

RONA INC.



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 26, 2010

February 24, 2011

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Except as otherwise indicated, the information contained herein is given as of February 24, 2011, based on the Company's most recently completed financial year ended December 26, 2010, and all dollar amounts set forth herein are expressed in Canadian dollars.

In this Annual Information Form, "RONA", the "Company", "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 Company'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 Company's market share and position and other similar references are based upon network retail sales. The Company'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 Canadian generally accepted accounting principles ("GAAP"). Unless otherwise indicated, same-store sales include retail sales from both corporate and franchised stores which were part of the Company's network.

The information appearing in the extracts from the documents listed below and specifically referred to in this Annual Information Form is incorporated herein by reference: (i) the 2010 Annual Report; and (ii) the 2010 Management Proxy Circular (the "Circular"). The foregoing documents are available on the SEDAR website at www.sedar.com and on the Company's website at www.rona.ca.

ITEM 1 - CORPORATE STRUCTURE

A – Name and Incorporation

RONA results from the amalgamation of Marchands Ro-Na Inc. and Le Groupe Ro-Na Inc. through articles of amalgamation dated January 2, 1984 under Part IA of the *Companies Act* (Quebec) (the "Act"). Following the acquisition of Dismat inc. in 1988, the Company changed its name to Le Groupe Ro-Na Dismat inc. On May 14, 1998, the Company again changed its name and is now known as RONA inc. Over the years, the Company has modified its articles of amalgamation several times to reflect changes in its authorized share capital.

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 26, 2010, our significant subsidiaries were 4536631 Canada Inc.⁽¹⁾, which carries on its operations in the provinces of Quebec and Ontario, and RONA Revy Inc. and Totem Building Supplies Ltd. ("Totem"), which carry on their operations in Western Canada (Manitoba, Saskatchewan, Alberta and British Columbia). These subsidiaries are all directly or indirectly wholly owned by the Company. RONA Revy Inc. and 4536631 Canada Inc. were incorporated pursuant to the federal laws of Canada while Totem was incorporated pursuant to the laws of Alberta.

(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.

ITEM 2 - GENERAL DEVELOPMENT OF THE BUSINESS

A – RONA's Origins and Recent Highlights

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

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

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

In connection with the Revy acquisition, Société générale de financement du Québec, Capital d'Amérique CDPQ inc., a wholly-owned subsidiary of Caisse de dépôt et placement du Québec, and ITM Entreprises S.A. (“ITM”), a French distribution company, invested in the equity of the Company through a share subscription as well as the purchase of subordinated debentures which have since been reimbursed in full.

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

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

On December 19, 2003, Standard & Poor's confirmed the listing of our Common Shares on the S&P/TSX composite index.

On March 22, 2005, RONA proceeded with a two-for-one stock split of the Common Shares of the Company.

On April 14, 2005 we completed the acquisition of Totem, a home improvement leader in Alberta. This acquisition was completed for a total cash payment of approximately \$100 million. The network acquired from Totem represents 16 points of sale in Alberta, namely, 14 retail stores and 2 stores for contractors.

On March 13, 2006, we completed the acquisition of Chester Dawe, adding eight points of sale to our network, all in Newfoundland and Labrador, and providing us with a solid base to continue our expansion in the Atlantic Provinces.

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

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

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

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

On January 9, 2008 we expanded the commercial and professional market division through the acquisition of Ontario plumbing specialist Best-MAR.

On February 27, 2008, RONA announced its 2008-2011 strategic plan, aimed at becoming the destination of choice for the complete housing needs of all Canadians. The new strategic plan emphasizes network efficiency and prepares for the next development phase of the Company.

On January 25, 2009, RONA announced Phase 2 of its 2008-2011 strategic plan, entitled New World program and reviewed achievements of Phase 1, the PEP (productivity, efficiency, profitability) program. The New World program, which calls for a renewed focus on growth amidst signs of gradual economic recovery, is designed to help guide RONA to transition to a post-recession era where retailing and consumer behaviours will be transformed to reflect both new types of consumers and a new generation of merchants.

On June 2, 2009, we completed the closing of an issue of Common Shares for an amount of \$172.5 million.

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

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

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

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

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

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

On February 22, 2011, we completed the closing of an issue of Cumulative 5-Year Rate Reset Series 6 Class A Preferred Shares for an amount of \$150 million.

B – Trends

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

ITEM 3 - NARRATIVE DESCRIPTION OF THE BUSINESS

A – Overview

RONA is a Canadian retailer and distributor of hardware, home improvement and gardening products. Through a multi-format, multi-banner network with locations throughout Canada, we aim to address the growing needs of virtually every consumer segment of the hardware, home improvement and gardening products market, from large metropolitan areas to small rural communities. As at December 26, 2010, we had reached the vast majority of Canadian consumers through our network comprising 956 corporate, franchised, and affiliated or independent dealer stores, totaling more than 17 million square feet of retail space.

Our company has a pan-Canadian distribution infrastructure, which enables us to distribute our products to all our types of stores, including big-box, proximity and specialized stores.

B – Industry Overview

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

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

Based on companies' estimated sales and available industry data, in 2010, the three largest players of the industry, in Canada, accounted for less than half of the total Canadian market, with no one company exceeding a market share of 19%. Our market share, in Canada, is estimated at 19%. Approximately 5,000 independent operators share the rest of the total Canadian market for hardware, home improvement and gardening products.

Seasonal Nature of the Industry

Our industry sector is seasonal. First quarter and last quarter sales are always weaker than sales in the other two quarters, representing less than 20% of the annual consolidated sales, 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 our sales.

Industry Segments

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

C – Our Business

RONA has two distinct operating segments: (i) distribution and (ii) retail and commercial. Revenues for our financial years 2010 and 2009 for each of our operating segments and in aggregate are set forth below.

<u>2010</u>	<u>Distribution</u> <u>\$(000's)</u>	<u>Retail and commercial</u> <u>\$(000's)</u>	<u>Total</u> <u>\$(000's)</u>
Segment sales.....	2,384,853	3,624,361	6,009,214
Intersegment sales and royalties	(1,209,349)	-	(1,209,349)
Sales.....	<u>1,175,504</u>	<u>3,624,361</u>	<u>4,799,865</u>
<u>2009</u>	<u>Distribution</u> <u>\$(000's)</u>	<u>Retail and commercial</u> <u>\$(000's)</u>	<u>Total</u> <u>\$(000's)</u>
Segment sales.....	2,318,172	3,540,227	5,858,399
Intersegment sales and royalties	(1,181,040)	-	(1,181,040)
Sales.....	<u>1,137,132</u>	<u>3,540,227</u>	<u>4,677,359</u>

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 26, 2010, December 27, 2009 and December 28, 2008, our store network consisted of:

<i>Number of bannered stores</i>	<u>December 26, 2010</u>	<u>December 27, 2009</u>	<u>December 28, 2008</u>
Big-box	78	77	77
Proximity and Specialized.....	151	138	140
Commercial and Professional	62	40	40
Affiliates or independent dealers	665	431	437
Total store count.....	<u>956</u>	<u>686</u>	<u>694</u>

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 26, 2010	As at December 27, 2009	As at December 28, 2008
Corporate	More than 50%	Distribution, retail and commercial sales	271	233	235
Franchised	From 0% to 50%	Royalties on sales, distribution sales and retail sales	20	22	22
Affiliated or Independent Dealers	0%	Distribution sales	665	431	437
		Total	956	686	694

Corporate Stores are owned and fully operated by RONA.

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

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

Since November 4, 2010, when RONA closed the acquisition of TruServ Canada Inc., the Company 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 wholesale distribution program.

Our Network Retail Sales

Annualized network retail sales of our affiliated, franchised and corporate stores represented approximately \$6.6 billion as at December 26, 2010.

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.

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

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

Proximity and Specialised Stores

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

We have developed or acquired the following banners for the proximity and specialised 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.
- Totem: These stores established exclusively in Alberta serve mostly “do-it-yourselfers” and craftsmen looking for specialized home renovation products and services. These stores are approximately 30,000 square feet in size.
- 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.
- STUDIO by RONA: This innovative store concept of approximately 8,000 square feet is a Canadian first, designed to meet the needs of a new segment of consumers as well as interior designers and professional painters, all under one roof. At the heart of the STUDIO by RONA experience is the colour centre, entirely devoted to colour consultation, selection and creation. Customers have access to the widest array of large-size (8.5 by 11-inch) paint swatches on the market — 800 of the latest colours — and a software program designed exclusively for RONA that can not only match or create thousands of colours but also identify the best complementary colours. For professional painters, STUDIO by RONA offers a distinct entrance and pick-up area, privileged access to paint and tinting services, a dedicated sales force and extended business hours.

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 and well established in their communities.

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

- RONA Home Centre, RONA Le Rénovateur, RONA Le Quincaillier, RONA Hardware, RONA L’express, RONA L’express Matériaux and RONA Building Centre: These stores generally vary between 5,000 and 60,000 square feet in size. They offer a wide variety of products and generate a higher proportion of sales in lumber and building materials.

- **BOTANIX:** These stores offer our customers advice regarding plant selection, upkeep and landscaping. Customers can take advantage of the wide range of plants and gardening items we offer. These stores offer knowledgeable staff and a large selection of products.

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

Commercial and Professional Market division stores

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

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

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

Product Offering

Our product offering features around 90,000 different products from close to 2,200 suppliers. We purchase at competitive prices approximately 90% of our products from suppliers having a place of business in Canada. The rest of our products are imported from Asia and the U.S. Furthermore, we offer over 4,000 different private and controlled brand products that cater to the most common needs of consumers. The house brand is sold under the name “RONA” and the most important controlled brands are sold under the names “Hausmann”, “Uberhaus”, “Pro Pulse” and “Facto”. In order to meet our customers’ needs and improve our profit margins, we regularly review our product assortment to eliminate unprofitable and slow-moving product lines. No product represents more than 10% of our purchases or sales.

Distribution Activities

Our Distribution System

We rely on a national distribution system which supports all stores of our network. 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 17 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
St-Hyacinthe, QC	110	125	-
Terrebonne, QC	380	-	-
Concord, ON	-	-	328
Halton Hills, ON	112	477	-
Kitchener, ON	250	-	-
Winnipeg, MB	400	-	-
Edmonton, AB	-	185	-
Calgary, AB (5 centres)	900	-	-
Calgary (TOTEM), AB	104	375	-
Surrey, BC	85	378	-
	3,267	1,540	392

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

In total, RONA has more than 5,199,000 square feet of distribution capacity, including 3,267 square feet in hardware, 1,540 square feet in lumber and 392,000 square feet in plumbing and HVAC for the commercial and professional market.

Our Management Information Systems

We have in place information systems which process orders, monitor inventories and handle the distribution of goods across the supply chain. We continually reinvest to improve our information systems to better serve our needs and to ensure efficient cost management. More recently we have made major investment in the optimization of the supply chain with projects such as demand planning and merchandize planning.

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

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

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

D – Marketing

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

Since 2003, our advertising-marketing program has taken on a truly national dimension. Thanks to a variety of activities and the expansion of our store network, we succeeded in increasing brand awareness across Canada. Thus, in 2010, total unaided awareness was 88% in Quebec, 66% in Ontario (74% in the Greater Toronto Area), and 82% in the Western provinces. These results demonstrate the effectiveness of our actions and show that we quickly win awareness of consumers in markets where we were not present five years ago.

On May 4, 2005, together with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games™, we announced an eight-year partnership agreement securing the sponsorship rights for the 2010 Olympic and Paralympic Winter Games, as well as the Canadian Olympic Team sponsorship rights for the Olympic Games in Turin in 2006, Beijing in 2008, Vancouver in 2010 and London in 2012. As a National Partner of the Vancouver 2010 Olympic and Paralympic Winter Games, the Company sponsored special daily coverage of Canadian athletes' performances throughout the Games. A powerful "Made in Canada" advertising campaign designed to evoke a sense of Canadian pride and belonging towards RONA ran on six television networks — CTV, TSN, Sportsnet, RDS, RIS and V — and two websites, CTV and RDS — reaching millions of viewers across the country. In keeping with the Company's commitment to sustainability, RONA's involvement in the 2010 Winter Games was designed to create lasting benefits. It focused on four key facets: supporting Canadian athletes, helping build the Olympic venues, training at-risk youth and engaging RONA employees.

RONA's visibility in the key Greater Toronto and Ontario markets got a major-league boost in September of 2009 with the announcement of a new five-year partnership with Maple Leaf Sports & Entertainment. RONA is now the Official Home Improvement Retailer of the Toronto Maple Leafs (National Hockey League), Toronto Raptors (National Basketball Association), Toronto FC (Major League Soccer) and the Toronto Marlies (American Hockey League). In October, 2010, RONA continued to expand its national and regional sponsorship program with the announcement of a new 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).

Based on the success of our own incentive program to complement the Home Renovation Tax Credits in 2009, our program, RONAdvantages, was improved and made into a permanent program that is now one of the most advantageous customer programs in the industry in Canada. RONAdvantages is a program especially designed to reward our most loyal customers. Customers can earn up to 5% cash back annually in RONA gift cards, get up to 2X AIR MILES® reward miles upon presentation of the new RONA private label credit card and the AIR MILES® Collector card on every transaction, can choose from affordable financing options and receive exclusive monthly offers, free of annual fees. To benefit from RONAdvantages a customer has to use the new RONA private label credit card. The number of new RONA cards issued during 2010 under this program is triple the number issued under the previous program during the year 2009.

In June 2010, we announced the renewal of our national partnership with the Canadian Football League (CFL) for another three years. Promotional partners since 2001, RONA and the CFL have extended their agreement to the end of the 2012 season. The two Canadian organizations are prolonging the innovative arrangement they signed in 2005, based on increased visibility in stadiums, stores and on the airwaves of TSN and RDS. For five years, all players in the eight CFL teams have been proudly wearing the RONA logo on their uniforms throughout the regular season, the playoffs and at the Grey Cup game.

RONA's new-generation store concepts, new product categories and expanded private-label and controlled brands all take into account the Company's latest proprietary research into consumer preferences and expectations. An in-depth study identified six distinct categories of households — three of which account for almost 75% of hardware-renovation purchases. Their clearly expressed appetite for higher quality products and outstanding value is reflected in RONA's increased focus on private-label products. The addition of new private-label and controlled-brand products in 2009, including the HAUSSMANN, HAUSSMANN XPERT and PRO-PULSE lines of power and garden tools, helped drive growth of RONA's private and controlled brands. Given this positive momentum and the introduction of four more controlled brands in 2010 — FACTO, UBERHAUS, UBERHAUS DESIGN and UBERHAUS PRO — the Company has reached a sales penetration rate of 24% at the end of 2010.

E – Trademarks

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

F – Human Resources

As at December 26, 2010, our entire network included over 22,000 employees, considering RONA stores only, and 29,584 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 Company and its employees in terms of compliance with all applicable environmental laws, regulations and standards, as well as in implementing pollution prevention programs.

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

In 2010, RONA's commitment to sustainable development resulted in several major initiatives. This commitment extends to our entire network – from administrative centres to our distribution centres and including our network of corporate, franchised and affiliate stores. The following information summarizes RONA's initiatives with regards to environmental protection; more detailed information is provided in the sustainable development section of RONA's 2010 Annual Report on page 16.

Environmental Stewardship

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

Eco-Responsible Product Offerings

During 2010, we continued to expand our benchmark RONA ECO and eco-responsible product lines.

When RONA decided to carve out a new market niche by offering Canadian consumers a benchmark line of eco-responsible hardware and home-renovation products, it was determined to avoid “greenwashing”. All RONA ECO and eco-responsible products must be approved by the International Chair in Life Cycle Assessment, a research unit of the CIRAIG at Montreal’s *École Polytechnique* that has been a valued Company partner for the past four years.

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

During 2010, RONA continued to expand these lines, which now encompass over 2,000 different products, ranging from eco-responsible cleansers to fertilizers, rainwater collectors, mouldings and much more. Among the latest additions are new RONA ECO paints and horticulture products.

Comprehensive ECO-Renovation Guide

During 2010, we launched an innovative online eco-responsible renovation guide. RONA’s new Eco-responsible Renovation website is a comprehensive, transparent and user-friendly tool. Based on the rigorous life-cycle approach that serves as the platform for RONA’s entire sustainability agenda, the online guide was developed in collaboration with CIRAIG and two non-profit organizations that focus on sustainability issues, Équiterre and Écohabitation.

Environmental Footprint

Waste Reduction

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

Thanks to those initiatives, 4,895 tons of cardboard, paper and plastic were diverted from landfills in 2010. While this is a very large quantity and an improvement over 2009, it represents less than half of the 23% of total waste accounted for by cardboard, paper and plastic at a typical big-box store. The aim going forward is to recover a significantly larger portion of such waste.

Carbon Disclosure Project

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

Encouraging Consumers to do the Right Thing

In 2010, RONA continued to put in place initiatives designed to entice consumers into choosing eco-responsible alternatives and adopting responsible consumption habits. The Company has steadily expanded its partnerships with electrical utilities and water-supply authorities across Canada to promote solutions such as programmable thermostats, Energy Star light fixtures and appliances and dual-flush toilets.

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

In 2010, we recovered 2,821,989 kg of paint through our stores in Quebec and Ontario, and recycled 30,209 kg of batteries, 97,124 bulbs of compact fluorescent light bulbs and 6,820 power tool accessories.

Energy Conservation

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

Action Plans for Existing Stores

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

LEED Standards

A recently opened store in Sherwood Park, Alberta has joined our growing list of facilities designed and built to meet the stringent criteria of the internationally recognized Leadership in Energy and Environmental Design (LEED) assessment system.

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

RONA is committed to building all new corporate stores situated on Company-owned sites to LEED specifications, including five scheduled to open in 2011 and early 2012.

Transportation Initiatives

Transporting the large quantities of merchandise required to keep RONA's sprawling, Canada-wide network of stores well stocked—mainly via highway transport—accounts for a significant portion of the Company's energy consumption and GHG emissions.

Having already implemented significant, fuel-saving route-optimization initiatives, distribution teams followed up in 2010 by fitting 20 RONA trailers with wind deflectors. The trailers will be utilized on long-distance routes. Under optimal conditions, the trailers will yield a 5% fuel consumption saving compare to conventional trailers.

Sustainability-Driven Procurement Policies

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

Summarized below are the rigorous new Responsible Procurement Policy, introduced in November 2010, and the Wood Products Procurement Policy introduced in late 2008. Sustainability-focused procurement policies for paper, cardboard and packaging are under development.

Responsible Procurement Policy

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

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

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

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

Wood Products Procurement Policy

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

In a November 2010 progress report, the Company announced it had achieved its goal of selling softwood lumber sourced exclusively from certified forests in all corporate and franchise stores. As well, in RONA's retail and commercial stores:

- 100% of the softwood lumber (spruce, pine and fir) and softwood plywood panel products for sale is sourced from certified forests;
- 30% of wood products available in RONA's retail corporate stores carry a certification label; and
- 25% of SPF lumber for sale will be sourced from FSC certified forests by the end of 2012. At year-end 2010, the percentage was nearly 24%, which means that this goal will likely be reached two years ahead of schedule.

RONA gives preference to the FSC certification because it best responds to Company requirements regarding relations with indigenous communities and biodiversity conservation.

Although FSC-certified lumber is not readily available in many parts of Canada, six RONA stores were offering softwood lumber sourced exclusively from FSC forests at year-end 2010.

The Company has also received FSC Chain-of-Custody (CoC) certification for wood products in 10 stores and three distribution centres. To qualify, the supply chain must be traceable from the forest through all phases of production and onward to the consumer. CoC certification is crucial for contractors or consumers wishing to build homes that comply with LEED (Leadership in Energy and Environmental Design) standards.

ITEM 4 - DIVIDEND POLICY

Except as mentioned below, no dividends were declared or paid on our Common Shares in respect of the past three years.

While the Board of Directors of the Company wishes to retain some of the Company's earnings to take advantage of opportunities to develop and expand its business, it has decided to start declaring and paying cash dividends on a semi-annual basis. The Board of Directors will consider several factors when reviewing dividend payments, including the Company's present and future earnings, cash flows and capital requirements, while complying with laws governing the Company. 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.

Our Board of Directors has declared, on December 7, 2010, the first cash dividend of \$0.07 per share, payable on March 25, 2011 to holders of record at the close of business on March 10, 2011.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Class A Preferred Shares, Series 5 (as defined below)	-	-	-
Class C Preferred Shares	-	-	-
Class D Preferred Shares	\$120,000	\$160,000	\$200,000

ITEM 5 - DESCRIPTION OF THE SHARE CAPITAL

Our authorized share capital consists of: (i) an unlimited number of 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 February 22, 2011,

130,075,431 Common Shares, 3,000,000 Class D Preferred Shares, 6,000,000 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 Company'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 Company 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 Company's liquidation or dissolution or any other distribution of the assets of the Company 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 Company, 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 Company.

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 Company and are not entitled to vote at any such meeting, except to the extent otherwise provided in the Articles in respect of any Preferred Shares. In connection with any matter requiring the approval of any class (or series) of Preferred Shares as a class (or as a series) pursuant to the *Business Corporations Act* (Quebec) (the "Act"), each holder of the class (or series) of Preferred Shares in question has one vote for each share of the class (or series) in question held. Notwithstanding the foregoing, holders of Class A Preferred Shares and Class B Preferred Shares are entitled to one vote for each dollar of issue price of such shares at any meeting of holders of such shares held for the approval of amendments to the Articles as described below.

Rank

The Class A Preferred Shares of each series rank equally with the Class A Preferred Shares of all other series and rank ahead of the Class B Preferred Shares, which rank ahead of the Class C Preferred Shares, which rank ahead of the Class D Preferred Shares, which in turn rank ahead of the Common Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company. In addition, holders of Class A Preferred Shares rank prior to holders of shares of any other class of the Company 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 Company, 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 Company, 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 Company 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 Company

Subject to the Act and to any other provision of the Articles, the Company 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 Company 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 Company 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 Company, 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 Company 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 Company 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 Company, the shares may be obtained, without, however, exceeding their redemption price.

Redemption by the Company

Subject to the Act, the Company 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:

2010	Common Shares ⁽¹⁾		
	High (\$)	Low (\$)	Volume Shares
January.....	16,79	15,49	4,436,592
February.....	16,24	15,07	4,217,944
March.....	16,10	15,20	7,788,310
April.....	17,73	15,36	8,026,207
May.....	17,41	15,09	7,817,372
June.....	16,63	15,25	6,209,822
July.....	15,84	14,84	4,446,434
August.....	15,28	12,65	19,540,835
September.....	13,41	12,65	10,988,460
October.....	13,65	12,78	4,809,071
November.....	13,60	12,70	9,095,004
December (until December 26).....	14,87	13,00	6,358,103

(1) Source: *The Toronto Stock Exchange eReview and Bloomberg.*

Credit Ratings

As at February 24, 2011, the credit ratings for RONA’s senior unsecured medium term notes due in 2016, were as follows:

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

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

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

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

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

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

ITEM 7 - PLEDGED SHARES

A portion of the Common Shares held by the dealer-owners of our network is pledged to us as security for the payment in full of indebtedness and for the performance of their obligations toward the Company 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 licences.

ITEM 8 - DIRECTORS AND EXECUTIVE OFFICERS

A – Name, Address and Occupation

Directors

The following table sets forth the name, province or state and country of residence and principal occupation of each of our directors, as well as each director’s age as at the date of our next annual meeting of shareholders to be held on Tuesday, May 10, 2011. It also sets forth the period during which each of them has served as director. Our by-laws provide that the tenure of directors is of one year and ends on the date of the annual meeting following their election or when their successors are elected.

<u>Name, Province/State and Country of Residence</u>	<u>Principal occupation</u>	<u>Director since</u>
Réal Brunet ⁽¹⁾ Quebec, Canada age 61	Corporate Director	December 2010
Louise Caya ⁽⁴⁾ Quebec, Canada age 45	Vice President and Secretary Thomas Caya (1982) inc. (affiliated hardware store operating under the RONA L’express Matériaux banner) and Vice President and Controller Industrie Fabco Inc. (prefabricated kiosks and shelters)	May 2002
Robert Dutton Quebec, Canada age 56	President and Chief Executive Officer RONA ⁽⁵⁾	March 1990
Richard Fortin ⁽¹⁾⁽²⁾ Quebec, Canada age 62	Chairman of the Board of Alimentation Couche-Tard Inc. (convenience store operator)	April 2009
Jean Gaulin California, United States of America age 68	Corporate Director and Chairman of the board of directors of RONA ⁽⁶⁾	May 2004

<u>Name, Province/State and Country of Residence</u>	<u>Principal occupation</u>	<u>Director since</u>
Jean-Guy Hébert ⁽⁴⁾ Quebec, Canada age 65	President of Maximat Inc. (holding company), Maximat Granby Inc. (holding company), Horizon Devcow Inc. (real estate), and 9060-4976 Quebec inc. operating a store under the RONA L'entrepôt banner (Granby), and Vice-President of 9066-7403 Québec inc. (operating a store under the RONA l'Entrepôt St-Hyacinthe) and Rocvale Produits de Béton Inc. (concrete products) ⁽⁷⁾	May 2002
J. Spencer Lanthier ⁽¹⁾ Ontario, Canada age 70	Corporate Director	May 2006
Alain Michel ⁽¹⁾⁽³⁾ Quebec, Canada age 62	Chairman of the board of directors of Cari-All Group Inc. (manufacturer of shopping carts) and Corporate Director ⁽⁸⁾	May 2005
James Pantelidis ⁽²⁾⁽⁴⁾ Ontario, Canada age 65	Chairman of the board of directors of EnerCare Inc. (energy heating) and of Parkland Fuel Corp (energy downstream), and Corporate Director ⁽⁹⁾	May 2004
Robert Paré ⁽²⁾⁽³⁾ Quebec, Canada age 56	Corporate lawyer and partner at Fasken Martineau Dumoulin LLP (law firm), and Corporate Director	April 2009
Jocelyn Tremblay ⁽²⁾⁽³⁾ Quebec, Canada age 69	Vice President, Corporate Affairs, Vins Philippe Dandurand inc. (wine agent), and Corporate Director	May 1998
Jean-Roch Vachon ⁽¹⁾⁽⁴⁾ Quebec, Canada age 67	Corporate Director	May 2006

(1) Member of the Audit Committee.

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

(3) Member of the Nominating and Governance Committee.

(4) Member of the Development Committee.

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

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

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

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

(9) Mr. Pantelidis made a private equity investment in Tattou 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.

During the last five years, all of the Company's directors have held the principal occupations noted above except for (i) Richard Fortin, who was Executive Vice President and Chief Financial Officer of Alimentation Couche-Tard Inc. (convenience store operator) from 1999 until his appointment as Chairman of that company in 2008, (ii) Alain Michel, who was a Management Consultant at the Caisse de dépôt et placement du Québec from 2001 to 2005, (iii) James Pantelidis, who was Chairman and Chief Executive Officer of Fishercast Global Corporation (precision die casting) from 2004 to 2006, and (iv) Réal Brunet, who was an audit partner and senior advisory partner at Ernst & Young (professional services organization) from 1983 to 2010.

Executive Officers

The following table sets forth the name, province and country of residence, and position held with the Company of each of the Company's executive officers, as well as their age as at May 10, 2011.

<u>Name, Province and Country of Residence</u>	<u>Position within the Company</u>
Claude Bernier Quebec, Canada age 58	Executive Vice President, Marketing and Customer Innovations
France Charlebois Quebec, Canada age 52	Corporate Secretary and Chief Legal Officer
Normand Dumont Quebec, Canada age 56	Executive Vice President, Merchandising
Robert Dutton Quebec, Canada age 56	President and Chief Executive Officer
Claude Guévin Quebec, Canada age 51	Executive Vice President and Chief Financial Officer
Paul Jovian Quebec, Canada age 53	Senior Vice President, Supply Chain
Linda Michaud Quebec, Canada age 56	Vice-President, Information Technologies
Jean-Luc Meunier Quebec, Canada age 47	Senior Vice President, Affiliate Dealer-Owner Network Development
Christian Proulx Quebec, Canada age 52	Senior Vice President, People and Culture
Marie-Claude Soucy Quebec, Canada age 41	Vice-President, Business Projects and Planning
Mario St-Louis Quebec, Canada age 48	Vice-President, Retail Operations
Michael Storfer Ontario, Canada age 42	Vice President, Commercial and Professional Market

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

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

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

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

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

Claude Guévin joined RONA as a financial analyst responsible for special projects in 1986 and became corporate controller in 1991. He was appointed Vice President, Finance and Administration in 1999 and was appointed Executive Vice President and Chief Financial Officer in 2001.

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

Jean-Luc Meunier joined RONA as Senior Vice President, Affiliate Dealer-Owner Network Development in 2009.

Linda Michaud joined RONA as Vice-President, Information Systems in 1992. In 2004, she became Senior Vice-President, Information and Technology until September 2008. She subsequently held the position of Senior Advisor until November 2010 and then was appointed to the position of Vice-President, Information Technology.

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

Marie-Claude Soucy joined RONA as Controller, Retail Operations in 1999. She was appointed Director, Internal Audit in 2004 and Senior Director, Internal Audit in 2006. In November 2008, she was appointed Vice President, Internal Audit and Continuous Improvement and in December 2010, Vice-President, Business Projects and Planning.

Mario St-Louis joined RONA in 2002 as regional director. Since November 2010, he is Vice-President, Retail Operations.

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

B – Security Holdings

As at December 26, 2010, the number and percentage of RONA's Common Shares beneficially owned, directly or indirectly, or over which control or direction was exercised by the directors and all the executive officers of RONA as a group were 1,048,639 and 0.8%, respectively.

C – Interest in Material Transactions

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

ITEM 9 - RISK FACTORS

In considering an investment in our Common Shares, a prospective purchaser should carefully consider the risk factors described on page 14 of our 2010 Management's Discussion and Analysis under the heading "Risks and Uncertainties."

ITEM 10 - AUDIT COMMITTEE

A – Mandate of the Audit Committee

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

B – Members of the Audit Committee

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

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 Company 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 Company's financial statements, or in actively supervising persons engaged in such activities. The members also understand the procedures and internal controls regarding the disclosure of financial information.

Members of the Audit Committee have acquired relevant experience through their university studies, as members of other boards of directors and as executive officers of various companies. Moreover, a number of them are or have been members of the audit committees of other public companies. More specifically, (i) J. Spencer Lanthier was a partner of KPMG Canada and has acted as Chairman and Chief Executive Officer of KPMG Canada and was a member of the KPMG International executive committee and board of directors from 1993 to 1999; (ii) Richard Fortin has acted as Executive Vice President and Chief Financial Officer of Alimentation Couche-Tard Inc. from 1999 to 2008 and is now acting as Chairman of the board of directors of that company; (iii) Alain Michel has a Master's degree in Commerce and was Senior Vice-President and Chief Financial Officer of Group Videotron Ltd; (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, and (v) Réal Brunet has a Bachelor's degree in Commerce, is an audit partner and senior advisory partner at Ernst & Young since 1983, and a member of the board of directors of the Montreal section of The Institute of Internal Auditors.

D – Auditors' Fees

The Audit Committee must approve any engagement of the Company'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 \$1,534,000 as audit fees⁽¹⁾ to Raymond Chabot Grant Thornton (“Raymond Chabot”), Chartered Accountants, during the financial year ended December 26, 2010. During the same year, we also paid Raymond Chabot \$212,000 as audit-related fees⁽²⁾, \$12,000 for tax fees⁽³⁾ and \$399,000 as other fees⁽⁴⁾.

In comparison, during the financial year ended December 27, 2009, we paid Raymond Chabot \$1,542,000 as audit fees⁽¹⁾, \$104,000 as audit-related fees⁽²⁾, \$0 as tax fees⁽³⁾ and \$59,000 as other fees⁽⁴⁾.

(1) **Audit fees:**

These fees include fees and disbursements for auditing the Company’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 Company’s financial statements that are not reported under “Audit fees”.

(3) **Tax fees:**

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

(4) **Other fees:**

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

ITEM 11 - TRANSFER AGENT AND REGISTRAR

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

ITEM 12 - INTERESTS OF EXPERTS

Raymond Chabot is the public accounting firm who prepared the auditor’s report with respect to our annual financial statements for the years ended December 26, 2010 and December 27, 2009. Raymond Chabot has confirmed to us that it is independent within the meaning of the Rules of Professional Conduct of the *Ordre des comptables agréés du Québec*. These rules are equivalent or similar to Rules of Professional Conduct applicable to chartered accountants in the other provinces of Canada.

ITEM 13 - CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form includes “forward-looking statements” that involve risks and uncertainties. All statements other than statements of historical facts included in this Annual Information Form, including, without limitation, statements regarding the prospects of the industry and prospects, plans, financial position and business strategy of the Company, 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 Company 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 Company’s business. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company’s financial position and results of operations as at and for, the periods ended on certain dates and to present information about management’s current expectations and plans relating to the future and the reader is

cautioned that such statements may not be appropriate for other purposes. Investors and others are cautioned that undue reliance should not be placed on any forward-looking statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. For more information on the risks and uncertainties that could cause the Company'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 Company'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 26, 2010.

The forward-looking statements in this Annual Information Form reflect the Company's expectations as of February 24, 2011, and are subject to change after this date. The Company expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

ITEM 14 - ADDITIONAL INFORMATION

Additional information, including remuneration of our directors and executive officers, is contained in our Circular (dated March 18, 2010) for the annual shareholders' meeting held on April 27, 2010.

In addition, the following documents may be obtained, upon request, from the Corporate Secretary and Chief Legal Officer of the Company:

- 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 Company.
- Copy of the Circular, in respect of our most recent annual meeting of shareholders that involved the election of directors. The Circular includes additional information such as directors' and officers' remuneration and indebtedness, principal holders of the Company'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 Company or during the course of a distribution of the Company'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 26, 2010 and December 27, 2009 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 Company's website address: www.rona.ca or on SEDAR: www.sedar.com.

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SCHEDULE A

AUDIT COMMITTEE CHARTER

The Audit Committee (the “**Committee**”) is responsible for assisting the Board of Directors of the Company (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 Company’s activities and the implementation of appropriate systems to manage these risks, (iii) the internal control and management information systems of the Company, (iv) the Company’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 Company’s financial reporting prepared in accordance with generally accepted accounting principles;
 - proposals for changes and choice of new accounting principles and policies of the Company;
 - 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 Company.
- Monitoring the application and update, as necessary, of the Company'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 Company 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 Company'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 Company regarding questionable accounting or auditing matters.
- Reviewing the Company's insurance coverage and ensuring its adequacy.

With respect to financial risk management

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

With respect to the oversight of the internal auditors

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

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

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

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 Company, 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 Company to pay such fees.

Review of the Charter

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

Assessment of the Committee's Performance

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

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