our Management Information Systems

We have in place information systems which process orders, monitor inventories and handle the distribution of goods across the supply chain. We continually reinvest to improve our information systems to

better serve our needs and to ensure efficient cost management. More recently we have made major investments in the optimization of the supply chain with projects such as demand planning and merchandize planning.

Our information technology department provides system development and support to the major functional areas of the Corporation, including the stores and the distribution centres. For several years, our stores have utilized point-of-sale scanners and terminals linked to our computers. These systems provide online access to store inventories, prices and stock-keeping units. In addition, these systems provide detailed information about our customers' purchases, and allow us to analyze the effect of merchandising programs.

The in-store systems provide functionality to maximize sales and margins and to monitor inventory levels and costs. Orders are transmitted to us over a communication network which also forwards new product and price data to our affiliated, franchised and corporate stores.

In 2010, we also implemented a new human resources information system as well as an intranet which greatly improved the efficiency of our overall internal communications and the management of important information relating to human resources.

D – Marketing

Our marketing activities encompass the planning and coordination of the product offering to consumers. In order to promote the sale of our products and to build customer awareness and store traffic, we publish and distribute weekly promotional flyers, conduct promotions and engage in print media, television and electronic advertising.

Digital platform

In 2011, RONA started to deploy its digital platform. The website was revisited in October 2011, and a RONA Facebook page was created in May 2011 to leverage our different promotions and content from our website and other marketing materials.

Also part of the digital portfolio and in line with our *Paper Products Use and Procurement Policy*, RONA launched *RONAMAG* in May 2011. Replacing the printed version of the original magazine, *RONAMAG* is a brand new online magazine that aims to nurture the creativity of Canadians by offering a unique platform combining the latest trends with expert advice helping customers accomplish their home renovation and design projects. At the end of 2011, the number of free online subscriptions to the magazine reached over 189,000 members.

As announced in February 2012, RONA will put in place a new integrated digital platform in 2012, which will include the new website www.rona.ca as its key element, to help orient each different type of consumer with their renovation projects and support all of our retail activities.

Advertising and promotions

In 2011, to complete our national marketing program and support the new regional structure put in place in late 2010, our national flyer program was adapted based on customer profile and lifestyle by region, allowing us to be more relevant in our products selection and more specific in our promotional offering. This new approach helped us maintain our brand awareness across Canada. Thus, in 2011, total unaided awareness was 88% in Quebec, 64% in Ontario (74% in the Greater Toronto Area), and 82% in the Western provinces. We noticed a slight decrease in awareness in Ontario where the competition has grown very quickly in the past few years. Overall, these results demonstrate the effectiveness of our actions, despite lower advertising expenses. In addition to its national advertising program, every week RONA directly reaches over 1 million customers across the country with targeted offers.

Sponsorship

Since 2005, together with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games™, we have been taking part of an eight-year partnership agreement securing the sponsorship rights for the 2010 Olympic and Paralympic Winter Games, as well as the Canadian Olympic Team sponsorship rights for the Olympic Games in Turin in 2006, Beijing in 2008, Vancouver in 2010 and London in 2012.

Since 2009, RONA's visibility in the key Greater Toronto and Ontario markets is supported by a five-year partnership with Maple Leaf Sports & Entertainment. RONA is the Official Home Improvement Retailer of the Toronto Maple Leafs (National Hockey League), Toronto Raptors (National Basketball Association), and the Toronto Marlies (American Hockey League). Since 2010, RONA also has a three-year partnership with the Calgary Flames Hockey Club, making RONA the Official Home Improvement Retailer of the Calgary Flames Hockey Club and the Calgary Hitmen of the Western Hockey League (WHL). In 2011, we activated these partnerships by financially supporting community engagements and through employee volunteering programs to unveil refurbished rinks in Calgary.

On September 26, 2011, RONA announced a three-year partnership with Canucks Sports & Entertainment (CS&E). With this deal, the RONA brand will be a permanent fixture during Vancouver Canucks home games and will appear in locations visible to TV cameras. RONA and CS&E should also be uniting their efforts and resources to renovate youth facilities in local communities on an annual basis. In this regard, the RONA Fabrication Shop, in collaboration with Canucks Sports & Entertainment, is expected to volunteer funds, time and labour for community initiatives.

RONA entered into a partnership with the Canadian Football League (CFL) in 2001, requiring all players in the eight CFL teams to proudly wear the RONA logo on their uniforms throughout the regular season, the playoffs and at the Grey Cup game. In 2010, we renewed our national partnership of the CFL for three additional years based on increased visibility in stadiums, stores and on the airwaves of TSN and RDS. For the last two seasons, RONA introduced the RONA CFL POOL, an exclusive community activity to reach football fans.

Finally, in 2011 RONA sponsored Mon plan RONA for the first edition showcased on TVA in Quebec. Reaching over a million viewers every week, Mon plan RONA reached renovation experts during the high sales season between April and June.

Private and controlled brands

RONA's new-generation store concepts, new product categories and expanded private-label and controlled brands all take into account the Corporation's latest proprietary research into consumer preferences and expectations. Consumers' appetite for higher quality products and outstanding value is reflected in RONA's increased focus on private-label products. In 2011, RONA had a total of 13 private-label and controlled-brand products, including the RONA ECO, RONA, VITALIUM, UBERHAUS AND UBERHAUS DESIGN, HAUSSMANN AND HAUSSMANN XPERT. In 2011, the Corporation has reached sales penetration rate of 27%, up from 24% in 2010.

During 2011, we continued to expand our benchmark RONA ECO product line, surpassing the objective of 450 RONA Eco products; we now carry 472 RONA ECO products. See "Item 3 – Narrative Description of the Business – Environmental Protection – Environmental Stewardship" below for further details.

Client fidelity

The RONAdvantages Program, which was launched in April 2010, is designed to reward our most loyal customers. By using the RONA private label credit card, customers can earn up to 5% cash back annually in

RONA gift cards, get up to 2X AIR MILES® reward miles on every transaction upon presentation of the AIR MILES® Collector card, choose from affordable financing options and receive exclusive monthly offers, free of annual fees.

In 2011, we almost doubled the size of our portfolio, and gave a total of \$3.4 million cash back in gift cards to those who celebrated their first anniversary as customers. In July 2011, the established Quebec consumer magazine Protégez-vous classified RONAdvantages as the no. 1 program for the best customer value when compared to a broad range of Canadian retailer programs.

The same program also exists under our other banners: RÉNO-DÉPÔT (Build up plan) and TOTEM Building Supplies (TOTEM *EDGE*) and all cards are accepted in all RONA network participating stores.

E – Trademarks

Our principal trademarks are RONA, RÉNO-DÉPÔT, RONA Hardware, RONA Home Centre, RONA L'entrepôt, RONA L'express, RONA L'express matériaux, RONA Le Quincaillier, RONA Le Régional, RONA Le Rénovateur, RONA Building Centre, RONA Home & Garden, Boutique Ambiance, STUDIO by RONA, BOTANIX, TOTEM Building Supplies, Chester Dawe, Matériaux Coupal, Noble, Dick's Lumber, TruValue, Country Depot, V&S, Plomberie Payette & Perreault, Les Boutiques Eaudace, MPH Supply, Better Bathrooms, Pierceys, Don Park, Audace, PPP Distribution and La Boutique de plomberie DECORATION 25. RONA maintains trademarks of companies acquired for a transition period which varies from one acquisition to the other.

F – Human Resources

As at December 25, 2011, our entire network included over 21,000 employees, considering RONA stores only, and close to 30,000 employees including affiliated and independent stores across Canada.

G – Environmental Protection

Our environmental practices are intended to integrate environmental considerations into all our activities throughout Canada. These practices guide the Corporation and its employees in terms of compliance with all applicable environmental laws, regulations and standards, as well as in implementing pollution prevention programs.

Environmental protection requirements do not have a material effect (financial, operational or otherwise) on our business or capital expenditures, earnings and competitive position.

In 2011, RONA's commitment to sustainable development resulted in several major initiatives. This commitment extends to our entire network – from administrative centres to our distribution centres and including our network of corporate, franchised and affiliate stores. The following information summarizes RONA's initiatives with regards to environmental protection. Starting on March 22, 2012, we will keep our stakeholders informed on our progress on sustainable development via our online annual report at realtimereport.rona.ca.

Environmental Stewardship

RONA is strongly committed to demonstrating leadership in sustainable development. The Corporation is forging ahead on several fronts to make it easier for Canadian consumers to adopt more environmentally friendly habits, while striving to reduce its own environmental footprint.

Eco-Responsible Product Offerings

When RONA decided to carve out a new market niche by offering Canadian consumers a benchmark line of eco-responsible hardware and home-renovation products, it was determined to avoid “greenwashing”. All

RONA ECO and eco-responsible products must be approved by the International Chair in Life Cycle Assessment, a research unit of the CIRAIG at Montreal's *École Polytechnique* that has been a valued Corporation partner for the past five years.

RONA ECO products must leave a smaller ecological footprint than equivalent conventional products throughout their entire life cycle. Most also carry a recognized ecolabel. An array of other eco-responsible products sold in RONA stores under various brands also are subject to evaluation by CIRAIG. To qualify, they must deliver a better environmental performance in one or more stages of their life cycle.

During 2011, RONA continued to expand its benchmark RONA ECO and eco-responsible product lines, surpassing the objective of 450 RONA ECO products; we now carry 472 RONA ECO products and 1,777 eco-responsible products. The objective for 2012 was to reach a total of 2,000 eco-responsible products in our product selection.

Comprehensive ECO-Renovation Guide

In 2010, we launched an innovative online eco-responsible renovation guide based on the rigorous life-cycle approach that serves as the platform for RONA's entire sustainability agenda. The online guide was developed in collaboration with CIRAIG and two non-profit organizations that focus on sustainability issues, Équiterre and Écohabitation.

Environmental Footprint

Waste Reduction

Diverting waste from landfills is a crucial consideration in the context of RONA's life-cycle approach to environmental stewardship.

Thanks to those initiatives, 4,312 tons of cardboard and paper, and 449 tons of plastic were diverted from landfills in 2011. While these are slightly lower than the tonnage recuperated in 2010 (2,7%), we have added new materials including 1,474 tons of wood, 579 tons of gypsum and 73 tons of metal. The aim going forward is to recover a significantly larger portion of such waste.

Carbon Disclosure Project

RONA has been reporting to the international Carbon Disclosure Project (CDP) since 2008. The CDP is an independent non-profit organization that plays a crucial role in encouraging companies worldwide to measure, manage and reduce their greenhouse gas emissions.

Encouraging Consumers to do the Right Thing

In 2011, RONA continued to roll out initiatives designed to entice consumers into choosing eco-responsible alternatives and adopting responsible consumption habits. The Corporation has steadily expanded its partnerships with electrical utilities and water-supply authorities across Canada to promote solutions such as programmable thermostats, Energy Star light fixtures and appliances and dual-flush toilets.

RONA operates a number of recovery programs that enable consumers to safely dispose of waste and was the first in Canada to recover used paint.

In 2011, we recovered 3,001,310 kg of paint through our stores in Quebec, Ontario, British Columbia, Alberta and Saskatchewan, and recycled 39,702 kg of batteries, 143,682 bulbs of compact fluorescent light bulbs and 31,250 power tool accessories across Canada.

Tree Planting Initiative

On May 4, 2011, TOTEM Building Supplies announced a multi-year commitment to plant one million trees in Alberta's boreal forests. This initiative marked the launch of TOTEM's long-term sustainable development platform to reduce environmental impact and encourage eco-responsibility. TOTEM has partnered on the tree planting initiative with the Alberta Department of Sustainable Resource Development and with the Alberta Forest Products Association.

Energy Conservation

RONA considers climate change to be an important environmental issue to manage. Reducing energy consumption in our extensive network of stores is a pro-active way of reducing the Corporation's overall greenhouse gas (GHG) emissions.

Action Plans for Existing Stores

Promising energy-reduction initiatives being explored and tested for implementation at existing stores across the country include: the replacement of older lighting systems by more efficient T8 and T5 fluorescent fixtures; the installation of voltage-harmonizer systems; and lighting controls programmed to curb energy use at times when it is not required.

LEED Standards

Recently opened stores in St-John's, Newfoundland and Labrador and Ste-Foy, Québec, have joined our growing list of facilities designed and built to meet the stringent criteria of the internationally recognized Leadership in Energy and Environmental Design (LEED) assessment system.

LEED evaluation criteria include measures to protect air quality, such as the use of low-emissions building materials, as well as measures for reducing energy consumption, including energy-efficient roofing systems, extra insulation in the building envelopes, energy-efficient lighting and HVAC systems.

RONA is committed to building all new corporate stores situated on Corporation-owned sites with LEED based initiatives corresponding to LEED specifications. We have submitted 8 stores for LEED certification in 2011.

Transportation Initiatives

Transporting the large quantities of merchandise required to keep RONA's sprawling, Canada-wide network of stores well stocked—mainly via highway transport—accounts for a significant portion of the Corporation's energy consumption and GHG emissions. With significant fuel-saving route-optimization initiatives already implemented and 20 RONA trailers fitted with wind deflectors, we are insuring we are keeping on track with these initiatives while proactively monitoring areas of improvement.

Sustainability-Driven Procurement Policies

Product selection and procurement are key areas where RONA is able to exercise its leadership in sustainable development while ensuring the greatest possible respect for Corporation values.

In 2011, two new procurement policies were introduced: the *Paper Products Use and Procurement Policy* and the *Sustainable Packaging Policy*. These two new policies are in line with the *Responsible Procurement Policy* and the *Wood Products Procurement Policy* already in place.

Updates on the rigorous new *Responsible Procurement Policy*, introduced in November 2010, and the *Wood Products Procurement Policy* introduced in late 2008 are summarized below.

Responsible Procurement Policy

Developed after a thorough analysis of global best practices and extensive consultation with stakeholders, RONA's new *Responsible Procurement Policy* (RPP) is designed to ensure that products sold by the Corporation:

- Will have the least possible impact on the environment, taking into account five key environmental issues: climate change, water quality and supply, human health, the quality of ecosystems and depletion of resources;
- Are the result of the labour of workers whose rights are respected;
- Contribute to social and economic development locally and regionally in Canada.

The RPP, which came into effect in January 2011, complements policies already introduced by the Corporation for certain product categories, including wood products, as well as a policy to stop selling synthetic pesticides for cosmetic use. The new umbrella policy applies to all products and services sold in its stores as well as goods and services used by the Corporation. This new policy is an update of RONA's 2002 Responsible Buying Code.

With regard to social aspects, RONA recognizes the importance of promoting and respecting the rights of workers in any country where it conducts its activities or from where its products are supplied. Principal references for this purpose are the International Labour Organization (ILO) Conventions, the applicable sections of the Universal Declaration of Human Rights and the national laws of the countries where suppliers are located.

Wood Products Procurement Policy

RONA's *Wood Products Procurement Policy* is designed to protect a precious renewable resource — Canada's Boreal Forest — by offering products sourced from sustainably managed woodlands certified under three recognized programs: the Forest Products Marking Program (CSA), the Sustainable Forestry Initiative (SFI) and the Forest Stewardship Council (FSC).

In December 2011, the Corporation had achieved the following goals of sourcing softwood lumber exclusively from certified forests for the benefit of all corporate and franchise stores. As well, in RONA's corporate stores:

- 100% of the softwood lumber (spruce, pine and fir) and softwood plywood panel products for sale in RONA's corporate stores is sourced from certified forests;
- 39% of the construction lumber available in RONA's retail corporate stores carries a certification label which exceeds our target of reaching 30% in 2011; and
- More than 25% of SPF lumber for sale is sourced from FSC certified forests on the date hereof, which means that we are well in line with our goal to reach 25% by the end of 2012. RONA gives preference to the FSC certification because it best responds to Corporation requirements regarding relations with indigenous communities and biodiversity conservation.

The Corporation has also received Chain-of-Custody (CoC) certification for wood products purchased from every wood supplier and can trace origin for softwood lumber sold in its corporate stores. To qualify, the supply chain must be traceable from the forest through all phases of production and onward to the consumer. CoC certification is crucial for contractors or consumers wishing to build homes that comply with LEED (Leadership in Energy and Environmental Design) standards.

Paper Products Use and Procurement Policy and Sustainable Packaging Policy

On November 24, 2011, RONA revealed its new *Paper Products Use and Procurement Policy* and *Sustainable Packaging Policy*.

The *Paper Products Use and Procurement Policy* applies to the paper products used in RONA's activities and operations, those sold in its network of stores and those used by its suppliers to produce printed material for the Corporation. Moreover, it targets two key objectives: promoting the responsible use of paper and promoting the responsible procurement of paper.

To this end, tangible actions were clearly identified such as reducing paper consumption by 15%, increasing paper recovery, maximizing recycled fibre content to reach 50% across Canada by choosing post-consumer recycled fibre and a minimum of 45% of environmentally superior paper purchased by RONA. These goals are expected to be reached by 2014 based on the forecasted baseline of 2011.

For its part, the *Sustainable Packaging Policy* encompasses RONA's entire packaging system (primary, secondary and tertiary) and includes every type of material used for packaging. This policy targets responsible sourcing and ecodesign, and responsible use including, among other things, the reduction of over packaging. Finally, it favours recovery and aims to improve recyclability, thereby reducing the overall environmental impact of its product packaging. RONA's goal is to reach a recovery rate of 100 % by the end of 2013 for cardboard, and by 2014 for plastics and reduce packaging by 10% on its private brand and by 5% globally by the end of 2015.

ITEM 4 - DIVIDEND POLICY

While the Board of Directors of the Corporation wishes to retain some of the Corporation's earnings to take advantage of opportunities to develop and expand its business, it has decided in 2010 to start declaring and paying cash dividends on its Common Shares on a semi-annual basis. The Board of Directors will consider several factors when reviewing dividend payments, including the Corporation's present and future earnings, cash flows and capital requirements, while complying with laws governing the Corporation. There can be no assurance as to the amount or timing of dividends in the future. The Board of Directors may review this policy from time to time.

We have declared and paid the following dividends on our Common Shares and Preferred Shares in respect of the past three years:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Common Shares	\$9,134,000	\$9,119,000 ⁽¹⁾	–
Series 6 Class A Preferred Shares (as defined below)	\$5,458,000	–	–
Class D Preferred Shares	\$80,000	\$120,000	\$160,000

(1) Dividend declared in 2010 but paid in 2011.

ITEM 5 - DESCRIPTION OF THE SHARE CAPITAL

Our authorized share capital consists of: (i) an unlimited number of common shares (the "Common Shares"), (ii) an unlimited number of Class A preferred shares, issuable in series (the "Class A Preferred Shares") of which three series, designated as an unlimited number of Class A Preferred Shares, series 5 (the "Class A Preferred Shares, Series 5"), an unlimited number of Cumulative 5-Year Rate Reset Series 6 Class A Preferred

Shares (the “Series 6 Class A Preferred Shares”) and an unlimited number of Cumulative Floating Rate Series 7 Class A Preferred Shares (the “Series 7 Class A Preferred Shares”), are currently authorized, (iii) an unlimited number of Class B preferred shares (the “Class B Preferred Shares”), (iv) an unlimited number of Class C preferred shares, issuable in series (the “Class C Preferred Shares”) of which one series, designated as an unlimited number of Class C Preferred Shares, series 1 (the “Class C Preferred Shares, Series 1”) is currently authorized, and (v) an unlimited number of Class D Preferred Shares (the “Class D Preferred Shares”, and collectively with the Class A Preferred Shares, the Class B Preferred Shares and the Class C Preferred Shares, the “Preferred Shares”), all of which are without par value (except for the Class B Preferred Shares which have a par value of \$1.00). As at March 5, 2012, 123,211,820 Common Shares, 1,000,000 Class D Preferred Shares, 6,900,000 Class A Preferred Shares, Series 6, and no other Preferred Shares were issued and outstanding.

On March 22, 2005, our Board of Directors approved a two-for-one stock split of our Common Shares.

The following is a summary of the principal terms of our authorized share capital. This summary is qualified by reference to, and is subject to, the detailed provisions of the Corporation’s articles (the “Articles”).

A – Common Shares

Voting Rights

Each holder of Common Shares is entitled to receive notice of, to attend and to vote at meetings of shareholders of the Corporation on the basis of one vote per share, save with respect to such meetings where only the holders of another given class or series are entitled to vote.

Liquidation Rights

In the event of the Corporation’s liquidation or dissolution or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, the Common Shares entitle their respective holders to receive, in proportion to the number of Common Shares they hold in relation to the total number of outstanding Common Shares, the balance of the property of the Corporation, the whole subject to the rights, privileges, conditions and restrictions attached to the Preferred Shares.

Dividends

Subject to the rights, privileges, conditions and restrictions attached to the Preferred Shares, the Common Shares entitle their respective holders to receive, in proportion to the number of Common Shares they hold in relation to the total number of outstanding Common Shares, any dividend declared by the Corporation.

B – Preferred Shares

Issuable in Series

The Class A Preferred Shares and Class C Preferred Shares are issuable in series, each series consisting of such number of shares and having such provisions as may be determined by the Board of Directors prior to the issue thereof.

Voting Rights

Holders of Preferred Shares are not entitled to receive notice of, or to attend, any meeting of shareholders of the Corporation and are not entitled to vote at any such meeting, except to the extent otherwise provided in the Articles in respect of any Preferred Shares. In connection with any matter requiring the approval of any class (or series) of Preferred Shares as a class (or as a series) pursuant to the *Business Corporations Act* (Quebec) (the

“Act”), each holder of the class (or series) of Preferred Shares in question has one vote for each share of the class (or series) in question held. Notwithstanding the foregoing, holders of Class A Preferred Shares and Class B Preferred Shares are entitled to one vote for each dollar of issue price of such shares at any meeting of holders of such shares held for the approval of amendments to the Articles as described below.

Rank

The Class A Preferred Shares of each series rank equally with the Class A Preferred Shares of all other series and rank ahead of the Class B Preferred Shares, which rank ahead of the Class C Preferred Shares, which rank ahead of the Class D Preferred Shares, which in turn rank ahead of the Common Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation. In addition, holders of Class A Preferred Shares rank prior to holders of shares of any other class of the Corporation ranking after the Class A Preferred Shares with respect to the payment of any return to merchant members (as such term is defined in the Articles). In the event of the liquidation, dissolution or winding-up of the Corporation, each holder of Preferred Shares will be entitled to receive, according to the holders’ priority of rank, an amount equal to the price at which such shares were issued and (i) in the case of Class B Preferred Shares, any declared and unpaid dividends, (ii) in the case of any series of Class A Preferred Shares and Class C Preferred Shares, any accrued and unpaid dividends (if such series entitles the holders thereof to cumulative dividends) or any declared and unpaid dividends (if such series entitles the holders thereof to non-cumulative dividends), as well as the premium, if any, applicable to such series, and (iii) in the case of Class D Preferred Shares, any accrued and unpaid dividends.

Dividends

The holders of Class A Preferred Shares and Class C Preferred Shares are entitled to receive either cumulative or non-cumulative preferential dividends in such amounts and at such intervals as may be determined by the Board of Directors in respect of each series prior to the issue thereof.

The holders of Class B Preferred Shares are entitled to receive during each fiscal year of the Corporation, as and when declared by the Board of Directors, fixed and non-cumulative preferential dividends at the rate of 6% per share per annum.

The holders of Class D Preferred Shares are entitled to receive during each fiscal year of the Corporation fixed and cumulative preferred dividends at the rate of four percent (4%) per annum of the subscription price per share, before any income tax deduction, as the case may be, such dividends to be payable as determined by the directors.

Redemption by the Corporation

Subject to the Act and to any other provision of the Articles, the Corporation has the right, at its option, to redeem, at any time or from time to time, part of the Class B Preferred Shares then outstanding. The redemption price consists of an amount equal to the price at which such shares were issued plus all declared and unpaid dividends with respect to such shares on the redemption date. In the event of a partial redemption, the Class B Preferred Shares to be redeemed will be chosen, to the extent possible, pro rata to the holders of all Class B Preferred Shares then outstanding.

Subject to the Act and to any other provision of the Articles, the Corporation is required, over a period of ten years commencing on December 2, 2003, to redeem all, and not less than all, Class D Preferred Shares then outstanding in ten equal portions, upon payment of the redemption price for each outstanding Class D Preferred Share, which redemption price consists for each share to be redeemed of an amount equal to the price at which

such share was issued plus all accrued and unpaid dividends with respect to such share on the date of its redemption.

Purchase

Subject to the Act and any other provision of the Articles, the Corporation has the right, at its option, at any time or from time to time, to purchase for cancellation all or part of the Class B Preferred Shares or Class D Preferred Shares, as the case may be, without the consent of holders of other shares of the class being purchased, by mutual agreement, at the lowest price at which, in the opinion of the directors of the Corporation, these shares may be obtained, without, however, exceeding their redemption price.

Amendments

The class provisions of any of the Preferred Shares may be amended at any time with such approval as may be required by the Act. In addition, the Articles provide that the Corporation shall not create other classes of shares whose rights, privileges, restrictions and conditions entitle their holders to equal or preferential treatment in relation to any class or series of Preferred Shares already issued, or repeal, amend or broaden the attributes attached to any class or series of Preferred Shares, including by amending the attributes of lower rank Preferred Shares in terms of dividends or repayment of capital, without the approval of the holders of the class (or series) of Preferred Shares in question. Such approval must be obtained by a resolution duly adopted by not less than three-quarters (or two-thirds in the case of Class A Preferred Shares) of the votes cast at a meeting of holders of such class of Preferred Shares. The Articles also provide, in respect of meetings of holders of a class (or series) of Preferred Shares, that a quorum is constituted by the holders of such number of Preferred Shares of that class or series carrying at least 25% of the voting rights attached to all of the outstanding Preferred Shares of that class; however, at any adjourned meeting, in the event of failure to meet the quorum requirement, the quorum will be constituted by persons present at such adjourned meeting, irrespective of the percentage of outstanding Preferred Shares of that class or series held by such persons.

C – Class A Preferred Shares, Series 5 and Class C Preferred Shares, Series 1

Dividends

The holders of the Class A Preferred Shares, Series 5 and Class C Preferred Shares, Series 1 are entitled to receive fixed, non-cumulative, preferential cash dividends, when declared by the Board of Directors, at a rate equal to 70% of the published interest rate of a designated Canadian chartered bank for its preferred commercial clients calculated on the last business day of each of the twelve months preceding the calculation date.

Purchase

Subject to the Act, the Corporation has the right, at its option, at any time or from time to time, to purchase for cancellation all or part of the Class A Preferred Shares, Series 5 or the Class C Preferred Shares, Series 1, as the case may be, without the consent of holders of other shares of the series being purchased, by mutual agreement, at the lowest price at which, in the opinion of the directors of the Corporation, the shares may be obtained, without, however, exceeding their redemption price.

Redemption by the Corporation

Subject to the Act, the Corporation has the right, at its option, to redeem, at any time, all or, from time to time, part of the Class A Preferred Shares, Series 5 or Class C Preferred Shares, Series 1, as the case may be, then outstanding. The redemption price will consist of an amount equal to the price at which such shares were issued plus all declared and unpaid dividends with respect to such shares on the redemption date. In the event of partial redemption, the Class A Preferred Shares, Series 5 or the Class C Preferred Shares, Series 1 to be redeemed will

be chosen, to the extent possible, pro rata to the holders of all Class A Preferred Shares, Series 5 or Class C Preferred Shares, Series 1, as the case may be, then outstanding.

D – Series 6 Class A Preferred Shares and Series 7 Class A Preferred Shares

Certain Provisions of the Series 6 Class A Preferred Shares as a Series

The Series 6 Class A Preferred Shares rank equally with all other Class A Preferred Shares and have a fixed cumulative dividend at an annual rate equal to \$1.3125 per share, payable quarterly during the period from February 22, 2011 to but excluding March 31, 2016. Thereafter, during the “Subsequent Fixed Rate Periods” (that is, for the initial Subsequent Fixed Rate Period, the period from and including March 31, 2016 to but excluding March 31, 2021 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to but excluding March 31 in the fifth year thereafter) the Series 6 Class A Preferred Shares have fixed cumulative preferential dividends equal to a product of \$25.00 and the rate of interest equal to the sum of the Government of Canada Yield on the applicable “Fixed Rate Calculation Date” (that is, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of the applicable Subsequent Fixed Rate Period) plus 2.65 per cent, payable quarterly. RONA has the right to redeem the Series 6 Class A Preferred Shares on March 31, 2016 and on March 31 every five years thereafter, in whole or in part, for \$25.00 per share plus accrued and unpaid dividends to the date fixed for redemption. Subject to RONA’s right to redeem all the Series 6 Class A Preferred Shares, the holders of Series 6 Class A Preferred Shares will have the right, at their option, to convert their Series 6 Class A Preferred Shares into Series 7 Class A Preferred Shares, subject to certain conditions, on March 31, 2016 and on March 31 every five years thereafter.

Certain Provisions of the Series 7 Class A Preferred Shares as a Series

The Series 7 Class A Preferred Shares rank equally with all other Class A Preferred Shares and will have a floating rate cumulative dividend per annum, payable quarterly, in the amount per share equal to the product of \$25.00 and the “Floating Quarterly Dividend Rate”. The Floating Quarterly Dividend Rate means, for any “Quarterly Floating Rate Period” (that is, the period from and including March 31, 2016 to but excluding June 30, 2016, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding “Quarterly Commencement Date” (that is, the last business day of each of March, June, September and December in each year)), the rate of interest equal to the sum of the T-Bill Rate on the applicable “Floating Rate Calculation Date” (that is, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period) plus 2.65 per cent. RONA has the right to redeem the Series 7 Class A Preferred Shares in whole or in part commencing March 31, 2016: (i) for \$25.00 per share plus declared and unpaid dividends to the date fixed for redemption for redemptions on March 31, 2021 and on March 31 every five years thereafter or (ii) for \$25.50 together with all accrued and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date after March 31, 2016 that is not a date on which Series 7 Class A Preferred Shares can be converted. Subject to RONA’s right to redeem all the Series 7 Class A Preferred Shares, the holders of Series 7 Class A Preferred Shares will have the right, at their option, to convert their Series 7 Class A Preferred Shares into Series 6 Class A Preferred Shares, subject to certain conditions, on March 31, 2021 and on March 31 every five years thereafter.

ITEM 6 - MARKET FOR SECURITIES

Our Common Shares are traded on the Toronto Stock Exchange under the symbol “RON”. The following table indicates, for the relevant periods, the high and low trading prices and the trading volume of our Common Shares on the Toronto Stock Exchange:

2011	Common Shares ⁽¹⁾		
	High (\$)	Low (\$)	Volume Shares
January	14.30	13.27	4,440,902
February	15.40	13.75	9,804,658
March.....	14.87	13.71	8,481,762
April.....	14.31	13.50	2,289,899
May	13.84	11.93	3,517,199
June.....	12.39	11.18	5,663,346
July.....	12.12	10.80	3,011,013
August.....	11.21	9.52	3,816,552
September	10.71	9.50	3,436,159
October	10.11	9.19	3,873,653
November.....	9.89	8.64	7,661,408
December (until December 25).....	10.15	9.17	5,554,088

(1) Source: *The Toronto Stock Exchange Historical Data Access*.

Our Series 6 Class A Preferred Shares are traded on the Toronto Stock Exchange under the symbol “RON.PR.A”. The following table indicates, for the relevant periods, the high and low trading prices and the trading volume of our Series 6 Class A Preferred Shares on the Toronto Stock Exchange:

2011	Preferred Shares ⁽¹⁾		
	High (\$)	Low (\$)	Volume Shares
January	-	-	-
February (beginning on February 22, 2011)...	25.35	25.00	710,938
March.....	25.55	25.00	568,778
April.....	25.80	25.35	287,933
May	25.80	24.81	323,584
June.....	25.57	24.75	367,292
July.....	25.28	24.97	157,590
August.....	25.25	24.50	165,812
September	25.00	24.41	124,378
October	24.50	22.01	186,969
November.....	23.97	21.31	252,631
December (until December 25).....	23.90	21.89	178,709

(1) Source: *The Toronto Stock Exchange Historical Data Access*.

Credit Ratings

As at March 22, 2012, the credit ratings for RONA’s senior unsecured medium term notes due in 2016, were as follows:

DBRS Limited (“DBRS”)	BBB- (negative outlook)
Standard & Poor’s (“S&P”)	BBB- (negative outlook)

A BBB rating from DBRS falls within the fourth highest of DBRS's ten long-term debt rating categories which range from "AAA" to "D". The capacity for the payment of financial obligations is considered acceptable, but may be vulnerable to future events. A BBB rating by S&P falls within the fourth highest of S&P's ten major long-term credit rating categories which range from "AAA" to "D". The BBB category exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to affect the Corporation's ability to meet its financial commitments compared to companies with higher credit ratings.

The Series 6 Class A Preferred Shares have been given a rating of Pfd-3 (low) by DBRS. Pfd-3 (low) is the ninth highest of eighteen ratings used by DBRS for preferred shares. According to DBRS, preferred shares rated Pfd-3 are of adequate credit quality, and while protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection.

The Series 6 Class A Preferred Shares have been given a Canadian Preferred Scale rating of P-3 by S&P. A P-3 rating is the tenth highest of twenty ratings used by S&P in its Canadian national preferred share rating scale. According to S&P, such a P-3 rating indicates that the obligation is considered to be less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

A DBRS rating may be modified by the addition of "(high)" or "(low)" to indicate the relative standing within the major rating categories. An S&P rating may be modified by the addition of a plus "+" or minus "-" sign to indicate the relative standing within the major rating categories. The outlook assesses the potential direction that a rating may be headed over the immediate to longer term.

The Corporation provides the rating agencies with confidential information to support the rating process. The credit ratings allocated to the debt by the rating agencies are not recommendations to purchase, hold or sell securities and do not address market risk, price risk or suitability for a particular investor. Credit ratings are intended to indicate the risk that the Corporation may not satisfy its obligations on a timely basis and such ratings can be changed or withdrawn at any time by the agencies.

ITEM 7 - PLEDGED SHARES

A portion of the Common Shares held by the dealer-owners of our network is pledged to us as security for the payment in full of indebtedness and for the performance of their obligations toward the Corporation and its subsidiaries. The release from time to time of the pledged shares essentially depends on requirements regarding security to be given, determined in accordance with the terms of the commercial licenses.

ITEM 8 - DIRECTORS AND EXECUTIVE OFFICERS

A – Name, Address and Occupation

Directors

The following table sets forth the name, province or state and country of residence and principal occupation of each of our directors, as well as each director's age as at the date of our next annual meeting of shareholders to be held on Wednesday, May 9, 2012. It also sets forth the period during which each of them has served as director. Our by-laws provide that the tenure of directors is of one year and ends on the date of the annual meeting following their election or when their successors are elected.

<u>Name, Province/State and Country of Residence</u>	<u>Principal occupation</u>	<u>Director since</u>
Suzanne Blanchet ⁽²⁾ Quebec, Canada age 54	President and Chief Executive Officer of Cascades Tissue Group (papermaker)	May 2011
Réal Brunet ⁽¹⁾ Quebec, Canada age 62	Corporate Director	December 2010
Louise Caya ⁽⁴⁾ Quebec, Canada age 46	Vice President and Secretary Thomas Caya (1982) inc. (affiliated hardware store operating under the RONA L'express matériaux banner) and Vice President and Controller Industrie Fabco inc. (prefabricated kiosks and shelters)	May 2002
Robert Dutton Quebec, Canada age 57	President and Chief Executive Officer of RONA ⁽⁵⁾	March 1990
Richard Fortin ⁽¹⁾⁽²⁾ Quebec, Canada age 63	Corporate Director	April 2009
Jean Gaulin California, United States of America age 69	Corporate Director and Chairman of the board of directors of RONA ⁽⁶⁾	May 2004
Jean-Guy Hébert ⁽⁴⁾ Quebec, Canada age 66	President of Maximat inc. (holding company), Maximat Granby inc. (holding company), Horizon Devcow inc. (real estate), and 9060-4976 Québec inc. operating a store under the RONA l'Entrepôt banner (Granby), and Vice-President of 9066-7403 Québec inc. operating a store under the RONA l'Entrepôt (St-Hyacinthe) and Rocvale Produits de Béton inc. (concrete products) ⁽⁷⁾	May 2002
Alain Michel ⁽¹⁾⁽³⁾ Quebec, Canada age 63	Corporate Director ⁽⁸⁾	May 2005
Patrick Palerme ⁽³⁾ Quebec, Canada age 54	Managing Director North America of Global Change Leaders and Corporate Director	May 2011
James Pantelidis ⁽²⁾⁽⁴⁾ Ontario, Canada age 66	Chairman of the board of directors of EnerCare Inc. (energy heating) and of Parkland Fuel Corp (energy downstream), and Corporate Director ⁽⁹⁾	May 2004
Robert Paré ⁽²⁾⁽³⁾ Quebec, Canada age 57	Vice Chairman of the Board of directors of RONA ⁽¹⁰⁾ , Corporate lawyer and partner at Fasken Martineau Dumoulin LLP (law firm), and Corporate Director	April 2009

<u>Name, Province/State and Country of Residence</u>	<u>Principal occupation</u>	<u>Director since</u>
Robert Paré ⁽²⁾⁽³⁾ Quebec, Canada age 57	Vice Chairman of the Board of directors of RONA ⁽¹⁰⁾ Corporate lawyer and partner at Fasken Martineau Dumoulin LLP (law firm), and Corporate Director	April 2009
Jocelyn Tremblay ⁽²⁾⁽³⁾ Quebec, Canada age 70	Vice President, Corporate Affairs, Vins Philippe Dandurand inc. (wine agent), and Corporate Director	May 1998
Jean-Roch Vachon ⁽¹⁾⁽⁴⁾ Quebec, Canada age 68	Chairman of the board of directors of Investissements J.R.V. (holding) and Corporate Director	May 2006

(1) Member of the Audit Committee.

(2) Member of the Human Resources and Compensation Committee.

(3) Member of the Nominating and Governance Committee.

(4) Member of the Development Committee.

(5) Mr. Dutton has been President and Chief Executive Officer since 1992. Prior to that, Mr. Dutton held many positions within the Corporation, including Executive Vice President and Chief Operating Officer from 1990 to 1992.

(6) Mr. Gaulin was appointed Chairman of the Board of RONA in May 2007.

(7) Mr. Hébert was also a director of the Corporation from 1986 to 2001.

(8) Mr. Michel was a director of Cable Satisfaction International Inc. which, in July 2003, applied for protection under the *Companies' Creditors Arrangement Act*. The plan of arrangement and reorganization proposed by Cable Satisfaction International Inc. was unanimously approved at the meeting of the company's creditors held on March 16, 2004 and approved by the Quebec Superior Court on March 19, 2004.

(9) Mr. Pantelidis made a private equity investment in Tattoo Footwear Inc. and joined the board of that company in 2003. In the 12-month period following the sale of his shares and departure from the Board, the company went into receivership.

(10) Mr. Paré was appointed Vice Chairman of the Board of RONA in December 2011.

During the last five years, all of the Corporation's directors have held the principal occupations noted above except for (i) Réal Brunet, who was an audit partner and senior advisory partner at Ernst & Young (professional services organization) from 1983 to 2010, (ii) Richard Fortin, who was Executive Vice President and Chief Financial Officer of Alimentation Couche-Tard Inc. (convenience store operator) from 1999 until his appointment as Chairman of that company from 2008 to 2011, (iii) Alain Michel, who was Corporate Director and Chairman of the board of directors of Groupe Cari-All inc. (shopping carts manufacturer) until January 2012, (iv) Patrick Palerme, who was President and Chief Executive Officer of GE Capital Canada (commercial financing solutions) from 2005 to 2010, and (v) Jean-Roch Vachon who was Chairman of La Madeleine Holdings (food service USA) until 2009.

Executive Officers

The following table sets forth the name, province and country of residence, and position held with the Corporation of each of the Corporation's executive officers, as well as their age as at May 9, 2012.

<u>Name, Province and Country of Residence</u>	<u>Position within the Corporation</u>
Claude Bernier Quebec, Canada age 59	Executive Vice President, Marketing and Customer Innovations
Dominique Boies Quebec, Canada age 40	Executive Vice President and Chief Financial Officer
France Charlebois Quebec, Canada age 53	Corporate Secretary and Chief Legal Officer

<u>Name, Province and Country of Residence</u>	<u>Position within the Corporation</u>
Normand Dumont Quebec, Canada age 57	Executive Vice President, Merchandising
Robert Dutton Quebec, Canada age 57	President and Chief Executive Officer
Paul Jovian Quebec, Canada age 54	Senior Vice President, Supply Chain
Christian Proulx Quebec, Canada age 53	Senior Vice President, People and Culture
Luc Rodier Quebec, Canada age 41	Executive Vice President, Retail
Michael Storfer Ontario, Canada age 43	Vice President, Commercial and Professional Market and President of Noble

The following is a brief biography of each of the Corporation's executive officers:

Claude Bernier joined RONA as Director of Marketing in 1988 and was appointed National Vice President of Marketing in 1990. He was appointed Executive Vice President, Traditional Stores in 2001. Since November 2008, he acts as Executive Vice President, Marketing and Customer Innovations.

Dominique Boies joined RONA as Executive Vice President and Chief Financial Officer in 2011. Over the past five years, M. Boies held various positions at the Caisse de dépôt et placement du Québec, including Senior Vice President of Investments, Corporate Debt and Investment Funds groups. He also worked for 11 years at Royal Bank of Canada, where he held several high-ranking positions, including Vice President for Strategic Planning and Managing Director of the Capital Markets group.

France Charlebois joined the Corporation as Director, Legal Affairs and Secretary in 1992 and was appointed Corporate Secretary and Chief Legal Officer in 2001.

Normand Dumont joined RONA in 1989 and was appointed Vice President, Purchasing in 2000, then Vice President, Merchandising in 2001. Mr. Dumont was promoted to the position of Senior Vice President, Merchandising in 2003 and to the position of Executive Vice President, Merchandising in 2004.

Robert Dutton joined RONA in 1977 and was appointed Executive Vice President and Chief Operating Officer in 1990. He was appointed President and Chief Executive Officer in 1992.

Paul Jovian joined RONA as Senior Vice President, Supply Chain Management in 2009.

Christian Proulx joined RONA as Senior Vice President, People and Culture in 2007.

Luc Rodier joined RONA as Quebec District Manager for RONA and Réno-Dépôt stores in 2005. In 2010, he was appointed Ontario Regional Vice President and then Vice President Retail for Western Canada, before being promoted to Executive Vice President of Retail in 2011.

Michael Storfer joined RONA as President of Noble in 2007. At the end of 2007, he was appointed Vice President, Commercial and Professional Market and President of Noble.

B – Security Holdings

As at December 25, 2011, the number and percentage of RONA's Common Shares beneficially owned, directly or indirectly, or over which control or direction was exercised by the directors and all the executive officers of RONA as a group were 1,217,576 and 0.96%, respectively.

C – Interest in Material Transactions

We are not aware of any existing or potential interest in material transactions within the three most recently completed financial years or during the current financial year between RONA, or any of its subsidiaries, any of their directors or officers, any person or company that beneficially owns, controls or directs, directly or indirectly, over 10% of the voting shares of the Corporation, or any of their associates or affiliates.

ITEM 9 - RISK FACTORS

We have identified and assessed the following principal risks that could have a material adverse effect on our financial condition, results of operations or business, cash flows or the trading price of our common shares, as well as cause actual results to differ materially from our expectations expressed in or implied by our forward-looking statements. The risks listed below are not the only risks that could affect RONA. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our financial condition, results of operations, cash flows or business.

Market and competition

The home renovation, hardware and gardening industry is highly competitive. RONA's competitors include large national and multinational chains, regional groups and independent stores.

Trends in the renovation and construction sectors have a direct impact on RONA. The Corporation's sales are related, to a certain extent, to the number of housing starts, home resales, consumer interest in renovation and housing costs. In addition, the demand for home renovation, hardware and gardening products relies on consumer tastes and emerging trends, which means RONA has to keep in close touch with customer needs and demands. RONA enjoys a solid diversification of its activities, by geography, segment, banner and store format.

The sector in which RONA does business is highly seasonal in nature. Changes in weather patterns have a certain impact on sales, and sales in the first quarter are always lower than in the other three because there is so little home renovation activity during the winter.

These various factors can have a significant impact on the Corporation's financial position.

The economy

A significant portion of spending in the renovation, hardware and gardening sector is discretionary and therefore sensitive to economic conditions, the strength of the economy and consumer purchasing power. In addition, the price of lumber and other construction materials fluctuates with market demand, which in turn affects the Corporation's sales.

As explained, economic conditions have an impact on RONA's results. While economic recovery is underway, 2011 saw a decline in consumer confidence over the year, as well as a slowdown in new housing and

resale activity. However, RONA has a tightly managed balance sheet, a diversified business model, and improved operational efficiency as a result of the PEP program implementation. As it has done in the past, management is taking proactive steps in response to the current economic conditions.

Furthermore, various factors such as the exchange rate, the unemployment rate, interest rates, general credit conditions and commodity prices like lumber, copper, gas, electricity and natural gas can all have a negative impact on the Corporation's financial results.

Human resources

To achieve its goals, the Corporation has to attract, train and retain a high number of competent employees while still keeping payroll costs under control. The Corporation's ability to control labour costs is subject to a number of external factors, including remuneration and group insurance rates.

An inability to attract, train and retain skilled employees can have an impact on the Corporation's growth capacity and financial performance.

Information technology

Because of the Corporation's particular business model and growth through acquisitions, its information technology structure is complex. The Corporation has made significant IT investments and will continue to do so in its stores, distribution centres and administrative centres. These investments allow it to integrate its systems, simplify the structure of its technology platform, meet operational needs and take advantage of technological advances. An inability to integrate its systems within a reasonable time frame could prevent it from achieving its expected financial goals.

Reputation

The Corporation sells a variety of products with many different brands, including its own private brand. Consumer perception of the Corporation could be harmed if there were damage to the reputation of these brands. A number of other factors could also affect RONA's reputation and seriously impact its performance, including non-compliance with laws or regulations (especially with respect to the environment), legal proceedings against the Corporation or the disclosure of personal or confidential information.

Supply chain

The Corporation must plan for and satisfy its store needs for merchandise and therefore depends on national and international suppliers to provide timely delivery of merchandise at reasonable prices, while meeting quality standards. It is important for RONA to establish solid and lasting relationships with its suppliers in order to avoid stock-outs or unexpected changes in the price of merchandise.

RONA must pursue optimum management of the supply chain, as an inability to do so could affect its financial situation.

Acquisition, Recruitment, Integration, Development

Acquisitions and recruitment are two of the four vectors of RONA's development strategy. While the Corporation wants to recruit or make acquisitions, nothing guarantees the availability of businesses that meet its rigorous selection criteria. RONA's goal is to quickly integrate and build loyalty in all acquired and recruited businesses to achieve the expected benefits. RONA's desire to expand may also be hampered by an inability to find locations appropriate for development. When redeploying points of sales at new sites, the Corporation may

not have access to the appropriate location in due time and could incur important fees considering its future engagements.

Although the recruited businesses, also called “dealers,” are bound by commercial agreements with RONA and, for the purpose of maintaining their loyalty to RONA, benefit from favourable purchasing conditions, an experienced support team, an integrated and adapted regional development strategy and a succession program, and although RONA feels that it has enjoyed a good relationship with these businesses for many years, there is no guarantee that all of these businesses will maintain their business relationships with RONA in the future. A significant deterioration in the business relationship between RONA and these businesses as a whole could adversely affect the financial results of RONA’s distribution sector.

In addition, although under the terms of their commercial agreements with RONA, these businesses undertake to adhere to certain RONA guidelines concerning marketing, advertising, image and buying loyalty, RONA is exposed to the risk that some of these businesses will not comply with this undertaking, which could adversely affect the financial results of RONA’s distribution sector as well as its reputation and image.

Legal and regulatory requirements

RONA makes every effort to comply with all laws and regulations, but legal proceedings or third-party lawsuits could negatively affect the Corporation’s position and financial results.

Accounting standards

The implementation of new International Financial Reporting Standards and generally accepted accounting principles applicable in 2011 and actual Canadian GAAP are complex, involving numerous assumptions and estimates, and may be subject to interpretation by RONA management. These rules are also subject to change. Amendments to these principles, assumptions and estimates can have repercussions for RONA’s financial results.

Furthermore, in the fiscal year ended December 25, 2011, there was no change to internal controls on financial information that could have a significant impact or that could reasonably be thought to have a significant impact on such controls.

Availability of financing

RONA may not have access to the financing needed for certain growth vectors. This could prevent it from concluding business acquisitions, or delay capital investments.

Limited availability of financing may affect the Corporation in a number of different ways. Lack of financing may affect RONA’s ability to pursue its growth objectives or prevent it from acquiring other stores or delay investment in existing stores. The Corporation may not be able to achieve its growth objectives, which would negatively affect its financial results.

Management currently believes that the Corporation has the necessary funding for its development.

ITEM 10 - AUDIT COMMITTEE

A – Mandate of the Audit Committee

The mandate of our Audit Committee is attached hereto as Schedule A.

B – Members of the Audit Committee

Our Audit Committee currently consists of four independent directors. The members of the Audit Committee are Réal Brunet (Chair), Richard Fortin, Alain Michel and Jean-Roch Vachon.

C – Description of the Financial Literacy of Members

All members of the Audit Committee are financially literate and can understand the accounting principles used by the Corporation in its financial statements and assess the general application of those principles. They also have relevant experience in preparing, auditing, analysing and evaluating financial statements that present a breadth and level of complexity of issues generally comparable with that of the Corporation's financial statements, or in actively supervising persons engaged in such activities. The members also understand the procedures and internal controls regarding the disclosure of financial information.

Members of the Audit Committee have acquired relevant experience through their university studies, as members of other boards of directors and as executive officers of various companies. Moreover, a number of them are or have been members of the audit committees of other public companies. More specifically, (i) Réal Brunet has a Bachelor's degree in Commerce, was an audit partner and senior advisory partner at Ernst & Young from 1983 to 2010, and a member of the board of directors of the Montreal section of The Institute of Internal Auditors from 2007 to 2010; (ii) Richard Fortin has a Bachelor's degree in administration with a major in finance, and has acted as Executive Vice President and Chief Financial Officer of Alimentation Couche-Tard Inc. from 1999 to 2008 and was Chairman of the board of directors of that company until September 2011; (iii) Alain Michel has a Master's degree in Commerce and was Senior Vice-President and Chief Financial Officer of Group Videotron Ltd from 1992 to 2000; and (iv) Jean-Roch Vachon has a Bachelor's degree in administration and has served on the Board of Directors and audit committee of several private and public companies since 1982, and was Chairman of Cantrex Group Inc. from 1996 to 1999.

D – Auditors' Fees

The Audit Committee must approve any engagement of the Corporation's external auditors and to this end, the mandate of the Audit Committee states that the committee has sole authority to pre-approve all audit services and non-audit services that management intends to entrust to the external auditors. Such pre-approval is not required in the case of *de minimis* services, as provided in the applicable regulations.

We paid \$1,181,000 as audit fees⁽¹⁾ to Raymond Chabot Grant Thornton ("Raymond Chabot"), Chartered Accountants, during the financial year ended December 25, 2011. During the same year, we also paid Raymond Chabot \$143,000 as audit-related fees⁽²⁾, \$0 for tax fees⁽³⁾ and \$100,000 as other fees⁽⁴⁾.

In comparison, during the financial year ended December 26, 2010, we paid Raymond Chabot \$1,534,000 as audit fees⁽¹⁾, \$212,000 as audit-related fees⁽²⁾, \$12,000 for tax fees⁽³⁾ and \$399,000 as other fees⁽⁴⁾.

(1) **Audit fees:**

These fees include fees and disbursements for auditing the Corporation's annual financial statements and for reviewing the quarterly financial statements.

(2) **Audit-related fees:**

These fees include fees and disbursements for services reasonably related to the audit or review of the Corporation's financial statements that are not reported under "Audit fees".

(3) **Tax fees:**

These fees include fees and disbursements for services related to tax compliance, tax advice, and tax planning.

(4) **Other fees:**

These fees include fees and disbursements for services other than those described under "Audit fees", "Audit-related fees" and "Tax fees", and relate mainly to due diligence engagements.

ITEM 11 - TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our Common Shares and Series 6 Class A Preferred Shares is Computershare Trust Company of Canada at its principal offices in Montreal and Toronto.

ITEM 12 - INTERESTS OF EXPERTS

Raymond Chabot is the public accounting firm who prepared the auditor's report with respect to our annual financial statements for the years ended December 25, 2011 and December 26, 2010. Raymond Chabot has confirmed to us that it is independent within the meaning of the Rules of Professional Conduct of the *Ordre des comptables agréés du Québec*. These rules are equivalent or similar to Rules of Professional Conduct applicable to chartered accountants in the other provinces of Canada.

ITEM 13 - CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form includes "forward-looking statements" that involve risks and uncertainties. All statements other than statements of historical facts included in this Annual Information Form, including, without limitation, statements regarding the prospects of the industry and prospects, plans, financial position and business strategy of the Corporation, may constitute forward-looking statements within the meaning of the Canadian securities legislation and regulations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Corporation believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Corporation's business. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial position and results of operations as at and for, the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. Investors and others are cautioned that undue reliance should not be placed on any forward-looking statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. For more information on the risks and uncertainties that could cause the Corporation's actual results to differ materially from current expectations, and about material factors or assumptions applied in making forward-looking statements, please also refer to the Corporation's public filings available at www.sedar.com and at www.rona.ca. In particular, further details and descriptions of these and other factors are disclosed in the "Risk Factors" section of this Annual Information Form.

The forward-looking statements in this Annual Information Form reflect the Corporation's expectations as of March 22, 2012, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ITEM 14 - ADDITIONAL INFORMATION

The following documents may be obtained, upon request, from the Corporate Secretary and Chief Legal Officer of the Corporation:

- Copy of this Annual Information Form, together with copy of any document or the relevant pages of any document incorporated by reference in this Annual Information Form.
- Copy of our comparative financial statements for our most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditor and copy of our most recent interim financial statements that have been filed, if any, for any period after the end of our most recently completed financial year. Such documents include additional financial information about the Corporation.
- Copy of the Circular, in respect of our most recent annual meeting of shareholders that involved the election of directors. The Circular includes additional information such as directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans.

We reserve the right to request a fee for the transmission of the information set forth above, unless the request is made by a security holder of the Corporation or during the course of a distribution of the Corporation's securities by means of a prospectus. In such cases, the transmission of information will be made free of charge.

Other financial information is included in our annual financial statements for the years ended December 25, 2011 and December 26, 2010 and in our corresponding Management's Discussion and Analysis.

The documents mentioned above are available from our Corporate Secretary and Chief Legal Officer at the following address:

220 chemin du Tremblay
Boucherville, Quebec, Canada
J4B 8H7
Telephone: (514) 599-5100

or on the Corporation's website address: www.rona.ca or on SEDAR: www.sedar.com.

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SCHEDULE A

RONA INC. (the «Corporation»)

AUDIT COMMITTEE CHARTER

The Audit Committee (the “**Committee**”) is responsible for assisting the Board of Directors of the Corporation (the “**Board**”) in its oversight of the following items: (i) the production of reliable financial information, (ii) the identification of the principal financial risks associated with the Corporation’s activities and the implementation of appropriate systems to manage these risks, (iii) the internal control and management information systems of the Corporation, (iv) the Corporation’s financial compliance with the various authorities and legislation, (v) the competencies, independence and work of the external and internal auditors, and (vi) the performance of the other responsibilities set out in the Committee’s mandate as well as those delegated to the Committee by the Board.

The Audit Committee may communicate directly with the internal and external auditors at any time.

Mandate

The responsibilities of the Committee include:

With respect to the review of financial information

- Reviewing the following documents with management and the external auditors:
 - annual and interim financial statements;
 - external auditors’ reports: the audit report in the case of the annual financial statements and the interim review report in the case of the interim financial statements of the first three quarters;
 - annual and interim management’s discussion and analysis;
 - annual and interim earnings press releases and those containing financial information;
 - financial information contained in prospectuses and the annual information form.
- Recommending the approval of the above-mentioned documents by the Board before their public disclosure.
- Reviewing the procedures in place for the review of financial information extracted or derived from the financial statements other than the public disclosure provided for above and periodically assessing the adequacy of those procedures.

Reviewing with management and the external auditors:

- the Corporation’s financial reporting prepared in accordance with the international financial reporting standards;
- proposals for changes and choice of new accounting principles and policies of the Corporation;
- the reasonableness of provisions, reserves and estimates that may have a material effect on financial reporting;

- material decisions made in connection with the presentation of the financial statements;
- communication with the Autorité des marchés financiers.
- Reviewing the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation.
- Monitoring the application and update, as necessary, of the Corporation's disclosure policy.

With respect to oversight of the external auditors

- Ensuring that the external auditors report directly to the Committee.
- Recommending to the Board the appointment or discharge of the external auditors as well as their compensation.
- Having sole authority to pre-approve all non-audit services that management intends to entrust to the external auditors.
- Reviewing with the external auditors the external audit plan as well as the qualifications, independence and objectivity of the external auditors, including written statements of all relationships the external auditors have with the Corporation which could have an effect on independence and objectivity and recommending measures the Board of Directors should take to ensure the independence of the external auditors.
- Being directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- Discussing with the external auditors the quality and not just the acceptability of the accounting principles, including:
 - critical accounting policies and practices used;
 - any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the treatment preferred by the external auditors;
 - other material written communications between the management and the external auditors.
- Discussing with the external auditors, once a year, their internal quality control procedures as well as the summary results of the Canadian Public Accountability Board (CPAB) inspection.
- Reviewing management's actions following the recommendations of the external auditors.
- Reviewing and approving the hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.
- Ensuring the rotation of lead, concurring and other audit partners, to the extent required by the rules for independence applicable to external auditors.

With respect to the oversight of internal controls

- Reviewing the procedures in place to evaluate the effectiveness of the internal controls systems set up by management.
- Reviewing with the President and Chief Executive Officer as well as the Executive Vice-President and Chief Financial Officer the process for the certifications to be provided in the Corporation's public disclosure documents.
- Establishing procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission of concerns by employees of the Corporation regarding questionable accounting or auditing matters.
- Reviewing the Corporation's insurance coverage and ensuring its adequacy.

With respect to financial risk management

- Reviewing with management:
 - the identification and the financial risk evaluation methods;
 - the processes used to manage and control risks.
- Reviewing with management the funding policies, the investment policies, the compliance reports and the financial statements of the pension plans.

With respect to the oversight of the internal auditors

- Annually reviewing and approving the charter of the internal auditors.
- Ensuring that the internal auditors are accountable to the Committee.
- Reviewing and approving the annual internal audit plan.
- Receiving and examining material internal audit reports, observations and recommendations.
- Reviewing management's actions following recommendations of the internal auditors.
- Reviewing the independence of the internal auditors.
- Reviewing, with the Senior Director, Internal Audit, difficulties encountered during his audits with respect to the scope of the mandate and access to information. Reviewing all changes with respect to the scope of his audit projects.

With respect to the monitoring of financial compliance with legal and regulatory requirements

- Reviewing and discussing with management, external and internal auditors and the General Counsel the effectiveness of policies and procedures to ensure financial compliance with laws and regulations and financial commitments.
- Reviewing the list of the Corporation's material litigation as well as the measures taken by management.
- Reviewing tax planning that has a material financial impact on the Corporation.

Composition

- The Committee shall consist of three to five Board members, all of whom shall be independent directors and be financially literate, as determined by the Board in accordance with the applicable rules of the Canadian Securities Administrators.
- The members of the Committee shall be appointed by the Board each year. The Board may fill a vacancy in the Committee or replace one of its members at any time.

Committee Meetings and Quorum

- The Committee shall meet as the need arises, but at least four times a year.
- Meetings shall be called by the Corporate Secretary of the Corporation, to whom a request is sent in writing, at the request of the Chair of the Committee, any of its members, the Chairman of the Board or the President and Chief Executive Officer.
- A majority of the current members of the Committee shall constitute a quorum at meetings of the Committee.
- From time to time, the Committee meets with management and the external and internal auditors, separately and in private.
- The Committee shall report to the Board periodically on its meetings and its recommendations;
- The Committee meets on a regular basis without the management members.

Independent Advisors

- As the need arises, the Committee may engage any outside advisors to assist it in carrying out its duties, set the fees and other conditions of their engagement and obtain the necessary funds from the Corporation to pay such fees.

Review of the Charter

- The Committee shall review this Charter at least once a year and submit proposals for its amendment to the Board as required.

Assessment of the Committee's Performance

- Each year, the members of the Committee shall assess and review the Committee's performance.
- The Committee shall report to the Board on this Charter once a year.

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