

RONA INC.



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 30, 2012

March 28, 2013

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Except as otherwise indicated, the information contained herein is given as at December 30, 2012, 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.

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). 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 *Business Corporations Act* (Quebec) (the “**Act**”).

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 30, 2012, our significant subsidiaries were 4536631 Canada Inc.¹, which carries on its operations in Eastern Canada (Quebec, Ontario, Nova Scotia and Newfoundland and Labrador), RONA Revy Inc.², which carries on its operations mainly in Western Canada (Manitoba, Saskatchewan, Alberta and British Columbia) and 220 Real Estate Limited Partnership, which carries on 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. 4536631 Canada Inc. and RONA Revy Inc. were incorporated pursuant to the federal laws of Canada and 220 Real Estate Limited Partnership was formed under the laws of Quebec.

The subsidiaries that have been omitted under this item did not represent as at December 30, 2012, individually, more than 10% of (i) the consolidated assets or (ii) the consolidated revenue of RONA, or, in the aggregate, more than 20% of (i) the consolidated assets or (ii) the consolidated revenue of RONA.

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 TOTEM Building Supplies Ltd. and 7594828 Canada Inc. were amalgamated into RONA Revy Inc. as of September 24, 2012.

ITEM 2 - GENERAL DEVELOPMENT OF THE BUSINESS

RONA's Recent Highlights

On June 21, 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 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 heating, ventilation and air conditioning products (HVAC) specialist Don Park Limited Partnership.

On August 18, 2011, we announced the appointment of Dominique Boies to the position of Executive Vice President and Chief Financial Officer, replacing Claude Guévin who left the Corporation effective June 3, 2011.

During the third quarter of 2011, RONA put in place three main financial priorities: improve efficiency, optimize the capital structure and increase the return on capital. In line with these three strategic priorities, RONA repurchased, at the end of 2011, \$283 million aggregate principal amount of its 5.40% debentures due October 20, 2016. RONA also repurchased a total of 10.4 million common shares in its share capital at an average price of \$9.47 per share, for a total consideration of \$98.5 million, pursuant to its normal course issuer bid launched in November 2011. Also, in December 2011, RONA renewed its existing credit facility for a period of five years (to 2016) and the total amount available was increased from \$650 million to \$950 million.

On November 8, 2012, RONA announced that Mr. Robert Dutton was stepping down as President and Chief Executive Officer and as a director of the Corporation, and that Mr. Dominique Boies, Executive Vice President and Chief Financial Officer would be acting CEO.

On January 20, 2013, RONA announced that it had entered into an agreement with two of its largest shareholders, Caisse de dépôt et placement du Québec (“**Caisse**”) and Invesco Canada Ltd. (“**Invesco**”), providing for, among other things, several changes to its Board of Directors (the “**Board of Directors**” or the “**Board**”). Under the agreement, Caisse and Invesco have indicated to RONA that they will support the election of the Corporation’s full slate of director nominees at the next annual meeting of shareholders to be held on May 14, 2013. See “Item 13 – Material Contracts” below for more details.

In February 2013, RONA announced, with the approval of its newly composed Board of Directors, its strategy to transform the Corporation and accelerate value creation for its stakeholders with the deployment of its 2013-2015 transformational plan (the “**2013-2015 Plan**”) which aims at improving national distribution offering for dealers, optimizing retail and contractor proximity models across Canada and strengthening RONA’s leadership position in Quebec.

On March 19, 2013, RONA announced the appointment of Mr. Robert Sawyer as President and Chief Executive Officer of the Corporation, effective in April 2013.

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 over 800 corporate, franchise and affiliate retail stores of various sizes and formats under different banners, and a network of 12 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 57 sales outlets and four distribution centres across the country. With close to 28,000 employees, the RONA store network generated consolidated sales of \$4.9 billion in the financial year ended December 30, 2012.

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 which still provides a significant opportunity for consolidation.

Based on companies' estimated sales and available industry data, in 2012, our market share, including annualized sales for the entire store network operated and supported by RONA, in Canada, approximates 19%. Our main competitors include Home Depot, Lowe's and Home Hardware. Close to 5,000 independent operators share the rest of the total Canadian market for hardware, home improvement and gardening products.

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, we believe we have the following advantages to perform in all market segments of the industry: a portfolio of banners and multiple store formats, locations coast-to-coast and an efficient distribution network.

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.

C – Our Business

RONA has two distinct operating segments: (i) distribution and (ii) retail and commercial. Revenues for our financial years 2012 and 2011, for each of our operating segments and in aggregate, are set forth in the following table.

2012	Distribution	Retail and commercial	Total
	\$(000's)	\$(000's)	\$(000's)
Segment sales	2,418,192	3,692,229	6,110,421
Intersegment sales and royalties	(1,209,397)	(17,008)	(1,226,405)
Sales	1,208,795	3,675,221	4,884,016
2011	Distribution	Retail and commercial	Total
	\$(000's)	\$(000's)	\$(000's)
Segment sales	2,331,597	3,660,827	5,992,424
Intersegment sales and royalties	(1,160,025)	(27,815)	(1,187,840)
Sales	1,171,572	3,633,012	4,804,584

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 30, 2012, December 25, 2011 and December 26, 2010, our store network consisted of:

	December 30, 2012	December 25, 2011	December 26, 2010
<i>Number of bannered stores</i>			
Big-box	75	80	78
Proximity and specialized	179	179	151
Commercial and Professional	57	55	62
Affiliates or independent dealers	511	524	522
Total store count	822	838	813

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 30, 2012	As at December 25, 2011	As at December 26, 2010
Corporate	More than 50%	Distribution, retail and commercial sales	291	295	271
Franchised	From 0% to 50%	Royalties on sales, distribution sales and retail sales	20	19	20
Affiliated or Independent Dealers	0%	Distribution sales	511	524	522
		Total	822	838	813

Corporate Stores are fully or majority owned by RONA.

Franchised stores are owned either by dealer-owners or by dealer-owners in partnership with RONA. The owners of franchised stores enter into commercial agreements with RONA which include certain obligations

similar to those entered into by owners of affiliated stores. These agreements 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.

Since its acquisition of TruServ Canada Inc. in 2010, 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.

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. Close to 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 Specialized Stores

Our proximity and specialized store network includes small- or medium-sized neighbourhood stores. Their objective is to meet the needs of our customers in hardware and building material items. These stores offer service and expertise to retail consumers and industry experts with an assortment of products in-stock for maintenance and “do-it-yourself” renovation projects as well as for construction projects for our stores specialized in lumber and building materials.

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 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, which have now been transferred into RONA’s new proximity store concept, are approximately 30,000 square feet in size.
- 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 affiliated and independent 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.
- 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 designed to meet 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 close to 206,000 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. Our house brand is sold under the name "RONA" and our most significant controlled brands are sold under the names "HAUSSMANN", "UBERHAUS", "PRO-PULSE" and "FACTO". 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 12 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	-	-	497
Halton Hills, ON	-	590	-
Kitchener, ON	250	-	-
Winnipeg, MB	400	-	-
Calgary, AB (2)	320	1,000	-
Surrey, BC	-	463	-
Langley, BC	-	-	120
	2,276	2,053	681

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.

In total, RONA has more than 5 million square feet of distribution capacity, including 2.3 million square feet in hardware, 2.1 million square feet in lumber and 0.7 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.

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 information about our customers' purchases, and allow us to analyze the effect of merchandising programs.

The in-store systems provide functionality to monitor sales, 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.

D – Marketing

Our marketing activities encompass the planning and coordination of the product and service 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 (printed and online), conduct various promotions, and engage in print, television and digital advertising and event sponsorship. We also oversee public affairs and content creation for our social media vehicles.

Digital platform

RONA's digital platform (with the recently upgraded and improved website www.rona.ca as its key element) is a significant source of product information for consumers. Our website provides broad access to information about our product offering, including 28,472 stock keeping units (SKUs) with home or in-store delivery options, and information about the latest trends and products in renovation and decoration as well as current promotions. In the financial year ended December 30, 2012, the average purchase size on the website was 173% higher than the average purchase size of a big-box store.

RONA has expanded its marketing efforts to include social media vehicles like Facebook, and new mobile (Apple) applications available for the Apple iPhone or iPad giving access to all products available on our website, as well as inventory available at the customer's chosen store, RONA flyers, promotions and coupons.

Also part of RONA's digital platform, RONAMAG, which celebrated its first anniversary in May 2012, is an 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 2012, the number of free online subscriptions to the magazine had doubled to reach over 400,000 members.

Advertising and promotions

Our national advertising-marketing program includes various print, television and digital advertising, and a weekly promotional flyer (printed and online) which includes various promotional offerings and is customized on a regional basis. In addition, to emphasize our brand awareness, our in-store signage is integrated on a national basis with our digital and print advertising.

Sponsorship

RONA is the Official Home Improvement Retailer of the Toronto Maple Leafs (NHL), Toronto Raptors (National Basketball Association), and the Toronto Marlies (American Hockey League). 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). We activated these partnerships in 2011 by financially supporting community engagements and through employee volunteering programs to unveil refurbished rinks in Calgary.

RONA also has a partnership with Canucks Sports & Entertainment ("CS&E") pursuant to which the RONA brand became a permanent fixture during Vancouver Canucks home games and appears in locations visible to TV cameras, and under which RONA, through the RONA Fabrication Shop, is to unite efforts and resources with CS&E to renovate youth facilities in local communities on an annual basis.

Private and controlled brands

RONA has a total of 13 private-label and controlled-brand products, including RONA (ECO, Collection and Xpert), VITALIUM, UBERHAUS AND UBERHAUS (DESIGN, Select and Pro) HAUSSMANN (XPERT), Facto and Propulse.

In 2012, we launched a new RONA Collection paint and primer in one.

In addition, we continue the expansion of our RONA ECO product line, which 555 products leave a smaller ecological footprint than equivalent conventional products throughout their entire life cycle (most also carry a recognized ecolabel). See the section below entitled “Environmental Protection – Eco-responsible product lines” for more details.

Customer loyalty

RONAdvantages is a private label credit card program with no annual fees to join, designed to reward our most loyal customers. Customers can get up to 5% cash back annually in RONA gift cards and earn up to twice the AIR MILES® reward miles upon presentation of the RONA private label credit card and the AIR MILES® Collector card on every transaction at participating locations throughout the RONA network. This program also allows for affordable financing options and exclusive monthly offers.

Since June 2012, AIR MILES collectors who earn reward miles in their AIR MILES cash balance can redeem their reward miles directly at most RONA stores across Canada, as well as Réno-Dépôt in Quebec and TOTEM in Alberta.

In 2012, while we continued to grow our portfolio with thousands of new customers, users who celebrated one year in the program shared \$4 million cash back in annual gift cards.

The same program also exists in our Réno-Dépôt (Build up plan) and Totem Building Supplies (TotemEdge) banners.

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, 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 for each acquisition.

We have and intend to continue to maintain our trademarks and the relevant registrations, and will actively pursue the registration of our trademarks in Canada.

F – Human Resources

As at December 30, 2012, our entire network included close to 21,000 employees, considering RONA stores only, and close to 28,000 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 fostering environmentally friendly initiatives and complying with all applicable environmental laws, regulations and standards.

To the best of our knowledge, environmental protection requirements do not have, and are not reasonably expected to have during 2013, a material effect (financial, operational or otherwise) on our capital expenditures, earnings and competitive position.

RONA appears on the Maclean's/Sustainalytics 2012 list of the 50 most socially responsible companies in Canada. Also, Corporate Knights, which recently published its 11th annual ranking of the best corporate citizens in Canada, mentions RONA on its list of Canada's 50 best corporate citizens.

Comprehensive ECO-Renovation Guide

In 2010, we launched an online eco-responsible renovation guide based on the life-cycle approach, an internationally recognized methodology applied in partnership with the International Chair in Life Cycle Approach at the Polytechnique de Montréal. The online guide was developed in collaboration with the Interuniversity Research Centre for the Life Cycle of Products, Processes and Services (“CIRAIG”) and two non-profit organizations that focus on sustainability issues, Équiterre and Écohabitation.

Environmental Footprint

As the reduction of our environmental footprint is an everyday concern for all sectors of the Corporation, we have introduced various initiatives to help reduce the environmental footprint of our activities and of the products sold in our stores.

Eco-responsible product lines

Since our products represent 91% of our total environmental footprint, we strive to minimize the impact of our products on the environment by offering a line of 555 eco-responsible RONA ECO products which have been approved by a research unit of the CIRAIG and leave a smaller ecological footprint than equivalent conventional products throughout their entire life cycle (most also carry a recognized ecolabel). RONA also carries over 1,616 eco-responsible products under various brands qualified by CIRAIG as delivering a better environmental performance in one or more stages of their life cycle.

Encouraging Consumers to do the Right Thing

To support and promote product recycling and end-of-life recovery to customers, 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. Through recycling stations which are clearly marked and accessible near the entrance of RONA stores, the public may dispose of products in household recycling containers.

Sustainability-Driven Procurement Policies

Responsible Procurement Policy (RPP)

In 2010, RONA adopted a Responsible Procurement Policy (RPP) setting out sustainable development guidelines for responsible purchasing practices. This umbrella policy encompasses all the product procurement policies previously adopted by the Corporation and applies to all products and services sold in stores as well as goods and services used by the Corporation.

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).

Sustainable Packaging Policy

RONA's *Sustainable Packaging Policy*, which was adopted in 2011, targets responsible use (reduction of overpackaging), responsible sourcing, improved recyclability, and improved in-store recovery, encompassing RONA's entire packaging system (primary, secondary and tertiary) and including various types of material used for packaging (paper, cardboard and plastic). RONA's goals in this respect include to reduce packaging by 10% on its portfolio of private brands and by 5% globally by the end of 2015; ensure that 75% of its cardboard and paper packaging is manufactured from certified virgin fibre or has a 50% postconsumer recycled fibre content by 2015; and ensure that certain types of plastics contain 25% post-consumer recycled content.

RONA also joined the Packaging Association of Canada (PAC) and the PAC NEXT group on sustainable packaging initiatives.

For more information on RONA's environmental protection initiatives, please visit www.rona.ca/corporate/corporate-responsibility.

ITEM 4 - DIVIDEND POLICY

The Corporation declares and pays cash dividends on its Common Shares (as defined below) on a semi-annual basis since 2010. The Board of Directors considers a balance between shareholder cash dividends and the opportunities to develop and expand the business of the Corporation when it declares and pays cash dividends. 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 the following dividends on our Common Shares and Preferred Shares in respect of the past three years:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Common Shares	\$17,191,000	\$9,134,000	\$9,119,000
Series 6 Class A Preferred Shares (as defined below).....	\$9,056,000	\$7,741,000	—
Class D Preferred Shares	\$40,000	\$80,000	\$120,000

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 20, 2013, 121,852,115 Common 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 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:

2012	Common Shares ⁽¹⁾		
	High (\$)	Low (\$)	Volume Shares
January.....	10.12	9.41	2,595,755
February.....	9.59	9.19	5,535,721
March.....	9.48	8.94	13,078,873
April.....	10.96	9.27	7,815,012
May.....	10.61	9.63	7,260,765
June.....	10.84	9.51	3,216,987
July.....	14.49	10.25	15,913,961
August.....	14.08	12.29	18,313,361
September.....	13.04	10.96	7,096,369
October.....	11.36	10.05	4,489,647
November.....	12.01	9.25	6,806,140
December (until December 30).....	11.53	10.06	4,577,951

(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:

2012	Preferred Shares ⁽¹⁾		
	High (\$)	Low (\$)	Volume Shares
January.....	25.19	23.80	197,495
February.....	24.95	23.50	171,261
March.....	24.50	23.50	125,792
April.....	24.55	23.90	193,382
May.....	24.95	24.20	125,498
June.....	24.75	24.15	72,833
July.....	25.30	24.31	310,044
August.....	25.18	24.71	130,264
September.....	25.07	24.53	131,314
October.....	25.05	24.76	135,144
November.....	25.72	24.90	138,131
December (until December 30).....	25.49	25.00	93,958

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

Credit Ratings

As at March 28, 2013, the credit ratings for RONA’s senior unsecured medium term notes due in 2016, were as follows:

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

A BB rating from DBRS falls within the fifth 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 uncertain and 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.

As at March 28, 2013, the credit ratings for the Series 6 Class A Preferred Shares were as follows:

DBRS	Pfd-4 high (negative outlook)
S&P	P-3

Pfd-4 (high) is the tenth highest of eighteen ratings used by DBRS for preferred shares. According to DBRS, preferred shares rated Pfd-4 are speculative and the degree of protection afforded to dividends is uncertain, particularly during periods of economic adversity. 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 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.

RONA has made payments in the ordinary course to the applicable rating agencies in connection with their rating services, which include annual surveillance fees covering RONA's outstanding securities, in addition to one-time rating fees when securities are initially issued.

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 current directors, as well as each director's age as at the date of our next annual meeting of shareholders to be held on Tuesday, May 14, 2013. 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 (current and past five years)</u>	<u>Director since</u>
Suzanne Blanchet ⁽²⁾ Quebec, Canada age 55	President and Chief Executive Officer of Cascades Tissue Group (papermaker)	May 2011
Réal Brunet ⁽¹⁾ Quebec, Canada age 63	Corporate Director Former audit partner and senior advisory partner at Ernst & Young (from 1983 to 2010)	December 2010
Louise Caya ⁽⁹⁾ Quebec, Canada age 47	Vice President and Secretary of Thomas Caya (1982) inc. (affiliated hardware store operating under the RONA L'express Matériaux banner) and Vice President and Controller of Industrie Fabco inc. (prefabricated kiosks and shelters)	May 2002
Robert Chevrier ⁽³⁾⁽⁶⁾ Quebec, Canada age 69	Executive Chairman of the Board of Directors, chairman of the board of directors of Uni-Sélect Inc., a network of independently owned auto parts dealers in North America and President of Société de Gestion Roche Inc. (personal holding and investment company) Former chairman of the board of directors of Richelieu Hardware Ltd. (from March 2004 until January 2013)	January 2013
Bernard Dorval ⁽¹⁾ Ontario, Canada age 60	Corporate Director and non-executive chairman of the board of TD Insurance (Canada) (insurance services) Former Group Head of Business Banking and Insurance, and Insurance and Global Development, successively at TD Bank Financial Group between 2003 and 2010, as well as Deputy Chair at TD Canada Trust from 2003 to 2012	January 2013
Guy G. Dufresne Quebec, Canada age 71	Corporate Director	January 2013
Richard Fortin ⁽¹⁾⁽²⁾ Quebec, Canada age 64	Corporate Director Former chairman of the board of directors (from 2008 to 2011) and Executive Vice President and Chief Financial Officer (from 1999 to 2008) of Alimentation Couche-Tard Inc.	April 2009
Barry Gilbertson ⁽²⁾ London, United Kingdom age 61	Principal with Barry Gilbertson Consultancy (strategic business and real estate advisory firm) and Corporate Director Former partner at PricewaterhouseCoopers LLP (accounting and consultancy firm) (from 1996 until 2011)	January 2013

<u>Name, Province/State and Country of Residence</u>	<u>Principal occupation (current and past five years)</u>	<u>Director since</u>
Jean-Guy Hébert ⁽⁵⁾ Quebec, Canada age 67	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 in St-Hyacinthe) and Rocvale Produits de Béton inc. (concrete products)	May 2002
Geoff Molson ⁽³⁾⁽⁷⁾ Quebec, Canada age 42	President and Chief Executive Officer of the Club de hockey Canadien inc., evenko and the Bell Centre and Corporate Director Former Vice President of Marketing for Molson in Canada (from 2006 to 2009)	May 2012
James Pantelidis ⁽²⁾ Ontario, Canada age 67	Corporate Director and chairman of the board of directors of EnerCare Inc. (energy heating) and of Parkland Fuel Corporation (energy downstream)	May 2004
Robert Paré ⁽²⁾⁽³⁾⁽⁴⁾ Quebec, Canada age 58	Corporate lawyer and partner at Fasken Martineau Dumoulin LLP (law firm) and Corporate Director	April 2009
Jean-Roch Vachon ⁽¹⁾⁽⁸⁾ Quebec, Canada age 69	Corporate Director and chairman of the board of directors of Investissements J.R.V. (holding) Former chairman of La Madeleine Holdings (food service in the USA) (from 2001 to 2009)	May 2006
Wesley Voorheis ⁽³⁾ Ontario, Canada age 59	Partner at Voorheis & Co. LLP (law firm) and Managing Director of VC & Co. Incorporated and Corporate Director	January 2013

(1) Member of the Audit Committee.

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

(3) Member of the Nominating and Governance Committee.

(4) Mr. Paré was Chairman of the Board of Directors from May 9, 2012 to January 20, 2013.

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

(6) Mr. Chevrier was appointed Executive Chairman of the Board on January 20, 2013.

(7) Mr. Molson will not seek re-election as director of the Corporation at the next annual meeting of shareholders.

(8) Mr. Vachon will not seek re-election as director of the Corporation at the next annual meeting of shareholders.

(9) Mrs. Caya will not seek re-election as director of the Corporation at the next annual meeting of shareholders.

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 current executive officers, as well as their age as at May 14, 2013.

<u>Name, Province and Country of Residence</u>	<u>Position within the Corporation</u>
Dominique Boies Quebec, Canada age 41	Executive Vice President and Chief Financial Officer and acting Chief Executive Officer
Manon Bouchard Quebec, Canada age 49	Executive Vice President, Merchandising
France Charlebois Quebec, Canada age 54	Corporate Secretary and Chief Legal Officer
Paul Jovian Quebec, Canada age 55	Senior Vice President, Supply Chain

<u>Name, Province and Country of Residence</u>	<u>Position within the Corporation</u>
Christian Proulx Quebec, Canada age 54	Senior Vice President, People and Culture and Social Responsibility
Luc Rodier Quebec, Canada age 42	Executive Vice President, Retail
Karim Salabi Quebec, Canada age 43	Executive Vice President, Marketing and Customer Innovations

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

Dominique Boies joined RONA as Executive Vice President and Chief Financial Officer in 2011. Since November 9, 2012 and until Mr. Robert Sawyer's appointment as President and Chief Executive Officer effective in April, 2013, Mr. Dominique Boies assumes the role of Chief Executive Officer of the Corporation on an interim basis. During the previous five years, Mr. Boies held various positions at the Caisse, 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.

Manon Bouchard joined the Corporation as Director, Merchandising in 2001. In 2009, she was appointed General Manager, RONA in Shanghai before being appointed Executive Vice President, Merchandising in 2012.

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

Paul Jovian joined RONA as Senior Vice President, Supply Chain Management in 2009. Before joining RONA, he was Vice President of the Supply Chain, Major Projects for Canadian Tire Corporation.

Christian Proulx joined RONA as Senior Vice President, People and Culture in 2007 and was appointed Senior Vice President, People and Culture and Social Responsibility in 2012.

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, Retail in 2011.

Karim Salabi joined the Corporation as Vice President, Marketing in 2011 before being promoted to Executive Vice President, Marketing in 2012. From 2007 to 2011, Mr. Salabi was Vice President, Marketing at Autodesk Canada Inc.

On March 19, 2013, RONA announced the appointment of Mr. Robert Sawyer as President and Chief Executive Officer of the Corporation, effective in April 2013. Before joining RONA, Mr. Sawyer was Executive Vice President and Chief Operating Officer of Metro Inc. (Canadian food company) since 2009. From 2007 to 2009, Mr. Sawyer was Senior Vice-President, Ontario Division of Metro Inc.

B – Security Holdings

As at December 30, 2012, 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 661,645 and 0.54%, respectively.

C – Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of RONA, except as set out below, no director or executive officer of RONA or a shareholder holding a sufficient number of securities to affect materially the control of RONA:

- (a) is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days:
 - (i) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) is, as at the date of this Annual Information Form or within ten years before the date of this Annual Information Form has been, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (c) has, within 10 years prior to the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder; or
- (d) has been subject to:
 - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
 - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

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.

From on or about September 18, 2003 until June 24, 2004, Mr. Voorheis was a director of Atlas Cold Storage Holdings Inc. (“**Atlas**”), the entity through which Atlas Cold Storage Income Trust (“**Atlas Income Trust**”) carried on its business. The Ontario Securities Commission (the “**OSC**”) issued a management cease trade order relating to any trading in securities of Atlas Income Trust as a result of Atlas Income Trust not having filed its 2003 third quarter financial statements by the required deadline. The order was made against the trustees of Atlas Income Trust, certain members of the board of directors of Atlas and certain officers and former officers of Atlas. The cease trade order related to conduct that occurred before Mr. Voorheis became a member of the board of directors of Atlas. The cease trade order remained in effect until May 11, 2004, following the

remediation of the filing default.

Mr. Voorheis was a director of Hollinger Inc. (“**Hollinger**”) from May 2006 to June 2008 and its chief executive officer from April 2007 to June 2008. Mr. Voorheis agreed to join the Hollinger board at the request of a shareholder to deal with alleged management misconduct. Prior to Mr. Voorheis’ involvement in Hollinger (on May 18, 2004), the OSC issued a temporary cease trade order that prohibited certain directors, officers and insiders of Hollinger from trading in securities of Hollinger, subject to certain exceptions, as a result of Hollinger’s failure to file financial statements on a timely basis as required under Ontario securities laws. On June 1, 2004, the OSC issued a management cease trade order (the “**MCTO**”) (later varied on March 8, 2005, August 10, 2005 and April 28, 2006). The April 28, 2006 variation added the then current directors and officers of Hollinger to the list of persons subject to the MCTO. The MCTO was later revoked on April 10, 2007 by an OSC order, after remediation by Hollinger of its historical continuous disclosure record on March 7, 2007. Related cease trade orders were also issued by securities regulatory authorities in British Columbia on May 31, 2004 and Alberta on June 10, 2004 but were revoked, or expired, following the revocation of the MCTO by the OSC.

On August 1, 2007, Hollinger obtained an initial order for creditor protection from the court under the *Companies’ Creditors Arrangement Act* (Canada) (“**CCAA**”) and made a concurrent application for a companion order under Chapter 15 of the United States Bankruptcy Code. These proceedings included Hollinger and its wholly-owned subsidiaries, Sugra Limited and 4322525 Canada Inc. The initial order and the U.S. proceedings provided for an initial stay period of 30 days, and were subsequently extended. On May 26, 2008, the Court approved an agreement (announced by Hollinger on May 14, 2008) between Hollinger and its two principal creditors addressing matters in dispute among those parties and which stated that Mr. Voorheis would be resigning as an officer and director of Hollinger. On June 17, 2008, Mr. Voorheis resigned as a director and officer of Hollinger. Hollinger’s Series II preference shares and the common shares are subject to a cease trader order issued by the OSC on July 23, 2008. Hollinger has stated that the cease trade order was issued as a result of Hollinger’s determination, in the interests of reducing its costs for the benefit of its stakeholders, not to prepare and file annual audited financial statements and other annual disclosure documents in respect of Hollinger’s financial year ended March 31, 2008. Consequently, following June 30, 2008, Hollinger has been in default of its continuous disclosure filing requirements under Canadian securities laws.

Mr. Voorheis was a director of Sun Times Media Group, Inc. (“**Sun Times**”) from August 2007 to June 2008. Mr. Voorheis agreed to join the Sun Times board at the request of a Hollinger shareholder to deal with alleged management misconduct. On March 31, 2009, Sun Times and its domestic subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code.

Mr. Voorheis was appointed director of Coventree Inc. (“**Coventree**”) in April 2008. On December 7, 2009, the OSC commenced proceedings against Coventree and certain of its officers in connection to events which occurred prior to Mr. Voorheis’ involvement with Coventree. The proceedings relate to whether Coventree complied with its disclosure obligations in its prospectus relating to the initial public offering of its shares, and its timely disclosure obligations in 2007 prior to the market for certain asset-backed commercial paper freezing up on August 13, 2007 (collectively, the “**Coventree Proceedings**”). On November 8, 2011, the OSC issued orders in connection with the Coventree Proceedings which included an order that until its winding up is completed, trading in any securities by Coventree cease and that any Ontario securities law exemptions not apply to Coventree, provided that this order will not prevent the winding up of Coventree or trades in securities reasonably related to that winding up. Coventree appealed the OSC order at the Ontario Divisional Court in late 2012 and is awaiting the Divisional Court’s decision on the matter.

On June 30, 2010, the shareholders of Coventree approved a special resolution authorizing the winding up of Coventree and the distribution of its remaining assets, if any, to shareholders pursuant to the plan of liquidation and distribution (the “**Liquidation Plan**”). The Liquidation Plan commenced on February 15, 2012, when a liquidator was appointed for the purposes of winding up the Coventree’s affairs and Mr. Voorheis resigned as director and became an inspector of the company’s liquidation on that date.

Mr. Hébert is Vice-President of RocVale Concrete Products Inc., which filed a notice of intention to make a proposal to its creditors on December 3, 2012.

D – Interest of Management and Others in Material Transactions

Except as mentioned below, 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.

VC & Co. Incorporated (“**VC&Co.**”), which is controlled by our newly appointed director and candidate for election to the Board of Directors, Mr. G. Wesley Voorheis, has in place an agreement with Invesco which exercises control or direction over 12,349,473 Common Shares as manager or portfolio advisor of certain funds and managed accounts, which provides for the payment to VC&Co. of a sum of \$3,000,000 together with disbursements and applicable taxes, as consideration for services rendered by VC&Co. and for the reimbursement of legal fees incurred by VC&Co. Half of this aggregate amount of approximately \$3,666,000 (including applicable taxes) has been paid to VC&Co. in February 2013 and the balance will be paid by Invesco as soon as practicable following the sale by Invesco from time to time of the Common Shares owned or controlled by Invesco.

ITEM 9 - RISK FACTORS

In considering an investment in RONA, a prospective purchaser should carefully consider the risk factors described on pages 10 to 13 of our 2012 Management’s Discussion and Analysis under the heading “Risks and Uncertainties” available at www.sedar.com and www.rona.ca.

ITEM 10 - LEGAL PROCEEDINGS

The Corporation is involved in various claims and litigation as a regular part of its business. While the final outcome of these claims and litigation cannot be predicted, nor can we estimate the amount of loss, or range of loss, if any, that may result from these proceedings, based on the information currently available, management believes that the resolution of these claims and litigation (which, in certain cases, are subject to applicable deductibles covered by insurance) will not have a material adverse effect on its financial position or results of operations.

ITEM 11 - 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, Bernard Dorval 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 corporations. Moreover, a number of them are or have been members of the audit committees of other public corporations. 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, is a guest member of the board of directors and audit committee of Agropur cooperative since 2012 and was a member of the board of directors of the Montreal section of The Institute of Internal Auditors from 2007 to 2010; (ii) Richard Fortin is a member of the board of directors of Alimentation Couche-Tard Inc. and was chairman of its board of directors from September 2008 until September 2011, where he had been Executive Vice President and Chief Financial Officer since 1999. He worked for more than 13 years in the banking industry, holding various management positions, namely as Vice President, Quebec for the Société Générale (Canada). Mr. Fortin currently serves as lead director on the board of directors of Transcontinental Inc. and as chair of its audit committee, and is a member of the board of directors and serves as chair of the audit committee of the National Bank Life Insurance Company; (iii) Bernard Dorval obtained a B.Sc. in 1973 and became a Fellow Actuary in 1979. He served successively as a Group Head of Business Banking and Insurance, and of Insurance and Global Development, for TD Bank Financial Group, between 2003 and 2010; as well as Deputy Chair of TD Canada Trust between 2003 and 2012. He is a member of the audit committee of Oncozyme Pharma Inc. since 2012 and was a member of the audit committee of TD Insurance Meloche-Monnex from 1997 to 2007; and (iv) Jean-Roch Vachon 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 \$1,110,000 as audit fees⁽¹⁾ to Raymond Chabot Grant Thornton ("**Raymond Chabot**"), Chartered Accountants, during the financial year ended December 30, 2012. During the same year, we also paid Raymond Chabot \$5,000 as audit-related fees⁽²⁾, \$0 for tax fees⁽³⁾ and \$7,000 as other fees⁽⁴⁾.

In comparison, during the financial year ended December 25, 2011, we paid Raymond Chabot \$1,181,000 as audit fees⁽¹⁾, \$143,000 as audit-related fees⁽²⁾, \$0 for tax fees⁽³⁾ and \$100,000 as other fees⁽⁴⁾.

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- (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 12 - 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 13 - MATERIAL CONTRACTS

On January 20, 2013, RONA announced that it had entered into an agreement (the “**Agreement**”) with two of its largest shareholders, Caisse and Invesco, providing for, among other things, several changes to its Board of Directors. Specifically, Mr. Robert Chevrier joined the Board of Directors as Executive Chairman on January 20, 2013, replacing Mr. Robert Paré, who stepped down as Chairman but continues to serve as a Board member. The Agreement further provided that the following individuals joined the Board of Directors on January 20, 2013: Messrs. Bernard Dorval, Guy Dufresne, Barry Gilbertson and Wesley Voorheis. Messrs. Alain Michel and Patrick Palerme resigned from the Board, effective January 20, 2013, as part of these board changes.

In addition, pursuant to the Agreement, two other candidates for election as directors, Mr. Steven P. Richardson and Mr. Eric Claus, are being proposed for election at RONA’s next annual meeting of shareholders, and Mr. Jean-Roch Vachon and Mr. Geoff Molson are not standing for re-election. The Agreement also provided that the new President and Chief Executive Officer would also join the Board. Under the Agreement, Caisse and Invesco have indicated to RONA that they will support the election of the Corporation’s full slate of director nominees at the next annual meeting of shareholders of RONA.

Under the Agreement, RONA has agreed to create an ad hoc strategic review committee (the “**SRC**”) consisting of five directors, namely Messrs. Chevrier, Voorheis, Dufresne, Fortin and Paré, with Messrs. Chevrier and Voorheis as co-chairs. The mandate of the SRC is to identify and recommend to the Board the strategic initiatives that the SRC believes should be pursued by RONA to improve its operating and financial performance and to enhance value for the benefit of all RONA stakeholders and to work jointly with the Board’s ad hoc committee established in November 2012 and abolished in March 2013 (the “**Selection and New CEO Committee**”), which ad hoc committee recommended to the Board Mr. Robert Sawyer as the new President and Chief Executive Officer of RONA. On March 19, 2013, RONA announced the appointment of Mr. Sawyer as President and Chief Executive Officer of RONA, effective in April 2013. Mr. Sawyer is being proposed for election as director at RONA’s next annual meeting of shareholders, and Mrs. Louise Caya is not standing for re-election. Having completed its mandate, the ad hoc Selection and New CEO Committee was abolished on March 20, 2013.

The Agreement also provides that without the prior written consent of RONA, neither Invesco nor the Caisse will, directly or indirectly, until January 20, 2014: (i) participate in any solicitation of proxies with respect to the voting of any shares of RONA; (ii) deposit any shares of RONA in any voting trust or similar arrangement; (iii) requisition a meeting of shareholders of RONA to propose the nomination of any candidate for election as a director; or (iv) submit, or induce any person to submit, any shareholder proposal relating to the nomination of a director.

A copy of the Agreement entered into with Caisse and Invesco is available on SEDAR at www.sedar.com.

ITEM 14 - 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 30, 2012 and December 25, 2011. 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 15 - 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 future prospects, beliefs, plans, expectations, anticipations, estimates, intentions, forecasts, goals, priorities, competitive strengths, expansion and growth opportunities, planned operations or future actions, financial performance, financial condition or results, planned operations or actions, economic and business outlook, business strategies and objectives and measures to implement these strategies and objectives, dividend policies and references to the future success 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 purpose of assisting investors and others in understanding certain key elements of the Corporation’s objectives, strategic priorities, management’s current expectations and plans, and in obtaining a better understanding of the Corporation’s business and anticipated operating environment as at and for, the periods ended on certain dates 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. Important factors that could affect forward-looking statements include, but are not limited to, risks and uncertainties relating to market and competition; the economy; human resources; information technology; reputation; supply chain; acquisition, recruitment, integration, development; legal and regulatory requirements; availability of financing; transformational plan; credit risk; liquidity risk; exchange risk and foreign currency sensitivity; interest rate risk; use of estimates and judgments; and other risks detailed from time to time in reports filed by RONA with securities regulators in Canada, many of which are beyond the Corporation’s control and the effects of which can be difficult to predict. Key assumptions applied in making forward-looking statements include, but are not limited to, expected growth, results of operations, historical and current trends, corporate and strategic plans, performance and business prospects and opportunities which the Corporation believes are reasonable as of the current date. The Corporation cautions the reader that the economic downturn experienced over the past few years makes forward-looking information and the underlying assumptions subject to greater uncertainty and that, consequently, they may not materialize, or the results may significantly differ from the Corporation’s expectations. 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 “Risks and Uncertainties” section of our Management’s Discussion and Analysis for the year ended December 30, 2012.

The forward-looking statements in this Annual Information Form reflect the Corporation’s expectations as of March 28, 2013, 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 16 - 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 our 2013 Management Proxy Circular, in respect of our upcoming annual meeting of shareholders that involves the election of directors. Our 2013 Management Proxy 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 30, 2012 and December 25, 2011 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 these 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 periodically 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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