

**TIM HORTONS INC.**  
**AUDIT COMMITTEE PRE-APPROVAL POLICY**

Adopted September 28, 2009

(Most Recently Amended: November 9, 2011)

This Policy identifies the Audit Committee's procedures and conditions for pre-approving audit, audit-related and non-audit services performed by a public accounting firm that acts as the independent auditor (the "Auditor") responsible for auditing the consolidated financial statements of Tim Hortons Inc., a corporation incorporated under the *Canada Business Corporations Act* (the "Corporation"), and its subsidiaries and affiliates.

**I. STATEMENT OF PRINCIPLES**

The purpose of this Policy is to set forth the procedures by which the Audit Committee intends to fulfill its responsibilities of ensuring the independence of the Auditor throughout the entire audit and professional engagement period. The Auditor shall comply with the terms of this Policy, as well as the independence requirements of applicable securities legislation, the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and the Public Company Accounting Oversight Board ("PCAOB").

The Audit Committee will engage the Auditor for the audit of the Corporation's consolidated financial statements. Prior to the engagement of the Auditor for any audit or permissible non-audit service, the engagement must be: (a) pre-approved pursuant to the pre-approval policies and procedures set forth herein, or (b) specifically approved by the Audit Committee. The Audit Committee will not grant broad, categorical approvals for services to be provided; rather, so that the Audit Committee knows precisely what services it is pre-approving, such services must be described in sufficient detail when presented to the Audit Committee for pre-approval. As part of its pre-approval procedures, the Audit Committee shall consider whether such services are consistent with the independence requirements of applicable securities legislation, the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and the PCAOB. For example, when considering whether to grant an approval, the Audit Committee should consider the nature, scope and fees of the services to be provided to the Corporation as well as the principles and guidance established by securities laws and the PCAOB with respect to auditor independence, including the fact that an auditor cannot: (i) function in the role of management; (ii) audit its own work; or (iii) serve in an advocacy role for the Corporation.

The appendices to this Policy describe the services that have been pre-approved by the Audit Committee. The Audit Committee intends, as part of its pre-approval procedures, to include cost and time limitations for each audit or non-audit service to be provided by the Auditor. Any proposed services exceeding the pre-approved cost or time limits established for such services in the appendices hereto will require specific approval by the Audit Committee.

The Audit Committee will periodically revise the list of pre-approved services reflected on the appendices hereto, based on subsequent determinations made by the Audit Committee. Additionally, the Audit Committee may amend this Policy from time to time in accordance with the Audit Committee's charter or the Corporation's By-Laws or other governing documents.

The Auditor has reviewed this Policy and believes that neither the implementation nor the subsequent amendment, as applicable, of the Policy will adversely affect the Auditor's independence.

## **II. DELEGATION OF AUTHORITY**

The Audit Committee may delegate pre-approval authority to one or more of its members, and approval of such member or members within the parameters of this Policy shall constitute approval of the Audit Committee hereunder. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee will not delegate to management the Audit Committee's responsibilities for pre-approving audit and non-audit services performed by the Auditor.

## **III. AUDIT SERVICES**

The annual audit, review and attestation engagement terms and fees are subject to the specific pre-approval of the Audit Committee. The Audit Committee's approval is required for any necessary changes in terms, conditions and fees resulting from changes in audit scope, Corporation structure or other matters.

The known or anticipated audit services pre-approved, or that will be pre-approved, by the Audit Committee are listed and will be listed in Appendix A, as amended from time to time. In addition to the annual audit, review and attestation services specifically approved by the Audit Committee, the Audit Committee may grant pre-approval for other known or anticipated audit services. All other audit services not listed in Appendix A must be separately pre-approved by the Audit Committee in accordance with this Policy.

## **IV. AUDIT-RELATED SERVICES**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's consolidated financial statements and that are traditionally performed by the Auditor in connection therewith. The Audit Committee believes that the provision of the audit-related services does not impair the independence of the Auditor. The known or anticipated audit-related services pre-approved, or that will be pre-approved, by the Audit Committee are listed and will be listed in Appendix B, as amended from time to time. All other audit-related services not listed in Appendix B, and all services related to internal control over financial reporting (to the extent not prohibited), must be separately pre-approved by the Audit Committee in accordance with this Policy. Notwithstanding the foregoing, services related to internal control over financial reporting that constitute part of the annual audit, review and attestation engagement relating to consolidated financial statements will be pre-approved with such services and need not be pre-approved separately under this provision of the Policy.

## **V. TAX SERVICES**

The Audit Committee believes that the Auditor can provide tax services to the Corporation such as tax compliance, tax planning and tax advice without impairing the Auditor's independence, except for those tax services described on Exhibit 1, which are prohibited. However, the Audit

Committee will not permit the retention of the Auditor in connection with a “confidential transaction,” as defined in the Internal Revenue Service’s regulations, or a transaction initially recommended, directly or indirectly, by the Auditor, a significant purpose of which may be tax avoidance, unless the proposed tax treatment of the transaction is at least more likely than not to be allowable under the Internal Revenue Code and related regulations or similar regulations of other applicable jurisdictions. Additionally, each person who is in a financial reporting oversight role, and the immediate family members of such persons, are prohibited, subject to limited exceptions set forth in applicable rules and/or standards, from obtaining any tax services from the Auditor, irrespective of whether the Corporation or such person pays for the services. The known or anticipated tax services pre-approved, or that will be pre-approved, by the Audit Committee are listed and will be listed in Appendix C, as amended from time to time. All other tax services not listed in Appendix C or tax services involving large and complex transactions must be separately pre-approved by the Audit Committee in accordance with this Policy.

The Auditor shall comply with Rule 3524 of the Professional Standards of the Public Company Accounting Oversight Board (“PCAOB”) in connection with seeking Audit Committee pre-approval of any permissible tax services.

## **VI. ALL OTHER SERVICES**

The Audit Committee may pre-approve those permissible non-audit services classified as “All Other Services” that it believes would not impair the independence of the Auditor. The known or anticipated other non-audit services pre-approved, or that will be pre-approved, by the Audit Committee are listed and will be listed in Appendix D, as amended from time to time. All other permissible non-audit services not listed in Appendix D must be separately pre-approved by the Audit Committee in accordance with this Policy.

A list of the non-audit services prohibited by the Securities and Exchange Commission is attached to this Policy as Exhibit 1. Such exhibit may be amended from time to time to add any other service prohibited by applicable law, regulation, rule or accounting or auditing standard.

The Auditor shall comply with Rule 3525 of the Professional Standards of the PCAOB in connection with seeking Audit Committee pre-approval of any permissible internal control related non-audit services.

## **VII. WAIVER OF PRE-APPROVAL FOR NON-AUDIT SERVICES**

Specific pre-approval is not required for permissible non-audit services not listed in Appendix D, provided that such non-audit services: (a) do not aggregate to more than 5 percent of total revenues paid by the Corporation and its subsidiaries to the Auditor in the fiscal year in which the services are provided, (b) were not recognized by the Corporation or a subsidiary thereof as non-audit services at the time of the engagement, and (c) are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee (or its designated representative, if any, as authorized pursuant to Section II of this Policy). The Corporation must disclose to the Audit Committee and publicly, to the extent required by applicable securities laws, the percentage of the total fees paid to the Auditor where the *de minimis* exception was used.

### **VIII. PRE-APPROVED FEE LEVELS**

Pre-approved fee levels for all services to be provided by the Auditor will be established periodically by the Audit Committee. Any proposed services exceeding these levels, including any increases in fees for previously pre-approved services, will require specific pre-approval by the Audit Committee. Each year the Auditor will provide the Audit Committee with a report of the known or anticipated audit, audit-related, tax and other non-audit services together with an estimate of the fees for such services. The Audit Committee will review the fees and scope of such services so as to avoid any question as to the compatibility of such services with the Auditor's independence. Each quarter, the Auditor will provide the Audit Committee with a report of the audit, audit-related, tax and other non-audit services provided together with the actual fees incurred. Any changes to the estimate of services to be provided and fees attributable to such services will be discussed quarterly, and if necessary, revised. In no event will the Auditor be permitted to charge contingent fees or receive commissions on its services.

### **IX. SUPPORTING DOCUMENTATION**

With respect to each proposed pre-approved service, the Auditor will provide the Audit Committee with detailed back-up documentation regarding the specific services to be provided.

### **X. PROCEDURES**

Requests or applications to provide services that require specific approval of the Audit Committee will be submitted to the Audit Committee by both the Auditor and the Chief Financial Officer or other designated representative of the Corporation. The Audit Committee (or its designated representative, if any, as authorized pursuant to Section II of this Policy) will approve or disapprove the request or may request additional information from the Auditor and management prior to rendering its decision. In considering a request, the Audit Committee may meet in person, by telephone conference call or by any other means permitted by the Audit Committee's charter or the Corporation's Regulations. Without a meeting, the Audit Committee may act by unanimous written consent of all committee members or by any other means permitted by the Audit Committee's charter or the Corporation's By-Laws.

This Policy was adopted by the Audit Committee of Tim Hortons Inc. on September 28, 2009, and most recently revised by the Audit Committee on November 9, 2011.

**PRE-APPROVED AUDIT SERVICES**

**PRE-APPROVED AUDIT-RELATED SERVICES**

**PRE-APPROVED TAX SERVICES**

**PRE-APPROVED ALL OTHER SERVICES**

**Prohibited Non-Audit Services**

- Bookkeeping or other services related to the accounting records or financial statements of the audit client
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions (*e.g.* acting, either temporarily or permanently, as a director, officer or employer, or performing any decision-making, supervisory or monitoring services)
- Human resources
- Broker or dealer, investment adviser, underwriting, securities, or investment banking services
- Legal services
- Expert services unrelated to the audit
- Tax services to any person in a financial reporting oversight role, or an immediate family member of any such person, unless the person is in that role solely because he or she is a director of the Corporation
- Services related to marketing, planning or opinions in favor of the tax treatment of transactions that are confidential transactions under the IRS's regulations or transactions that would be considered aggressive tax position transactions