

***metro***

**ANNUAL INFORMATION FORM OF METRO INC.**

Year ended September 24, 2011

**DECEMBER 9, 2011**

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*N.B.: All disclosures in this Annual Information Form are as at September 24, 2011 unless otherwise indicated.  
Documents referred to from time to time in this Annual Information Form are incorporated by reference.*

**FORWARD-LOOKING INFORMATION** We have used, throughout this Annual Information Form, different statements that could, within the context of the regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained in this Annual Information Form, which does not constitute an historical fact, may be deemed a forward-looking statement. Expressions such as “will”, “intend”, “consider”, “plan to” and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained in this Annual Information Form are based upon certain assumptions regarding the Canadian food industry, the general economy, our annual budget as well as our 2012 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Corporation and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. An economic slowdown or recession or the arrival of a new competitor are examples of risks described under the “Risk Management” section on pages 25 to 27 of METRO’s 2011 Management’s Discussion and Analysis and Consolidated Financial Statements which could have an impact on these statements. We believe these statements to be reasonable and relevant at the date of publication of this Annual Information Form and represent our expectations. METRO INC. (the “Corporation”) does not intend to update any forward-looking statement contained herein, except as required by applicable law.

## 1 Incorporation

**1.1 INCORPORATION OF THE ISSUER** The Corporation is governed by the *Business Corporations Act* (Quebec) since February 14, 2011, its effective date. The Corporation was previously governed by Part IA of the *Companies Act* (Quebec) and results from the amalgamation on April 30, 1982 of Métro-Richelieu Group Inc. and United Grocers Inc. Métro-Richelieu Group Inc. was incorporated under the name Magasins LaSalle Stores Limited by letters patent dated December 22, 1947 under the *Companies Act* (Quebec) and in September 1976, the Corporation, then known as Metro Food Stores Ltd., merged with Richelieu Groceries Limited under the name Métro-Richelieu Inc., which was changed to Métro-Richelieu Group Inc. in 1979. United Grocers Inc. was incorporated under the *Companies Act* (Quebec) by letters patent dated August 31, 1928. By certificate of amendment dated September 25, 1986, the Corporation’s name was changed from Groupe des Epiciers Unis Métro-Richelieu Inc., the name which it had used since its amalgamation on April 30, 1982, to Métro-Richelieu Inc. By certificate of amendment dated January 26, 2000, the name of the Corporation was changed to its present name.

The Corporation’s head office and principal place of business is located at 11011 Maurice-Duplessis Boulevard, Montréal, Quebec, H1C 1V6.

In this Annual Information Form, “METRO” means, depending on the context, the Corporation and all or some of its subsidiaries collectively or the Corporation or one or more of its subsidiaries.

**1.2 SUBSIDIARIES** The following table lists METRO’s main subsidiaries, the jurisdiction under which they are incorporated, the percentage of the voting rights and the percentage of the non-voting securities of its subsidiaries held by METRO:

	<b>Percentage of voting rights</b>	<b>Percentage of non-voting shares</b>	<b>Jurisdiction of incorporation</b>
Metro Richelieu inc.	100 %	100 %	Canada
McMahon Distributeur pharmaceutique inc.*	100 %	100 %	Canada
Metro Ontario inc.	100 %	N/A	Canada

\* METRO holds this corporation indirectly through Metro Richelieu inc

## 2 GENERAL DEVELOPMENT OF THE BUSINESS OVER THE PAST THREE YEARS

Over the past three fiscal years, i.e. 2011, 2010 and 2009, METRO and its retailers have invested \$869 million in the food stores. Major work was carried out on a total of 118 stores, with 34 new stores, 23 stores expanded and 61 stores fully renovated.

These investments laid solid and durable foundations throughout the network on which METRO and its retailers continue to grow. Our retail network meets real customer needs by offering friendly stores, personalized service and a wide range of quality products at very competitive prices.

The highlights of the past three years are described below:

### 2011

The *metro&moi* program launched at the end of the 2010 fiscal year has experienced an important development during the 2011 fiscal year with the enrolment of more than one million members and more than \$26 million in cash applicable on purchases in Metro supermarkets.

The Dunnhumby Canada team completed a second year of operations and continues to develop its expertise in customer insight in Quebec and Ontario.

During the 2011 fiscal year, the Corporation closed a meat processing facility in Montreal and a grocery warehouse in Toronto in order to increase the efficiency of its operations.

In 2011, the Corporation has implemented for the benefit of clients of Brunet pharmacies, an exclusive online service called "*MaSanté*" enabling customers, among other things, to consult their file on line, at any time, and apply to renew their prescription drugs. At present, more than 18,000 customers are members of this program.

On October 23, 2011, the Corporation acquired a 55% participation in Marché Adonis, a retailer operating 4 (four) stores in the Montreal region which will soon be adding a fifth (5<sup>th</sup>) store in December 2011. The Corporation has also acquired on the same day, a 55% participation in Phoenicia Products, an important retailer operating two distribution centers in Montreal and in the Greater Toronto area. These companies are specialized in ethnic food products.

On November 4, 2011, the Corporation obtained a new \$600 million five-year revolving credit facility and cancelled the \$400 million revolving line of credit maturing on August 15, 2012. The Corporation plans to use part of the new credit facility to pay back the \$369.3 million Credit A Facility when it matures on August 15, 2012. <sup>(1)</sup>

On November 30, 2011, the Corporation announced that it will submit to its shareholders a proposal for the conversion of all the issued and outstanding Class B multiple-voting shares of the Corporation into Class A subordinate shares (one vote per share) on a one to one basis. The subordinate shares would then be redesignated as common shares. This reorganization will be submitted for shareholder approval at the next annual general and special meeting of shareholders, on January 31, 2012. The detailed terms of this reorganization are set out in the "Proposed reorganization of Share Capital" section on page 17 of the Management Proxy Circular. The share capital reorganization is subject to the relevant regulatory approvals.

### 2010

Fiscal 2010 began with the integration to the Metro GP banner of the 15 GP supermarkets acquired early in the fiscal year.

At the beginning of fiscal 2010, the Corporation also successfully completed the conversion of its Ontario conventional supermarket banners to the Metro banner.

Following a lengthy pilot project, the Corporation announced in November 2009 the creation of an exclusive joint venture with Dunnhumby, a British consulting and marketing firm. The joint venture's mission is to develop and implement strategies to better meet customers' needs and build strong loyalty. Dunnhumby has established joint ventures with major retailers around the world, including Tesco and Kroger. In its first year of existence, the joint venture was off to a good start on its mission to develop and implement strategies to better meet customer needs and build strong loyalty.

(1) See the "Forward-Looking Information" section on page 1 of this Annual Information Form.

As a complement to the *Air Miles*® card offered in the Ontario stores, the Corporation launched its *metro&moi* loyalty program in Quebec at the end of the 2010 fiscal year. The card, which is offered to Metro supermarkets customers, allows consumers to accumulate points that can be applied to purchases in any Metro supermarket.

In 2010, the Corporation established a corporate responsibility program. The program's roadmap defines the Corporation's commitments and intentions with respect to the economic, social and environmental sustainability of its business activities. The roadmap is available on the Corporation's website at [www.metro.ca](http://www.metro.ca). In May 2010, the program led to the Corporation's Sustainable Fisheries Policy.

The conversion of the private brands to the *Irresistibles* and *Selection* labels was completed during fiscal 2010.

## **2009**

During fiscal 2009, in accordance with the strategy announced in 2008, the Corporation proceeded to convert its conventional supermarket banners in the Ontario Market, namely, A&P, Loeb, Dominion, Ultra Food and Drugs and The Barn Markets, to the Metro banner. At the end of the fiscal year, a total of 147 stores operated under the Metro banner and 12 A&P stores were on their way to being converted. The repositioning of the 116 Food Basics discount stores in Ontario which began in 2008 had also been successfully completed.

The conversion of the private brands, which began in 2007, remained on track, as products continued to migrate to the *Irresistibles* and *Selection* labels during fiscal 2009.

Mr. Robert Sawyer was appointed on April 27, 2009, Executive Vice-President and Chief Operating Officer of the Corporation. In his new position, he is responsible for all food operations of the Corporation. Ms. Johanne Choinière was appointed Senior Vice-President, Ontario Division.

The Corporation announced on August 31, 2009, the purchase of 15 supermarkets from Les Supermarchés GP Inc., a retailer operating under the Metro, Metro Plus and GP banners in Eastern Quebec. The transaction was concluded on September 27, 2009, immediately after the end of the fiscal year.

### 3 DESCRIPTION OF THE BUSINESS

**3.1 BUSINESS OF THE CORPORATION** Although the food retailing markets in Quebec and Ontario are highly competitive, METRO holds a leadership position in them and intends to increase its market shares<sup>(1)</sup> thanks to its site selection, dynamic marketing focused on consumer needs and the modernization of its stores and information systems.

The following table shows the changes in the number of food stores supplied by METRO during the fiscal year, by banner and by province:

	Quebec				Ontario			
	Metro Plus	Metro	Super C	Marché Richelieu	Total	Metro	Food Basics	Total
Septembre 2011	101	115	79	86	381	154	115	269
Septembre 2010	98	126	71	90	385	155	116	271

In all, METRO operates or supplies 650 food stores in Quebec and in Ontario.

METRO also supplies close to 2 800 customers such as oil companies, hotels and restaurants, as well as small retail outlets.

The Corporation's four (4) warehouses and two (2) cash-and-carry stores ensure the procurement and storage of grocery products, general merchandise, non-perishable goods and certain dairy products.

METRO also operates 11 warehouses for the procurement and storage of meat, frozen foods, fruits and vegetables as well as for the supply of institutional clients and small retail outlets.

The Corporation operates in the pharmaceutical sector and serves directly, from two (2) warehouses or through authorized suppliers, independent (Quebec) and/or corporate (Ontario) drugstores and health care institutions such as hospitals and nursing homes throughout Quebec.

Its subsidiary, McMahon Distributeur pharmaceutique Inc., is the franchisor for the Brunet, Brunet Plus and Brunet Clinique banners. McMahon Distributeur pharmaceutique Inc. also supplies a network of drugstores focusing on professional pharmacy services that operate under the Clini Plus banners.

Some of Metro Ontario Inc. stores provide full in-pharmacy services. These drugstores operate under two banners, Pharmacy and Drug Basics. McMahon Distributeur pharmaceutique Inc. supplies these Ontario drugstores.

The following table shows the changes in the number of pharmacies supplied by METRO during the fiscal year, by banner and by province:

	Quebec				Ontario		Total
	Brunet	Brunet Plus	Brunet Clinique	Clini Plus	Pharmacy	Drug Basics	
Septembre 2011	100	24	10	45	54	24	257
Septembre 2010	106	19	6	54	55	25	265

In all, METRO operates or supplies 257 drugstores in Quebec and in Ontario.

The *Air Miles*® Reward Program is offered to customers of the Metro banner throughout Ontario. The program offers METRO's customers discounts and other loyalty rewards, while providing METRO with increased customer loyalty and insight into customer buying habits as part of an overall customer relationship management strategy.

<sup>(1)</sup> See the "Forward-Looking Information" section on page 1 of this Annual Information Form.

In Quebec, the Corporation introduced its *metro&moi* loyalty program which allows consumers the opportunity to accumulate points that can be applied towards purchases in the Metro supermarkets. The program allows METRO to build customer loyalty through the development and implementation of consumer-focussed strategies.

**3.2 CLIENTS AND SUPPLIERS** The Metro, Metro Plus, Super C, Marché Richelieu and Food Basics banners are designed to meet specific consumer needs. Each one presents a consistent image to the public and is backed by specialized technical support.

The Corporation offers a range of services to its banner retailers and, in many cases, these services are self-financed since they are billed directly to the stores that use them. The services include merchandising, marketing and advertising programs as well as retail accounting and data processing, store layouts and equipment, insurance programs and other analysis and advisory programs. As a whole, these products and programs reflect METRO's policy, which is to offer its affiliated retailers and franchisees a comprehensive, high-quality service. METRO also offers its banner retailers a range of commercial programs, as well as rebates and loyalty incentives, all of which are competitive in the food industry.

METRO also offers most of these services to its Brunet, Brunet Plus and Brunet Clinique banner franchisees through its subsidiary, McMahon Distributeur pharmaceutique Inc.

METRO grants the right to operate under its banners at its sole discretion. Retailers who wish to operate under one of the Corporation's banners must first meet certain criteria. Most affiliated retailers are bound by various agreements with METRO.

The Corporation's operations are not dependent on a single client or a small number of clients and are not seasonal in nature. The Corporation maintains business relationships with a large number of national and regional suppliers and holds sufficient inventories to ensure product availability.

**3.3 HUMAN RESOURCES** As at September 24, 2011, the Corporation had 65,000 direct and indirect employees. METRO employed directly 39,761 persons, 35,689 of whom were governed by 154 collective agreements. During the past fiscal year, METRO negotiated and renewed 34 collective agreements covering 8,118 employees. These agreements are in force for periods ranging from 12 months to 72 months and expire between June 19, 2012 and October 1<sup>st</sup>, 2019. As at September 24, 2011, 9 collective agreements had expired and are or will soon be under negotiation. These collective agreements covered 998 employees. Over the next fiscal year, 22 collective agreements covering 19,255 employees will expire or will be reopened with regard to compensation.

Finally, 89 collective agreements will expire or will be reopened with regard to compensation between December 1<sup>st</sup>, 2012 and July 13, 2017. These collective agreements cover 7,318 employees.

METRO considers its labour relations to be satisfactory <sup>(1)</sup>.

**3.4 TRADEMARKS AND TRADE NAMES** The Corporation uses and has exclusive ownership of several trademarks and trade names. Its principal banners are Metro, Metro Plus, Super C, Marché Richelieu, Food Basics, Brunet, Brunet Plus, Brunet Clinique, Clini Plus, Pharmacy and Drug Basics. Its private labels are identified by the following trademarks, among others: *Irresistibles* and *Selection*. The Corporation protects these assets by registering them with the intellectual property authorities or otherwise.

### **3.5 SOCIAL AND ENVIRONMENTAL POLICIES**

In 2010, the Corporation established a corporate responsibility program. The program's roadmap defines the Corporation's commitments and intentions with respect to the economic, social and environmental sustainability of its business activities. The roadmap is available on the Corporation's website at [www.metro.ca](http://www.metro.ca). In May 2010, the program led to the Corporation's Sustainable Fisheries Policy, which was implemented in September 2010. In 2012, the Corporation will publish its first corporate responsibility report.

The Corporation launched, in 2009, the Green Apple School Program which is designed to foster a healthy and environmentally friendly lifestyle among elementary and high school students. Quebec and Ontario schools are eligible for \$1,000 grants to support projects contributing to a healthier environment.

<sup>(1)</sup> See the "Forward-Looking Information" section on page 1 of this Annual Information Form.

In addition, in its efforts to ensure the well-being of its employees at work, METRO has a policy prohibiting any form of harassment.

The Corporation also applies an environmental policy which specifies that the Corporation must take the necessary steps to comply with applicable legal requirements and to improve, on an ongoing basis, its environmental performance. A committee comprised of

members of management ensures the implementation of the policy and of programs to reduce the impact of the Corporation's operations on the environment. Environmental audits are conducted regularly in all of the Corporation's facilities and corrective actions, if necessary, are taken quickly.

To the Corporation's knowledge, requirements relating to environmental protection do not and will not have any significant impact on METRO's capital spending, earnings or competitive position within the normal course of its operating activities.<sup>(1)</sup>

**3.6 RESEARCH AND DEVELOPMENT** METRO, through its marketing research department, generates studies on consumer food habits and needs. Moreover, the Corporation has a department dedicated mainly to the development of private-label products to better serve customers' new consumption patterns.

The joint venture with the British firm Dunhumby contributes to the development and implementation of strategies to better meet customers' needs and build strong loyalty.

**3.7 REGULATIONS** METRO's operating activities require certain government permits and licences, in particular pertaining to the sale of alcoholic beverages, tobacco, lottery tickets and the distribution of pharmaceuticals products and medical devices. METRO believes that it holds all licences and permits required for the proper conduct of these activities in accordance with the law. Moreover, the Corporation sells or distributes certain food and health products subject to price regulation, such as: prescription drugs, milk, beer and wine.

**3.8 LOAN OPERATIONS** METRO does not have any loan operations. However, in the normal course of its business, situations may arise where METRO grants loans.

**3.9 REORGANIZATIONS** Since 2008, the Corporation carried out the following corporate reorganizations:

1. On August 7, 2008, A&P Canada Inc. changed its name to Metro Ontario Inc.
2. On November 30, 2011, the Corporation announced that it will submit to its shareholders a proposal for the conversion of all the issued and outstanding Class B multiple-voting shares of the Corporation into Class A subordinate shares (of one vote per share) on a one to one basis. The subordinate shares would then be redesignated as common shares. This reorganization will be submitted for shareholder approval at the next annual general and special meeting of shareholders, on January 31, 2012. The detailed terms of this reorganization are set out, in the "Proposed reorganization of Share Capital" section on page 17 of the Management Proxy Circular. The share capital reorganization is subject to the relevant regulatory approvals.

**3.10 RISK FACTORS** The risk factors that may affect the Corporation are described on pages 25 to 27 of METRO's 2011 Management's Discussion and Analysis and Consolidated Financial Statements under "Risk Management".

## 4 DIVIDENDS

The dividend policy is described on page 10 of METRO's 2011 Management's Discussion and Analysis and Consolidated Financial Statements under "Dividend Policy".

In the past three fiscal years, the Corporation paid the following dividends per share:

### Dividends paid

Class of Share	2011	2010	2009
Class A Subordinate Shares	\$0.7475	\$0.6475	\$0.5375
Class B Shares	\$0.7475	\$0.6475	\$0.5375

<sup>(1)</sup> See the "Forward-Looking Information" section on page 1 of this Annual Information Form.



## 5 SHARE CAPITAL STRUCTURE

The Class A Subordinate Shares and the Class B Shares of the Corporation are restricted shares (within the meaning of the applicable Canadian securities regulations) in that they do not carry equal voting rights. Each Class A Subordinate Share entitles its holder to one vote and each Class B Share entitles its holder to 16 votes. As regards to any dividends declared, paid or reserved for payment during any fiscal year in respect of the Class A Subordinate Shares and the Class B Shares, the Class A Subordinate Shares and the Class B Shares will participate on a per share basis. In the event of the Corporation's liquidation or dissolution or of any other distribution of its assets among its shareholders with a view to winding up its business, all Corporation assets available for distribution and payment to the holders of Class A Subordinate Shares and Class B Shares will be paid and distributed equally on a per share basis to the holders of Class A Subordinate Shares and Class B Shares.

Subject to the restrictions hereinafter provided, if a take-over bid for the Class B Shares is made to the holders of Class B Shares without being made simultaneously and on the same terms and conditions to the holders of Class A Subordinate Shares, each Class A Subordinate Share becomes convertible into one Class B Share at the holder's option in order to entitle the holder to accept the take-over bid, from the date the take-over bid is made. However, such right of conversion is deemed not to have become effective if the holders of Class B Shares who hold, directly or indirectly, more than 50% of the Class B Shares outstanding on the date of the take-over bid have refused the bid prior to its expiry. In addition, such right of conversion is deemed not to have become effective if the take-over bid is not completed by the offeror. The Articles of the Corporation contain a definition of a take-over bid which triggers such right of conversion, provide for certain procedures to be followed in order to exercise such right of conversion and stipulate that, upon the making of any such take-over bid, the Corporation or the transfer agent will communicate in writing with the holders of Class A Subordinate Shares in order to provide them with the particulars of the manner in which they may exercise their right of conversion.

The Class B Shares are subject to restrictions regarding their issuance, holding and transfer. No Class B Shares may be issued, held or transferred except in blocks of 10,800 (which number shall be adjusted in response to any Board authorized stock split on the split's effective date). Furthermore, these shares may not be issued, held or transferred except to persons meeting special criteria defined in the Articles of the Corporation. Class B Shares held by a disqualified holder will be converted into fully paid, non-assessable Class A Subordinate Shares at a rate of one Class A Subordinate Share for one Class B Share.

Information concerning the issued share capital can be found in Note 16 to the Consolidated Financial Statements on pages 43 to 45 of METRO's 2011 Management's Discussion and Analysis and Consolidated Financial Statements.

On November 30, 2011, the Corporation announced that it will submit to its shareholders a proposal for the conversion of all the issued and outstanding Class B multiple-voting shares of the Corporation into Class A subordinate shares (comprised of one vote per share) on a one to one basis. The subordinate shares would then be redesignated as common shares. This reorganization will be submitted for shareholder approval at the next annual general and special meeting of shareholders, on January 31, 2012. The detailed terms of this reorganization are set out, in the "Reorganization of Share Capital" section on page 17 of the Management Proxy Circular. The share capital reorganization is subject to the relevant regulatory approvals.

## 6 MARKET FOR SECURITIES

**6.1 TRADING PRICE AND VOLUME** The Class A Subordinate Shares of METRO are listed on the Toronto Stock Exchange under the ticker symbol MRU.A. The table below shows the monthly range close-of-market highs and lows, monthly trading volume and average daily volume for the last fiscal year.

### Trading price and volume

Month	Monthly high (\$)	Monthly low (\$)	Total monthly volume	Average daily volume
October 2010	47.06	43.50	5,853,465	292,673
November 2010	47.47	45.25	6,069,622	275,892
December 2010	46.94	44.94	6,672,938	317,759
January 2011	45.66	42.37	8,759,007	437,950
February 2011	44.84	42.11	6,774,270	356,541
March 2011	47.20	43.76	6,495,435	282,410
April 2011	47.21	45.11	4,384,576	219,229
May 2011	48.78	45.81	6,194,733	294,987
June 2011	49.08	46.55	5,091,116	231,414
July 2011	49.55	47.30	3,973,191	198,660
August 2011	48.23	44.06	6,796,186	308,918
September 2011*	47.82	43.70	4,846,248	302,891

\* For the period ending September 24, 2011.

**6.2 CREDIT RATINGS AND DEBTS** Credit Ratings: During the year, Standard & Poor's and Dominion Bond Rating Services ("DBRS") both maintained a credit rating of BBB for the Corporation.

Credit ratings established by these rating agencies are based on quantitative and qualitative considerations relevant to the Corporation. The credit ratings are intended to indicate the risk that the Corporation will not satisfy its obligations on a timely basis and disregard certain factors such as market risk or price risk, since these factors should be considered by investors as risk factors in their decision-making process. Such ratings do not constitute a recommendation to purchase, hold or sell the securities and may be changed or withdrawn at any time by the rating agencies.

The Standard & Poor's and DBRS ratings for long term borrowing vary between AAA and D. The BBB rating granted by Standard & Poor's and DBRS testifies to the existence of adequate protection mechanisms. However, an unfavourable economic situation or changing circumstances could have a greater effect on the Corporation's ability to meet its financial commitments compared with companies that have obtained a higher rating.

Debts: On August 8, 2007, the Corporation renegotiated its credit facilities with its bank syndicate. The expiry term for these credit facilities has been extended to August 2012 and the relative interest rates have been reduced.

On October 12, 2005, METRO issued 10-year and 30-year medium term notes maturing respectively on October 15, 2015 and October 15, 2035.

The 10-year medium term notes in a principal amount of \$200 million bear interest at a rate of 4.98% per annum and the 30-year medium term notes in a principal amount of \$400 million bear interest at a rate of 5.97%.

The table below indicates the principal amount outstanding at the end of the financial year considering the credit facilities and medium term notes mentioned hereinabove.

**Financings \***

Type	Maturing	Principal amount outstanding as at 09/24/11	Principal amount outstanding as at 09/25/10
Operation Credit**	2012-08-15	\$0	\$0
Credit Facility	2012-08-15	\$369 million	\$369 million
Medium term notes (10 years)	2015-10-15	\$200 million	\$200 million
Medium term notes (30 years)	2035-10-15	\$400 million	\$400 million
<b>TOTAL</b>		<b>\$969 million</b>	<b>\$969 million</b>

\* Amounts show are rounded to the nearest million.

\*\*The authorized operating credit amounts to \$400 million. On November 4, 2011, the Corporation obtained a new \$600 million five-year revolving credit facility and cancelled the \$400 million revolving line of credit maturing on August 15, 2012.

**6.3 PRIOR SALES** Class B Shares are not listed on any Canadian or foreign stock exchange. There has not been any Class B shares issued during the financial year ending on September 24, 2011. For more information on the attributes of this share class, refer to Item 5 of this Annual Information Form.

The medium term notes are neither traded nor listed on any recognized stock exchange.

## 7 ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

**Escrowed Securities** (as at September 24 2011)

Class of Share	Number of Escrowed Securities	Percentage of Class
Class A Subordinate Shares	619,219	1%
Class B Shares	577,440	100%

The escrowed shares are Class A Subordinate Shares and/or Class B Shares of the Corporation pledged to METRO by some of METRO's clients. Escrowed shares are held as collateral by METRO to be released and returned to the owner according to the required terms of credit or when the owner is no longer a client of METRO and no longer has any debts with METRO.

## 8 DIRECTORS AND OFFICERS

**8.1 NAME, OCCUPATION AND SECURITY HOLDING** The name and occupation of the directors of the Corporation and their place of residence along with the make-up of the Board's Executive, Human Resources, Corporate Governance and Nominating as well as Audit Committees are given below.

### List of Directors

Name/Place of residence	Function	Director since/ Expiry of current term of office	Principal occupation	Previously held positions
DeSerres, Marc Montréal, Quebec	Director	Since 2002 January 2012	President of Omer DeSerres inc.	_____
Dussault, Claude Québec City, Quebec	Director	Since 2005 January 2012	Chairman of the Board of Directors of Intact Financial Corporation	He has held various management positions within the ING Group for more than 20 years, including the position of President and Chief Executive Officer of ING Canada Inc (now Intact Financial Corporation) until January 1, 2008.
Ferland, Serge Québec City, Quebec	Director	Since 1997 January 2012	Président of Alimentation Serro inc. and Supermarché Claka inc.	_____
Gauthier, Paule, C.P., O.C., O.Q., c.r. Québec City, Quebec	Director	Since 2001 January 2012	Partner of Stein Monast, LLP	_____
Gobeil, Paul, F.C.A. Ottawa, Ontario	Director and Vice- Chairman of the Board of Directors	Since 1990 January 2012	Vice-Chairman of the Board of Directors of the Corporation	_____
Haub, Christian W.E. Greenwich, CT, United States	Director	Since 2006 January 2012	Chairman of the Board of The Great Atlantic & Pacific Tea Company, Inc.	_____
Labonté, Michel Montréal, Quebec	Director	Since 2006 Janvier 2012	Corporate director	_____
La Flèche, Eric R. Town of Mount-Royal, Quebec	Director and President and Chief Executive Officer	Since 2008 January 2012	President and Chief Executive Officer of the Corporation	From 2005 to April 15, 2008 he was Executive Vice-President and Chief Operating Officer of the Corporation.
Lessard, Pierre H. F.C.A. Westmount, Quebec	Director and Executive Chairman of the Board	Since 1990 January 2012	Executive Chairman of the Board of the Corporation	He was President and Chief Executive Officer of the Corporation from 1990 until April 15, 2008.
Nadeau, Marie-José Montréal, Quebec	Director	Since 2000 January 2012	Executive Vice-President Corporate Affairs and Secretary General of Hydro- Québec	_____

<b>Name/Place of residence</b>	<b>Function</b>	<b>Director since/ Expiry of current term of office</b>	<b>Principal occupation</b>	<b>Previously held positions</b>
Paupe, Christian M. Montréal, Quebec	Director	Since 2010 January 2012	Private investor and business consultant in the fields of strategy, post-acquisition integration and risk management.	He was Executive Vice-President -Corporate Services and Chief Financial Officer of Yellow Media Inc. from March 2003 to September 2011.
Raymond, Réal Montréal, Quebec	Director	Since 2008 January 2012	Corporate Director	He was President and Chief Executive Officer of the National Bank of Canada from March 2002 to May 2007.
Rosicki, Michael T. Orillia, Ontario	Director	Since 2009 January 2012	President and Managing Director of Wexford Group Inc.	_____
Tory, John H. Toronto, Ontario	Director	Since 2011 January 2012	Corporate Director	He served as Member of the Legislative Assembly of Ontario and Leader of the Official Opposition from 2004 to 2009.

#### **Composition of Committees of the Board of Directors**

<b>Executive Committee</b>	<b>Human Resources Committee</b>	<b>Audit Committee</b>	<b>Corporate Governance and Nominating Committee</b>
Ferland, Serge	Dussault, Claude	DeSerres, Marc	DeSerres, Marc
Gobeil, Paul	Gauthier, Paule	Labonté, Michel (Chair)	Dussault, Claude (Chair)
Haub, Christian W.E.	Haub, Christian W.E.	Nadeau, Marie-José	Gauthier, Paule
La Flèche, Eric R.	Nadeau, Marie-José	Paupe, Christian M.	Gobeil, Paul
Lessard, Pierre H. (Chair)	Raymond, Réal (Chair)	Tory, John H.	Rosicki, Michael T.
Raymond, Réal			

To the Corporation's knowledge, the directors and executive officers of the Corporation, as a group, own or control directly or indirectly 570,016 Class A Subordinate Shares corresponding to 0,6 % of the issued shares of that class as at December 2, 2011, and 10,800 Class B Shares corresponding to 1,8 % of the issued shares of that class as at December 2, 2011.

The names, occupations and places of residence of the executive officers of the Corporation are indicated below. Each executive officer has held the principal occupation indicated opposite his or her name or another management position within the same corporation or a related corporation for at least five years, except for Mr. Marc Giroux. Mr. Giroux worked for Telus Inc. from 2001 to June 2009 where he held various positions including Vice-President, Business Market, for 4 years and Vice-President, Marketing, for one year.

Name / Place of residence	Occupation
Eric R. La Flèche Town of Mount-Royal, Quebec	President and Chief Executive Officer
Robert Sawyer Town of Mount-Royal, Quebec	Executive Vice-President and Chief Operating Officer
Richard Dufresne Boucherville, Quebec	Senior Vice-President, Chief Financial Officer and Treasurer
Martin Allaire Saint-Lambert, Quebec	Vice-President, Real Estate and Engineering
Christian Bourbonnière Boucherville, Quebec	Senior Vice-President, Quebec Division
Johanne Choinière Toronto, Ontario	Senior Vice-President, Ontario Division
Jacques Couture Laval, Quebec	Vice-President, Information System
Paul Dénoimée Brossard, Quebec	Vice-President, Corporate Controller
Marc Giroux Town of Mount-Royal, Quebec	Vice-President, Marketing
Alain Picard Montréal, Quebec	Vice-President, Human Resources
Simon Rivet Brossard, Quebec	Vice-President, General Counsel and Secretary

**8.2 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS** To the Corporation's knowledge, no director or executive officer of the Corporation and no shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- a) is or was, in the past ten years before the date of this Annual Information Form, a director or chief executive officer or chief financial officer of any other corporation that,
  - i) was the subject of a cease trade or similar order, or an order that denied it access to any exemption under securities legislation for a period of more than 30 consecutive days, where such order was issued while the director or officer was acting in his capacity as director, chief executive officer or chief financial officer, except for Mr. Pierre H. Lessard who was a director of CINAR Corporation, the shares of which were suspended from trading on the Toronto Stock Exchange for more than 30 consecutive days and delisted from the Toronto Stock Exchange and from the NASDAQ due to the inability of CINAR Corporation to meet continued listing requirements, Mr. Paul Gobeil who was a director of BridgePoint International Inc., the shares of which were suspended from trading on the Toronto Stock Exchange because its subsidiary, BridgePoint International (Canada) Inc., made a proposal to its creditors, Mr. John H. Tory who was a director of Charter Communication Inc., the shares of which were suspended from trading and delisted from the NASDAQ and M. Christian W.E. Haub who is Chairman of the board of The Great Atlantic & Pacific Tea Company, Inc., the shares of which were suspended from trading on the NYSE and which made a proposal to its creditors; or
  - ii) after that person ceased to act in that capacity, was the subject of a cease trade or similar order or an order that denied it access to any exemption under securities legislation for a period of more than 30 consecutive days as a result of an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer; or
- b) is, as at the date of the Annual Information Form, or has been within the 20 years before the date of the Annual Information Form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any

legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact, except for Mr. Paul Gobeil who was a director of BridgePoint International (Canada) Inc., which made a proposal to its creditors, Mr. Marc DeSerres who was a director of Albums DF Ltée, which filed for bankruptcy and was also a director of Fly America Furniture Inc., which made a commercial proposal to its creditors, Mr. John H. Tory who was a director of Charter Communications Inc. when it filed for protection from its creditors and Mr. Christian W.E. Haub who is Chairman of the board of The Great Atlantic & Pacific Tea Company, Inc., which filed for protection from its creditors;

- c) has, within the 10 years before the date of the Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its/his assets;
- d) was subject to penalties or sanctions relating to securities legislation imposed by a court or by a securities regulatory authority, or entered into a settlement agreement with such authority; or
- e) was subject to 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.

To the Corporation's knowledge, no director or officer of the Corporation and no shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, or a personal holding corporation of any such persons, has within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or its assets.

**8.3 CONFLICT OF INTEREST** To the Corporation's knowledge, no director or officer of the Corporation or of a subsidiary has an existing or potential material conflict of interest with the Corporation or one of its subsidiaries, with the exception of one director who is a retailer (Mr. Serge Ferland) and who, as the owner of food stores operating under the Metro banner, has a client to supplier business relationship with METRO.

## **9 LEGAL PROCEEDINGS**

There are no legal proceedings involving significant monetary claims.

## **10 PERSONS WITH AN INTEREST IN MATERIAL TRANSACTIONS**

There were no persons with an interest in material transactions.

## **11 TRANSFER AGENT AND REGISTRAR**

Computershare Trust Corporation of Canada acts as transfer agent and registrar.

The register(s) of transfers for Class A Subordinate Shares and Class B Shares of the Corporation are held in Montréal.

## **12 MATERIAL CONTRACTS**

The Corporation is not bound by any material contracts for which a filing is required.

## **13 INTEREST OF EXPERTS**

**13.1 NAME OF EXPERTS** – Ernst & Young LLP are the Corporation's external auditors.

**13.2 INTEREST OF THE CORPORATION'S EXTERNAL AUDITORS** For the 2011 financial year, the Corporation's Audit Committee obtained written confirmation from Ernst & Young LLP confirming the auditor's independence and objectivity with regard to the Corporation, pursuant to the Code of Ethics of the Quebec Order of Chartered Accountants.

## **14 INFORMATION ON THE AUDIT COMMITTEE**

The information on the Audit Committee mandated by regulatory standards can be found in Schedules A and B hereto.

## **15 ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration, principal holders of the Corporation's securities, options to purchase securities and interest of insiders in material transactions, is, where applicable, contained in the Corporation's Management Proxy Circular dated December 9, 2011 for its next Annual Shareholders' Meeting. Additional financial information is included in the Annual Financial Statements of METRO for the years ended September 24, 2011 and September 25, 2010 and in "Management's Discussion & Analysis" contained in the Corporation's 2011 Annual Report.

These documents are available to the public under the conditions stipulated in section 87 of the *Quebec Securities Act* and copies are available from the Finance Department at the Corporation's head office, 11011 Maurice-Duplessis Boulevard, Montréal, Quebec, H1C 1V6, or through the Corporation's website at [www.metro.ca](http://www.metro.ca).

Additional information concerning the Corporation is also available on SEDAR's website at [www.sedar.com](http://www.sedar.com).



Upon request to the Secretary, the Corporation will provide to any person or corporation,

- a) when the securities of the Corporation are in the course of a distribution under a preliminary short form prospectus or a short form prospectus:
  - i) one copy of the Corporation's Annual Information Form, together with one copy of any document, or the relevant pages of any document, incorporated by reference in the Annual Information Form,
  - ii) one copy of the Corporation's consolidated financial statements for its most recently completed fiscal year for which financial statements have been filed together with the independent auditor's accompanying report and one copy of the Corporation's most recent interim financial statements that have been filed, if any, for any period after the end of its most recently completed fiscal year,
  - iii) one copy of the management proxy circular for the Corporation's most recent Annual Shareholders' Meeting that involved the election of directors, or one copy of any annual filing prepared instead of that management proxy circular, as appropriate, and
  - iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under clauses i), ii) or iii);
- b) at any other time, one copy of any other documents referred to in a) i), ii) and iii), for which the Corporation may require payment of a reasonable charge if the request is made by a person or corporation that does not hold Corporation securities.

The investing public can also e-mail correspondence and comments to: [finance@metro.ca](mailto:finance@metro.ca).

**INFORMATION ON THE AUDIT COMMITTEE**

**MANDATE OF THE AUDIT COMMITTEE** The mandate of the Audit Committee, approved by the Board of Directors, is set out in Schedule B of this Annual Information Form.

**COMPOSITION OF THE AUDIT COMMITTEE, TRAINING AND EXPERIENCE OF ITS MEMBERS** The Audit Committee is currently comprised of the following independent directors: Ms. Marie-José Nadeau and Messrs. Marc DeSerres, Christian M. Paupe, John H. Tory and Michel Labonté (Chair). Mr. Claude Dussault was a member of the Audit Committee until January 25, 2011.

Each of the members has training and experience which is relevant to the performance of his duties. Mr. Labonté has served as Vice-President, Finance, first at Hydro-Québec and then at National Bank of Canada, for a period of 15 years. Mr. Labonté is also Chair of the Audit Committee of Manac Inc. and of Otéra Capital inc., a subsidiary of Caisse de dépôt et placement du Québec. Ms. Nadeau acquired her experience by serving for more than ten (10) years as Secretary of the Audit and Finance Committees and of the Board of Hydro-Québec, and is currently a member of the Audit Committee of Churchill Falls and Labrador Hydro. Mr. Dussault acquired his experience by serving as President and Chief Executive Officer of ING Canada Inc. (now Intact Financial Corporation). Mr. DeSerres acquired his experience by serving as President of Omer DeSerres Inc. since 1980 and as a member of the audit committee of the “Musée d’art contemporain de Montréal”. Mr. Paupe was Chief Financial Officer at Quebecor World Inc. from 1999 to 2003, and Chief Financial Officer as well as Executive Vice-President, Corporate Services of Yellow Media Inc. from 2003 to 2011. Mr. John H. Tory sits on the audit committee of Cara Operations Limited, as Chair, and has in the past also sat on the audit committees of various large corporations.

**PRE-APPROVAL POLICIES AND PROCEDURES** The Audit Committee approved the “Policy concerning the pre-approval of audit services and non-audit services” which main components are described below.

The external auditors are appointed to audit the annual consolidated financial statements of the Corporation. The external auditors may also be retained for audit-related services, tax services and non-audit services, as long as these services do not interfere with their independence.

The Audit Committee, which is responsible, *inter alia*, for overseeing the work of the external auditors, must pre-approve all services that the external auditors of the Corporation may render to the Corporation and its subsidiaries. On an annual basis, the Committee examines and pre-approves the particulars of the services which may be provided by the external auditors and the associated fee levels. Any type of service which has not already been approved by the Committee must be specifically pre-approved by the Committee if it is to be provided by the external auditors. The same applies if the service offered exceeds the pre-approved fee level. The Committee has delegated to its Chairman the authority to specifically pre-approve services that have not already been approved. However, the Chairman must communicate all such decisions at the next committee meeting.

On a quarterly basis, the Committee examines the pre-approval status of any service other than audit services that the external auditors were asked to provide or could be asked to provide during the next quarter.

**POLICY CONCERNING COMPLAINTS WITH RESPECT TO ACCOUNTING, CONTROLS OR AUDITING MATTERS**

The Audit Committee approved a policy allowing anyone, including the employees of the Corporation, to make a complaint by anonymous submission regarding accounting, accounting controls or auditing matters of the Corporation. All complaints received will be sent directly to the director of the Internal Audit Department who will be responsible for analyzing the complaint and, if necessary, making due inquiry. The Committee will be informed at every meeting of complaints received, the results of the inquiry and, if applicable, any corrective measures to be implemented or of the fact that no complaints have been filed.

The full text of the Corporation’s complaint policy can be found on the Corporation’s website ([www.metro.ca](http://www.metro.ca)).

**POLICY CONCERNING THE HIRING OF PARTNERS OR EMPLOYEES OF THE EXTERNAL AUDITORS**

The Audit Committee approved a policy with respect to the Corporation’s hiring of certain candidates for key positions. This policy applies to any partner, employee or former partner or employee of the current or former external auditors of the Corporation who is applying for a position in which the candidate could exercise decision-making authority or significantly influence decision-making with respect to the presentation of financial information or auditing matters. Specifically, the candidate must not have been involved in the auditing of the Corporation’s financial statements within the 12 months preceding the hiring date and, moreover, the eventual hiring of the candidate must not compromise the independence of the external auditors.

**RISK MANAGEMENT**

One of the objectives of the Audit Committee is to review the material risks identified by Corporation Management and to examine the effectiveness of the measures put in place to manage these risks. To do so, the Committee regularly receives risk assessments from the various business units of the Corporation. These assessments contain a description of the material risks that could affect the specific business unit and the measures put in place to manage such risks. In addition, the Committee receives at least once a year a report from the crisis prevention and management committee and a global analysis of the material risks that could affect the Corporation as a whole. On a regular basis, the Audit Committee reports to the Board about risk management. Additional information on risk management can be

found on pages 25 to 27 inclusively of the Management Discussion and Analysis, forming part of the Corporation's 2011 Annual Report, in the "Risk Management" Section. The Corporation's 2011 Annual Report is available on SEDAR ([www.sedar.com](http://www.sedar.com)) as well as on the Corporation's website ([www.metro.ca](http://www.metro.ca)).

**FEES FOR THE SERVICES OF THE EXTERNAL AUDITORS** For each of the financial years ended September 24, 2011 and September 25, 2010, the following fees were billed by the external auditors for audit services, audit-related services, tax services and the other services provided by the external auditors.

	<b>2011</b>	<b>2010</b>
Audit fees	\$1,491,891	\$1,134,251
Audit-related fees	\$347,848	\$434,204
Tax fees	\$332,507	\$332,417
All other fees	—	\$124,880

Audit-related fees consist primarily of fees billed for consultations concerning financial accounting or the presentation of financial information which are not categorized as "audit services", fees billed for pension plan audits and fees billed for the execution for management of computerized test on internal controls.

Tax fees consist primarily of fees billed for assistance with regulatory tax matters concerning federal and provincial income tax returns and sales tax and excise tax reporting, fees billed for consultations concerning the income tax, customs duty or sales tax impact of certain transactions, as well as fees billed for assistance with federal and provincial government audits involving income tax, sales tax, customs duties or deductions at source. The 2010 fees include an amount of \$30,470 in connection with tax services which were assumed by A&P US.

The other fees relate to the gathering of information regarding the payroll process.

**MANDATE OF THE AUDIT COMMITTEE**

**1. OBJECTIVES OF THE COMMITTEE AND GENERAL SCOPE OF RESPONSIBILITIES OF THE PARTIES:**

- 1.1 The objectives of the Committee are to review the adequacy and effectiveness of the actions taken by the various parties herein involved to discharge themselves of their responsibilities herein described and to assist the Board in its oversight of:
  - 1.1.1 the integrity of the Corporation's financial statements;
  - 1.1.2 the internal and external auditor qualifications and independence;
  - 1.1.3 the performance of the Corporation's internal audit function and external auditor;
  - 1.1.4 the effectiveness of internal controls;
  - 1.1.5 the Corporation's compliance with legal and regulatory requirements; and
  - 1.1.6 the identification of the material risks that may affect the Corporation and the implementation of appropriate measures to manage such risks.
  
- 1.2 Management is responsible for:
  - 1.2.1 the preparation, presentation and integrity of the Corporation's financial statements and for maintaining appropriate accounting policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations; and
  - 1.2.2 identifying the material risks and putting in place appropriate measures allowing to manage such risks.
  
- 1.3 The external auditor is responsible for auditing the Corporation's annual financial statements and reviewing the Corporation's quarterly financial statements.
  
- 1.4 The internal auditor is responsible, by bringing a systematic and disciplined approach, for evaluating and improving the effectiveness of the Corporation's risk management and control processes.

**2. SCOPE OF MANDATE**

The responsibilities of the Committee extend to Metro Inc., its subsidiaries and their divisions. In this mandate, the word "Corporation" refers to Metro Inc., its subsidiaries and their divisions.

**3. COMPOSITION AND ORGANIZATION**

- 3.1 The Committee is composed of a minimum of 3 and a maximum of 6 members of the Board of Directors who are all independent directors. All members must be financially literate.
  
- 3.2 At any time, the Committee may communicate directly with the external auditor, the internal auditor or the management of the Corporation.

**4. SPECIFIC RESPONSIBILITIES**

The Audit Committee must periodically inform the Board about its work and advise it about its recommendations.

**4.1 Financial Information**

- 4.1.1 The Committee reviews, before their public disclosure, the audited annual and interim financial statements, the MD&A and all press releases relating to the financial statements.
- 4.1.2 The Committee reviews with the management of the Corporation and the external auditor the choice of accounting policies and its justification as well as the various estimates made by management which may have a significant impact on the financial position.

- 4.1.3 The Committee ensures that adequate procedures are in place for the review of the Corporation's disclosure to the public of information extracted or derived from the Corporation's financial statements, other than the information covered by paragraph 4.1.1 hereof, and periodically assesses the adequacy of such procedures.
- 4.1.4 The Committee reviews, before they are released, any prospectus relating to the issuance of securities by the Corporation, the Annual Information Form and the Management Proxy Circular.

#### 4.2 Internal Control

- 4.2.1 The Committee verifies that Corporation Management has implemented mechanisms in order to comply with regulations on internal controls and financial reporting.
- 4.2.2 Every quarter and every fiscal year, the Committee reviews with Corporation Management the conclusions of the work supporting the certification letters to be filed with the authorities.
- 4.2.3 The Committee reviews with the Corporation Management all material weaknesses and significant deficiencies identified pertaining to internal controls and financial reporting, as well as any fraud, and the corrective measures implemented.

#### 4.3 Internal Audit

- 4.3.1 The Committee examines the appointment, replacement, reassignment or dismissal of the Senior Director of the Internal Audit Department and reviews the mandate, annual audit plan, and resources of the internal audit function.
- 4.3.2 The Committee meets the Senior Director of the Internal Audit Department to review the results of the internal audit activities, including any significant issues reported to management by the internal audit function and management's responses and/or corrective actions.
- 4.3.3 The Committee reviews the performance, degree of independence and objectivity of the internal audit function and adequacy of the internal audit process.
- 4.3.4 The Committee reviews with the Senior Director of the Internal Audit Department any issues that may be brought forward by him, including any difficulties encountered by the internal audit function, such as audit scope, access to information and staffing restrictions.
- 4.3.5 The Committee ensures the effectiveness of the coordination between the internal audit and the external audit.

#### 4.4 External Audit

- 4.4.1 The Committee has the authority and the responsibility to recommend to the Board of directors: i) the appointment and the revocation of any public accounting firm engaged for the purpose of preparing or issuing an audit report, or performing other audit, review or certification services (collectively the "external auditor"); and ii) the compensation of the external auditor.
- 4.4.2 The external auditor communicates directly with the Committee. The Committee reviews the reports of the external auditors which are sent to it directly. The Committee also monitors all the work performed by the external auditors, its audit plans and the results of its audits.
- 4.4.3 The Committee discusses with the external auditors, by means of meetings, problems encountered during the audit, including the existence, if applicable, of restrictions imposed by the management of the Corporation or areas of disagreement with the latter about the financial information and ensures that such disagreements are resolved.

- 4.4.4 The Committee, or one or more of its members to whom it has delegated authority, pre-approves non-audit services that are assigned to the external auditors. The Committee may also adopt policies and procedures concerning the pre-approval of non-audit services that are assigned to the external auditors. It monitors the fees paid with respect to such mandates.
  - 4.4.5 The Committee makes sure that the external auditor has obtained the cooperation of the employees and officers of the Corporation.
  - 4.4.6 The Committee examines the post-audit letter or the recommendation letter of the external auditor as well as the reactions of management and management's response to the deficiencies observed.
  - 4.4.7 The Committee examines the qualifications, performance and independence of the external auditor and ensures that the audit report accompanying the financial statements is issued by an audit firm that is a participant in the program of the Canadian Public Accountability Board and that the firm respects any sanctions and restrictions imposed by this Board. The Committee takes into account the opinions of management and the Corporation's internal auditor in assessing the qualifications, performance and independence of the external auditor.
  - 4.4.8 The Committee reviews and approves the Corporation's hiring policy concerning (current and former) partners and (current and former) employees of the (current and former) external auditor.
  - 4.4.9 At least, once a year, the external auditor reports to the Committee about: i) the external auditor's internal quality-control procedures; ii) its inscription as a duly registered participant of the Canadian Public Accountability Board ("CPAB") and whether it holds proper authority to audit Canadian issuers; and iii) the evaluation of the quality of its work via an in camera session with the Quebec Managing Partner or his representative.
- 4.5 Miscellaneous
- 4.5.1 The Committee establishes procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and to preserve confidentiality and the protection of the anonymity of persons who may file such complaints.
  - 4.5.2 The Committee has the authority to engage any advisor it deems necessary in order to help it in the performance of its duties, and to set the compensation of such advisor as well as to obtain from the Corporation the funds necessary to pay such compensation.
  - 4.5.3 The Committee analyses the conditions surrounding the departure or appointment of the officer responsible for finance and any other key financial executive who participates in the financial information process.
- 4.6 Compliance with legal and regulatory requirements
- 4.6.1 The Committee reviews the reports received from time to time regarding any material legal or regulatory issues that could have a significant impact over the Corporation's business.
- 4.7 Risk Management
- 4.7.1 The Committee reviews the material risks identified by Corporation Management. The Committee examines the effectiveness of the measures put in place to manage these risks by questioning the management of the Corporation regarding how risks are managed as well as obtaining opinions from management regarding the degree of integrity of the risk mitigation systems and acceptable thresholds.
  - 4.7.2 The Committee reviews on a regular basis the management policies regarding material risks recommended by Corporation Management and obtains from the management of the Corporation on a regular basis reasonable assurance that the Corporation's risk management policies for material risks are being adhered to. The Committee also reviews reports on material risks, including financial hedging activities and environment.