



# **Notice of 2005 Annual and Special Meeting of Shareholders and Management Information Circular**

March 10, 2005

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

# Notice of 2005 Annual and Special Meeting of Shareholders

## You are Invited to our Annual and Special Meeting of Shareholders

**When** Thursday, May 12, 2005  
10:00 a.m. (Toronto time)

**Where** Metro Toronto Convention Centre  
Room 801, South Building  
222 Bremner Boulevard  
Toronto, Ontario

### What the Meeting is About

We will be covering four items at the meeting:

1. receiving our consolidated financial statements for the year ended January 1, 2005, including the Auditors' report
2. electing directors who will serve until the end of the next annual meeting of shareholders
3. appointing Auditors who will serve until the end of the next annual meeting of shareholders, and setting their compensation
4. considering changes in relation to three of our share compensation arrangements, the Canadian Tire Corporation, Limited Deferred Profit Sharing Plan, the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers and the Canadian Tire Corporation, Limited Share Purchase Plan (the *plans*), namely:
  - (i) fixing the total number of Class A Non-Voting Shares that may be issued under the plans after May 12, 2005 at 4.9 million Class A Non-Voting Shares
  - (ii) authorizing us to make future changes to the plans that are approved by the Board of Directors and do not require shareholder approval by law or by a regulatory organization.

We will also consider other business that may properly come before the meeting.

### You Have the Right to Vote

You have the right to vote at our Annual and Special Meeting of Shareholders if you were a Canadian Tire shareholder on March 24, 2005.

### Your Vote is Important

As a Canadian Tire shareholder, it is important that you read this material carefully. You have different voting rights depending on whether you own Common Shares or Class A Non-Voting Shares.

You do not have to vote in person at the meeting. The attached *Management Information Circular* tells you how to exercise your right to vote your shares.

By order of the Board,



Cameron D. Stewart  
*Secretary*

Toronto, Ontario  
March 10, 2005

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# Management Information Circular

In this document, *you* and *your* refer to Canadian Tire shareholders. *We, us, our, the Company* and *Canadian Tire* refer to Canadian Tire Corporation, Limited and its subsidiaries.

**This Management Information Circular is provided in connection with our Annual and Special Meeting of Shareholders on May 12, 2005. Your proxy is solicited by management of Canadian Tire for the items described in the notice on the opposite page.**

As a shareholder, you have the right to attend and vote at this meeting. Please read this information circular. It gives you information you need to know to cast your vote. We also encourage you to read our 2004 Annual Report, which includes the consolidated annual financial statements of Canadian Tire as of our financial year ended January 1, 2005.

The Board of Directors has approved the contents of this information circular, and has authorized it to be sent to every shareholder who is eligible to vote. We pay for all costs associated with soliciting your proxy. We usually make our request by mail, but we may also solicit your proxy by telephone or in person.



Cameron D. Stewart  
*Secretary*

Toronto, Ontario  
March 10, 2005

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# Who Can Vote

**Canadian Tire has two classes of shares.** The items you can vote on depend on the class of shares you own. Each share you own as of March 24, 2005, entitles you to one vote.

## Common Shares

If you own Common Shares, you can vote on three items:

- the election of 13 of the 16 directors
- the appointment of the Auditors, and setting their compensation
- changes in relation to three of our share compensation arrangements, the Canadian Tire Corporation, Limited Deferred Profit Sharing Plan, the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers and the Canadian Tire Corporation, Limited Share Purchase Plan (the *plans*), namely:
  - (i) fixing the total number of Class A Non-Voting Shares that may be issued under the plans after May 12, 2005 at 4.9 million Class A Non-Voting Shares
  - (ii) authorizing us to make future changes to the plans that are approved by the Board of Directors and do not require shareholder approval by law or by a regulatory organization.

You can also vote on any other business that may properly come before the meeting.

As of March 10, 2005, Canadian Tire had 3,423,366 Common Shares outstanding. The directors and senior officers are not aware of any person or company that beneficially owns, directly or indirectly, or exercises control or direction over more than 10 percent of the total outstanding Common Shares, other than those listed below:

Name	Number of Common Shares Beneficially Owned, Controlled or Directed	Percentage of Outstanding Common Shares
Martha A. Billes <sup>(1)</sup>	1,400,767	40.9%
Owen G. Billes <sup>(1)</sup>	700,383	20.5%
CTC Dealer Holdings Limited	700,384	20.5%
The Trustees of the Corporation's Deferred Profit Sharing Plan (established on January 1, 1968)	419,280	12.2%

### Notes

(1) See Notes 1 and 2 on page 8 of this information circular.

## Class A Non-Voting Shares

If you own Class A Non-Voting Shares, you can vote on the election of three of the 16 directors.

Holders of Class A Non-Voting Shares are entitled to vote on matters other than the appointment of three directors in the following circumstances:

- if applicable laws give them that right, or
- if an offer to buy Common Shares is made to all or substantially all holders of Common Shares, and the majority of the Common Shares issued and outstanding are tendered to the party making the offer. In this case, the holders of Class A Non-Voting Shares will be entitled to one vote per share at all shareholder meetings unless the offer to purchase is for both classes of shares at the same price and on the same terms and conditions.

See the Company's articles of amendment for more information on the voting rights of the holders of Class A Non-Voting Shares.

As of March 10, 2005, Canadian Tire had 78,050,507 Class A Non-Voting Shares outstanding. The directors and senior officers are not aware of any person or company that beneficially owns, directly or indirectly, or exercises control or direction over more than 10 percent of the outstanding Class A Non-Voting Shares, other than Jarislowsky, Fraser Limited. According to a report filed by Jarislowsky, Fraser Limited on the System for Electronic Document Analysis and Retrieval (*SEDAR*) at [www.sedar.com](http://www.sedar.com) in July 2003, it exercises control or direction over 13,925,053 Class A Non-Voting Shares, which represents 17.8 percent of the total outstanding Class A Non-Voting Shares. Jarislowsky, Fraser Limited has advised that there has been no material change to its share ownership since that date.

## Make Each Vote Count

The record date to determine shareholders entitled to vote at the meeting is March 24, 2005. Each share you owned on March 24, 2005 entitles you to one vote.

If you want to vote shares you bought after March 24, 2005:

- contact Computershare Trust Company of Canada (*Computershare*) (see page 5 for their contact information) by **May 2, 2005**
- provide a properly endorsed share certificate or other proof that you own the shares
- ask Computershare to put your name on the list of shareholders.

If you transferred your shares to someone else after March 24, 2005 who would like to vote these shares, the person you transferred the shares to will have to contact Computershare (see page 5 for their contact information), provide proof of ownership of the shares to Computershare before May 2, 2005, and have their name added to the list in order to vote the shares.

# How to Vote

## About Voting by Proxy

Voting by proxy means you are giving someone else the authority to attend the meeting and vote for you. This person is called your *proxyholder*.

This package includes either a proxy form or a voting instruction form that includes the names of Canadian Tire directors who are proxyholders. When you vote by proxy, you are giving these directors the authority to vote for you. **If you return your proxy form or voting instruction form and do not specify how you want to vote your shares, one of these directors will vote your shares in favour of the items.**

**You can also appoint a person or company to vote for you by printing the name of the person or company in the space provided on the form. The person or company does not need to be a shareholder. Your vote can only be counted if the proxyholder you appoint attends the meeting and votes for you. If you do not specify how you want your shares voted, your proxyholder can vote your shares as they see fit.**

Your completed proxy form or voting instruction form must be received by **10 a.m. (Toronto time) on Thursday, May 12, 2005**. If you choose to vote by telephone or Internet, all required information must be entered by **5 p.m. (Toronto time) on Wednesday, May 11, 2005**.

If the meeting is adjourned, your voting instructions must be received by 5 p.m. (Toronto time) two days (excluding Saturdays, Sundays and holidays) before the day of the adjourned meeting.

**You are a registered shareholder** if your name appears in the shareholders' register maintained by Computershare.

**You are a non-registered (or beneficial) shareholder** if your bank, trust company, securities broker or other financial institution (your *nominee*) holds your shares for you in your account.

If you are not sure whether you are a registered or beneficial shareholder, please contact Computershare (see page 5 for their contact information).

## How to Vote—Registered Shareholders

If you are a registered shareholder, you can vote in one of two ways.

### 1. By Proxy

If you want to authorize the Canadian Tire directors named on the proxy form to vote your shares for you, you can send your voting instructions in one of the following ways.

#### By Telephone (North America)

Call the toll-free number on the proxy form and follow the instructions. You will need your holder account number, proxy access number and control number (located on the front of the proxy form) to identify yourself to the system.

#### On the Internet (Worldwide)

Go to [www.computershare.com/ca/proxy](http://www.computershare.com/ca/proxy) and follow the instructions. You will need your holder account number, proxy access number and control number (located on the front of the proxy form) to identify yourself to the system.

#### By Mail (Worldwide)

Complete your proxy form, sign it, date it and return it in the envelope provided. A vote by mail can only be counted if your proxy form is properly completed and signed.

If your shares are registered in the name of a corporation, you must vote by mail. Also, an authorized officer or attorney of the corporation must sign the proxy form. This person may have to provide proof that he or she is authorized to sign and vote on behalf of the corporation.

### 2. Attend the Meeting and Vote in Person

You can attend the meeting and vote your shares in person. You do not need to complete or return your proxy form. When you arrive at the meeting, register with a Computershare representative so you can vote your shares.

If you want to appoint someone else to attend the meeting and vote your shares for you, you must send your voting instructions by mail or by Internet. The person or company you appoint does not need to be a shareholder.

#### Appoint Another Person or Company by Mail

Print the name of the person or company in the blank space on the proxy form. Then complete your voting instructions, sign the proxy form and mail it in the envelope provided.

#### Appoint Another Person or Company by Internet

Please carefully follow the Internet voting instructions on your proxy form and on-screen.

Your vote can only be counted if your appointee attends the meeting and votes for you.

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## How to Vote—Non-Registered Shareholders

If you are a non-registered shareholder, you can vote in one of two ways:

### 1. By Proxy

You will receive a voting instruction form that allows you to send your voting instructions by telephone, on the Internet or by mail. Choose the method you prefer and follow the detailed instructions that are provided on the form.

If you want to authorize the Canadian Tire directors named on the voting instruction form to vote your shares for you, complete your voting instructions, sign the form and return it in the envelope provided. A vote by mail can only be counted if your voting instruction form is properly completed and signed.

If you prefer, you can vote by telephone or the Internet. Please carefully follow the telephone or Internet voting instructions on your voting instruction form. You will need your holder account number and/or control number printed on your voting instruction form to send us your voting instructions by telephone or on the Internet.

### 2. Attend the Meeting and Vote in Person

If you received a voting instruction form, insert your name in the blank space provided on the form. Complete and sign the voting instruction form (if it has not already been signed by your nominee) and return it in the enclosed envelope. Alternatively, carefully follow the Internet voting instructions on your voting instruction form and on-screen to complete this step.

- If these materials were sent directly to you by Computershare on behalf of Canadian Tire, after returning your voting instruction form, you should receive a legal proxy form to bring with you to the meeting.
- If these materials were sent indirectly to you by or on behalf of your nominee and you wish to receive a legal proxy form, mark the request for legal proxy box at the bottom of your voting instruction form before returning it. You should receive a legal proxy form to bring with you to the meeting.

When you arrive at the meeting, let a Computershare representative know that you advised your nominee to appoint you as proxyholder and give him or her the legal proxy form by the time of the meeting.

If you want to appoint another person or company to vote your shares for you, print the name of the person or company in the blank space on the voting instruction form. The person you appoint (your *appointee*) does not need to be a shareholder. Then complete and sign the voting instruction form and return it in the envelope provided. Alternatively, carefully follow the Internet voting instructions on your voting instruction form and on-screen to complete this step.

- If these materials were sent directly to you by Computershare on behalf of Canadian Tire, after returning your voting instruction form, you should receive a legal proxy form. Your appointee should bring the legal proxy form with them to the meeting.
- If these materials were sent indirectly to you by or on behalf of your nominee and you wish to receive a legal proxy form, mark the request for legal proxy box at the bottom of your voting instruction form before returning it. You should receive a legal proxy form. Your appointee should bring the legal proxy form with them to the meeting. Your vote can only be counted if your appointee attends the meeting and votes for you.

The legal proxy form gives your appointee the right to attend the meeting and vote in person, as long as the Chairman of the meeting approves.

When your appointee arrives at the meeting he or she must:

- register with a Computershare representative
- give the legal proxy form to the Computershare representative by the time of the meeting
- tell the representative that he or she is an appointee and that your account is held with your nominee.

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## Changing or Revoking Your Vote

### Registered Shareholders

If you are a registered shareholder and you voted on the Internet or by telephone, you can change your previous vote by voting again on the Internet or by telephone. You must vote by **5 p.m. (Toronto time) on Wednesday, May 11, 2005** or by 5 p.m. (Toronto time) two days (excluding Saturdays, Sundays and holidays) before the day of any adjourned meeting.

You can also change your vote by completing and signing another proxy form with a later date, and delivering it to Computershare by **5 p.m. (Toronto time) on Wednesday, May 11, 2005** or by 5 p.m. (Toronto time) two days (excluding Saturdays, Sundays and holidays) before the day of any adjourned meeting.

You can revoke or withdraw your vote by delivering a notice in writing to:

- the Secretary, Canadian Tire Corporation, Limited, 2180 Yonge Street, Box 770, Station K, Toronto, Ontario, Canada M4P 2V8, by **5 p.m. (Toronto time) on Wednesday, May 11, 2005** or the business day before the day of any adjourned meeting, or
- the Chairman of the meeting, before the beginning of the meeting on May 12, 2005 or the day of any adjourned meeting.

The notice must revoke your proxy, and be signed by you or your authorized attorney.



## What the Meeting is About

### Non-Registered Shareholders

If you are a non-registered shareholder, you can change your vote by:

- completing and signing another voting instruction form with a later date, and delivering it to your nominee by **10 a.m. on Wednesday, May 11, 2005** or by 5 p.m. (Toronto time) two days (excluding Saturdays, Sundays and holidays) before the day of any adjourned meeting.
- delivering a notice in writing to your nominee by **10 a.m. on Wednesday, May 11, 2005** or by 5 p.m. (Toronto time) two days (excluding Saturdays, Sundays and holidays) before the day of any adjourned meeting. The notice must be signed by you or your authorized attorney.
- if you voted by telephone or on the Internet, you can change your vote by voting again by telephone or on the Internet. You must vote by **5 p.m. (Toronto time) on Wednesday, May 11, 2005** or by 5 p.m. (Toronto time) two days (excluding Saturdays, Sundays and holidays) before the day of any adjourned meeting.

You can revoke or withdraw your vote by:

- delivering a notice in writing to your nominee by **10 a.m. on Wednesday, May 11, 2005** or by 5 p.m. (Toronto time) two days (excluding Saturdays, Sundays and holidays) before the day of any adjourned meeting. The notice must revoke the voting instruction form, and be signed by you or your authorized attorney.

### Who Counts the Votes

Proxies are counted by Computershare, our transfer agent.

If you have any questions about voting, please contact Computershare:

Computershare Trust Company of Canada  
100 University Avenue  
Toronto, Ontario  
Canada M5J 2Y1

**Telephone** 1-800-564-6253 (toll-free in Canada and the United States)  
1-514-982-7555 (outside Canada and the United States)

**Fax** 1-888-453-0330 (toll-free in Canada and the United States)  
1-416-263-9394 (outside Canada and the United States)

**Email** service@computershare.com

We will be covering four items at the meeting:

1. receiving our consolidated financial statements for the year ended January 1, 2005, including the Auditors' report
2. electing directors who will serve until the end of the next annual meeting of shareholders
3. appointing Auditors who will serve until the end of the next annual meeting of shareholders, and setting their compensation
4. considering changes in relation to three of our share compensation arrangements, the Canadian Tire Corporation, Limited Deferred Profit Sharing Plan, the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers and the Canadian Tire Corporation, Limited Share Purchase Plan (the *plans*), namely:
  - (i) fixing the total number of Class A Non-Voting Shares that may be issued under the plans after May 12, 2005 at 4.9 million Class A Non-Voting Shares
  - (ii) authorizing us to make future changes to the plans that are approved by the Board of Directors and do not require shareholder approval by law or by a regulatory organization.

We will also consider other business that may properly come before the meeting.

As of the date of this information circular, management is not aware of any changes to these items and does not expect any other items to be brought forward at the meeting. If there are changes or new items, your proxyholder can vote your shares on these items as he or she sees fit.

### Receiving the Consolidated Financial Statements

Our 2004 Annual Report has been prepared and sent to registered shareholders and beneficial shareholders who requested it. Management will review our consolidated financial results at the meeting and shareholders will be given an opportunity to discuss these results with management.

### Electing Directors

This year the Board has determined that 16 directors will be elected at the Annual and Special Meeting of Shareholders. Please see *About the Nominated Directors* on page 7 for more information.

If you own Common Shares, you can vote on the election of 13 of the nominated directors:

- |                         |                     |
|-------------------------|---------------------|
| • Gilbert S. Bennett    | • H. Earl Joudrie   |
| • Martha G. Billes      | • Rémi Marcoux      |
| • Owen G. Billes        | • Kathleen Misunas  |
| • Gordon F. Cheesbrough | • Maureen J. Sabia  |
| • Austin E. Curtin      | • Wayne C. Sales    |
| • Terrance L. Douglas   | • Graham W. Savage. |
| • James D. Fisher       |                     |

If you own Class A Non-Voting Shares, you can vote on the election of three of the nominated directors:

- John S. Lacey
- Frank Potter
- Stephen G. Wetmore.

All of the nominated directors are already directors of Canadian Tire except for Mr. Douglas.

## Appointing Auditors

If you own Common Shares, you can vote on the appointment of Auditors and on authorizing the Board of Directors to set the Auditors' compensation. The Board recommends that the Company's current Auditors, Deloitte & Touche LLP, Chartered Accountants, be reappointed as Auditors.

## Share Compensation Arrangements

If you own Common Shares, you can vote on the resolution authorizing the Board of Directors to make the following changes in relation to the Canadian Tire Corporation, Limited Deferred Profit Sharing Plan, the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers, and the Canadian Tire Corporation, Limited Share Purchase Plan (the *plans*):

- fixing the total number of Class A Non-Voting Shares that can be issued under the plans after May 12, 2005 at 4.9 million Class A Non-Voting Shares
- authorizing future changes to the plans that the Board approves as long as the changes do not require shareholder approval by law or by a regulatory organization such as a securities commission or the Toronto Stock Exchange (TSX). This will give the Board the flexibility to revise the plans at its discretion when changes do not require shareholder approval.

See *Securities Authorized for Issue under Incentive Plans* beginning on page 28 of this information circular for more information about the plans, including their history.

Our Class A Non-Voting Shares are listed on the TSX. According to the TSX's listing requirements, shareholder approval must be obtained at the meeting to issue Class A Non-Voting Shares under the plans to a maximum total number of 4.9 million Class A Non-Voting Shares. The number of Class A Non-Voting Shares that may be issued from time to time under the plans is based on a variety of factors, including:

- the total number of our employees participating in the Canadian Tire Corporation, Limited Deferred Profit Sharing Plan and the Canadian Tire Corporation, Limited Share Purchase Plan and the total number of Canadian Tire Associate Dealer employees participating in the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers
- the market price of Class A Non-Voting Shares at relevant times.

As a result, it is not possible to predict the number of Class A Non-Voting Shares that may be issued under the plans.

If the resolution is passed, the maximum total number of Class A Non-Voting Shares that can be issued under the plans after May 12, 2005 will be 4.9 million Class A Non-Voting Shares, which represents 6.3 percent of the Class A Non-Voting Shares now outstanding.

If we wish to increase the number of Class A Non-Voting Shares that can be issued under the plans at some point in the future, holders of Common Shares will need to approve the proposed increase.

The table below lists the number of Class A Non-Voting Shares that have been issued under each of the plans in the last five calendar years.

Name of Plan	Calendar Year	Number of Class A Non-Voting Shares Issued	Percentage of Issued Class A Non-Voting Shares Now Outstanding
Canadian Tire Corporation, Limited	2000	0	0.00%
Deferred Profit Sharing Plan	2001	250,727	0.32%
	2002	167,403	0.21%
	2003	133,442	0.17%
	2004	65,958	0.08%
Deferred Profit Sharing Plan for Employees of Participating Associate Dealers	2000	814,709	1.04%
	2001	625,834	0.80%
	2002	275,075	0.35%
	2003	164,153	0.21%
	2004	143,964	0.18%
Canadian Tire Corporation, Limited Share Purchase Plan	2000	817,673	1.05%
	2001	740,479	0.95%
	2002	620,844	0.80%
	2003	578,894	0.74%
	2004	449,186	0.58%

In order for the resolution to be passed, we must receive a majority of the votes cast by holders of Common Shares in person or by proxy at the meeting. The resolution is not required to be approved by holders of Class A Non-Voting Shares. See Appendix A for the text of the resolution.

## Considering Other Business

We will consider any other business that may properly come before the meeting. As of the date of this information circular, we are not aware of any other business to be considered at the meeting.



## About the Nominated Directors

The table on the next page tells you about the nominated directors, along with how many shares and deferred share units (DSUs) they own. See *Compensation of Directors* on page 27 for more information. The number of DSUs that each director holds has been rounded down to the nearest whole number. DSUs do not carry any voting rights.

The table also tells you how many Class A Non-Voting Shares or DSUs each director needs in order to meet our share ownership guideline for directors. Directors are required to accumulate at least three times the value of their annual retainer in Class A Non-Voting Shares or DSUs by the later of February 9, 2008 and their fifth anniversary since becoming a director.

Directors hold office until the next Annual Meeting of Shareholders or until a successor is elected or appointed unless he or she steps down from office earlier.

According to a shareholders' agreement dated October 30, 1989 between Ms. Billes (together with corporations and trusts she is associated with) and CTC Dealer Holdings Limited, Ms. Billes will nominate nine and CTC Dealer Holdings Limited will nominate three of the 13 directors to be elected by the holders of Common Shares at the meeting. These shareholders have agreed to vote for

the election of such nominees, and Mr. Sales, President and Chief Executive Officer, as directors of Canadian Tire.

We do not expect that any of the nominated directors will be unable to serve as a director. If, however, a nominated director tells us before the meeting that he or she will be unable to serve as a director, the directors listed on the proxy form will vote to elect one or more substitute directors at their discretion.

### Board Size

According to the Company's articles of amendment, we must have between nine and 21 directors on our Board of Directors. The Board of Directors determines the number of directors to be elected at any shareholder meeting.

The articles of amendment also state that:

- holders of Class A Non-Voting Shares are entitled to elect three directors. This number increases to four directors if the Board has more than 17 directors.
- holders of Common Shares are entitled to elect all other directors.

Nominated directors who are elected by holders of Class A Non-Voting Shares cannot be officers or employees of Canadian Tire.

### Slate of Director Nominees

#### **Gilbert S. Bennett, 66**

Ontario, Canada

Independent

*Non-Executive Chairman of the Board since 1996*

Mr. Bennett practised law in Toronto for 15 years, and has business experience in the investment, construction, oil and gas, aerospace and retail sectors.

He is a former Chairman of Bracknell Corporation, Encal Energy Ltd., and the Ontario Casino Corporation. Mr. Bennett has been a director of Air Nova Inc., Algoma Steel Inc., Cablecasting Limited, de Havilland Inc., Eldorado Nuclear Limited, Enbridge Inc., Fortis Inc., NAV CANADA and The Consumers' Gas Company.

Mr. Bennett is also a director of:

- Fortis Ontario Inc.
- Samuel, Son & Co., Limited

#### **Martha G. Billes, 64**

Alberta, Canada

Independent

Member of:

- Governance Committee (Chairman)
- Social Responsibility and Risk Governance Committee

Ms. Billes is President of Albikin Management Inc., an investment holding company. She is Chairman of the Canadian Tire Foundation for Families and is a director of Canadian Tire Bank.

Ms. Billes is the daughter of Canadian Tire co-founder A.J. Billes and has been the controlling shareholder since 1997. She has served on the boards of several public companies. Ms. Billes received an Honorary Doctorate of Commerce degree from Ryerson University in 2002.

Ms. Billes is also a director of:

- Albikin Management Inc.
- Marlore Enterprises Ltd.
- Tire 'N' Me Pty. Ltd.

#### **Owen G. Billes, 35**

Ontario, Canada

Mr. Billes is Manager, New Business Development, Canadian Tire.

Mr. Billes joined Canadian Tire in 1992 as Changeover Consultant, Dealer Changeover. He has also worked in the Operations Planning Centre, Dealer Operations, Logistics and Automotive Marketing, Customer Service Strategic Development, Canadian Tire Financial Services Limited and four Associate Dealer stores.

Mr. Billes is the son of Martha G. Billes and grandson of Canadian Tire co-founder A.J. Billes.

#### **Gordon F. Cheesbrough, 52**

Ontario, Canada

Independent

Member of:

- Audit Committee
- Social Responsibility and Risk Governance Committee

Mr. Cheesbrough is Managing Partner, Blair Franklin Capital Partners Inc., an investment bank and asset management company. He is also Chairman of Canadian Tire Bank.

Mr. Cheesbrough has more than 30 years of experience in the Canadian and international capital markets. He is a former President and CEO of Altamira Investment Services Inc., Chairman and CEO of Scotia Capital Markets and Chairman of the Board of Upper Canada College. He has been a director of Canadian Air Transport & Security Authority, Canadian Olympic Foundation, Orion Capital Corporation, and The Toronto Community Foundation.

Mr. Cheesbrough is also a:

- Trustee of CML Healthcare Income Fund
- Governor of North York General Hospital
- Director of the Canadian Council of Christians and Jews

# About the Nominated Directors

	Director Since	Number of Shares and Deferred Share Units (DSUs) Beneficially Owned, Controlled or Directed			Total Number of Shares and DSUs	Total Value of Shares and DSUs (\$) <sup>(4)</sup>	Value of Shares/DSUs Needed to Meet Ownership Guideline (\$) <sup>(4)</sup>
		Common Shares	Class A Non-Voting Shares	Number of DSUs			
The average age of the nominated directors is 59							
<b>Gilbert S. Bennett</b> <i>Non-Executive Chairman of the Board since 1996</i>	1991	–	2,793	11,047	13,840	790,264	–
<b>Martha G. Billes</b> <sup>(1)(2)</sup>	1980	1,400,767	4,957	–	1,405,724	See Note 3	–
<b>Owen G. Billes</b> <sup>(2)</sup>	2004	700,383	724,970	–	1,425,353	See Note 3	–
<b>Gordon F. Cheesbrough</b>	1998	–	2,655	956	3,611	206,188	57,812
<b>Austin E. Curtin</b>	1998	–	1,755	14,703	16,458	939,751	–
<b>Terrance L. Douglas</b>	–	–	200	–	200	11,420	252,580
<b>James D. Fisher</b>	1998	–	3,921	956	4,877	278,476	–
<b>H. Earl Joudrie</b>	1990	–	10,082	1,561	11,643	664,815	–
<b>John S. Lacey</b>	2003	–	3,300	2,851	6,151	351,222	–
<b>Rémi Marcoux</b>	1998	–	8,655	11,687	20,342	1,161,528	–
<b>Kathleen Misunas</b>	2001	–	437	1,561	1,998	114,085	149,914
<b>Frank Potter</b>	1998	–	1,726	3,350	5,076	289,839	–
<b>Maureen J. Sabia</b>	1985	–	4,363	968	5,331	304,400	–
<b>Wayne C. Sales</b>	2000	–	53,120	–	53,120	3,033,152	–
<b>Graham W. Savage</b>	1998	–	2,745	–	2,745	156,739	107,261
<b>Stephen G. Wetmore</b>	2003	–	500	2,251	2,751	157,082	106,918

## Austin E. Curtin, 63

Alberta, Canada

Member of:

- Social Responsibility and Risk Governance Committee

Mr. Curtin is President, Austin Curtin Sales Ltd., which operates two Canadian Tire Associate stores and a Petroleum outlet in Alberta. He became an Associate Dealer in 1975.

Mr. Curtin previously held numerous management positions with Zellers Ltd.

Mr. Curtin has been an active member of the Canadian Tire Dealers' Association and its committees and served as its National Director of Marketing. He is a recipient of the Canadian Tire Award of Excellence.

## Terrance L. Douglas, 58

Alberta, Canada

Mr. Douglas is President, Terry L. Douglas Sales, Ltd., which operates a Canadian Tire Associate store in St. Albert, Alberta. He became an Associate Dealer in 1984.

Mr. Douglas has served as a director of CTC Dealer Holdings Limited and as Vice-President of the Canadian Tire Dealers' Association. He is a recipient of the Canadian Tire Award of Excellence.

Mr. Douglas has also served as a director of various community boards, including the Fort Saskatchewan Chamber of Commerce and the St. Albert Victim Services Board. He is also a recipient of the Rotary Club of St. Albert Paul Harris Award and the Small Business Person of the Year Award from the Fort Saskatchewan Chamber of Commerce.

## James D. Fisher, <sup>(5)</sup> 63

Ontario, Canada

Independent

Member of:

- Audit Committee
- Management Resources and Compensation Committee (Chairman)

Mr. Fisher is Associate Dean, Rotman School of Management, University of Toronto and holds the Canadian Credit Management Foundation Chair in Entrepreneurship.

Mr. Fisher was with McKinsey and Company and was a founding partner of The Canada Consulting Group. He has held a number of senior positions in the food industry, including many years with George Weston Limited. He has also served on the boards of many public and private companies, including Trimark Financial Corporation.

Mr. Fisher is also a director of:

- Ace Bakeries Ltd.
- Atlas Cold Storage
- ICD Corporate Governance College
- Lallemand, Inc.
- Parmalat Canada

## H. Earl Joudrie, <sup>(5)</sup> 70

Ontario, Canada

Independent

Member of:

- Governance Committee
- Social Responsibility and Risk Governance Committee

Mr. Joudrie is past Chairman of Canadian Tire, Gulf Canada Resources Limited, United Financial Management Ltd. and Unitel, and past Chairman and Chief Restructuring Officer for Algoma Steel Inc. and Sammi Atlas Steel Inc.

Mr. Joudrie previously served as President and CEO of A&G Resources Corporation, Dome Canada Limited/ Encor Energy Corporation Ltd. He was also Chairman and CEO of Ashland Oil Canada Ltd., Nu-West Group Limited and Voyager Petroleum Limited. He has been a director of Abitibi-Consolidated Inc., Atco Ltd. and Consolidated Carma Ltd.

Mr. Joudrie is also a director of:

- Trenton Steel Works Ltd.
- Zargon Oil & Gas Ltd.

## Notes

- (1) Tire 'N' Me Pty. Ltd. ("Tire 'N' Me") owns 1,400,767 Common Shares of the Company. Ms. Billes controls Tire 'N' Me and is the beneficial owner of all the issued shares of Tire 'N' Me. The Common Shares of the Company owned by Tire 'N' Me are included in the shareholdings of Ms. Billes shown in this table.
- (2) Albikin Management Inc. ("Albikin") owns 700,383 Common Shares and 712,476 Class A Non-Voting Shares of the Company. With the exception of a small number of nominal value preferred shares of Albikin beneficially owned by Ms. Billes, Mr. Billes is the beneficial owner of all the issued shares of Albikin. By agreement between Ms. Billes and Mr. Billes, Ms. Billes controls Albikin.

The Common Shares and Class A Non-Voting Shares of the Company owned by Albikin are included in the shareholdings of Mr. Billes shown in this table and are not included in the shareholdings of Ms. Billes shown in this table.

- (3) The value of Ms. Billes' and Mr. Billes' Common Share and Class A Non-Voting Share holdings exceeds the Share Ownership Guideline.
- (4) The closing share price for Common Shares on March 9, 2005 was \$78.75. No Common Shares were traded on March 10, 2005. The closing share price for Class A Non-Voting Shares (and accordingly the value of a DSU) on March 10, 2005 was \$57.10. The figures represented in this column are based upon these closing share prices.

**John S. Lacey,**<sup>(5)</sup> 61  
Ontario, Canada

Independent

Member of:

- Governance Committee
- Management Resources and Compensation Committee

Mr. Lacey is Chairman, Alderwoods Group, Inc., an international funeral services provider. In 1999, he became Chairman of Alderwoods' predecessor company, The Loewen Group Inc., after joining the board as a director in 1998.

Mr. Lacey was previously President and CEO of The Oshawa Group Inc., President and CEO of WIC Western Communications Inc. and President and CEO of Scott's Hospitality Inc.

He is Chairman of Doncaster Racing and Doncaster Consolidated Ltd. and is a member of the advisory board of Tricap.

Mr. Lacey is also a director of:

- Cancer Care Ontario
- Canadian Imperial Bank of Commerce
- Telus Corporation
- Western Forest Products

**Rémi Marcoux,** 64  
Quebec, Canada

Independent

Member of:

- Audit Committee
- Governance Committee

Mr. Marcoux is the founder, controlling shareholder and Executive Chairman of Transcontinental Inc., a company holding interests in printing and publishing companies.

**Kathleen Misunas,** 54  
New York, U.S.A.

Independent

Member of:

- Management Resources and Compensation Committee
- Social Responsibility and Risk Governance Committee

Ms. Misunas is the principal and founder of Essential Ideas, a consulting firm specializing in global travel and tourism and consumer retailing. She advises companies on strategy, technology and marketing and has co-authored a book on multi-channel distribution.

Ms. Misunas was previously CEO of AirTreks and Reed Travel Group, formerly part of Reed Elsevier plc, President and CEO of The SABRE Group, the technology division of AMR Corp., and Chief Information Officer of American Airlines, Inc.

Ms. Misunas is also a director of:

- Tech Data Corporation

**Frank Potter,** 68  
Ontario, Canada

Independent

Member of:

- Governance Committee
- Social Responsibility and Risk Governance Committee (Chairman)

Mr. Potter is Chairman, Emerging Market Advisors, Inc., a consulting firm dealing with international direct investment, and is a director of Canadian Tire Bank.

He is a former international banker, and was previously executive director of The World Bank and a senior advisor at the Department of Finance.

Mr. Potter is also a director of:

- Canadian Institute of International Affairs
- KBSH Capital Management Inc.
- Ontario Financing Authority
- Petrofund Corporation
- Rockwater Capital Corporation
- Sentry Select Capital Corp.
- Softchoice Corporation

**Maureen J. Sabia,** 63  
Ontario, Canada

Independent

Member of:

- Audit Committee (Chairman)
- Management Resources and Compensation Committee

Miss Sabia is President, Maureen Sabia International, a consulting firm, and a director of Canadian Tire Bank. She co-authored "Integrity in the Spotlight—Opportunities for Audit Committees" published in 2002 and "Integrity in the Spotlight—Audit Committees in a High Risk World" published in 2005.

Miss Sabia has had careers in the public and private sectors and served as Chairman of the Export Development Corporation. She is a former director of Gulf Canada Resources Limited, Hollinger Inc., Laurentian General Insurance Company Inc. and Skyjack Inc. She has been a member of the Board of Governors of the University of Guelph, Chairman of the Sunnybrook Medical Centre Foundation and a member of the Board of Trustees for the Sunnybrook Medical Centre for many years.

Miss Sabia is also a director of:

- Medway Capital Corporation
- O & Y FPT Inc.
- O & Y Properties Corporation
- O & Y Properties Inc.

**Wayne C. Sales,** 55  
Ontario, Canada

Mr. Sales is President and CEO of Canadian Tire and is a director of:

- Canadian Tire Bank
- Canadian Tire Financial Services Limited
- Mark's Work Wearhouse Ltd.

Mr. Sales previously led Canadian Tire Retail as Executive Vice President. He joined the Company in 1991 as Senior Vice-President, Marketing.

Mr. Sales has extensive experience in the retail industry and held senior positions in merchandising, buying and regional store operations management with a major U.S. retailer. He served as Chair, Communications and Media for the United Way of Greater Toronto's 2004 campaign.

Mr. Sales is a member of the Advisory Board of Ryerson University's School of Retail Management.

**Graham W. Savage,**<sup>(5)</sup> 56  
Ontario, Canada

Independent

Member of:

- Audit Committee
- Management Resources and Compensation Committee

Mr. Savage is Chairman, Callisto Capital LP, a merchant banking partnership and is also a director of Canadian Tire Bank.

He was previously Chief Financial Officer and a director of Rogers Communications Inc. He has also been a director of many public and private companies.

Mr. Savage is a director of:

- Creation Technologies Inc.
- Hollinger International Inc.
- Leitch Technology Corporation
- Vitran Corporation

## Notes

(5) Mr. Fisher was a director of White Rose Nurseries Ltd. and CDPlus.com Ltd., when they filed for protection under the *Companies' Creditors Arrangement Act*.

Mr. Joudrie was an officer of Algoma Steel Inc. and Sammi Altas Inc., when they filed for protection under the *Companies' Creditors Arrangement Act*.

Mr. Lacey was a director and officer of The Loewen Group Inc., when it filed for bankruptcy under the *Bankruptcy and Insolvency Act*.

Mr. Savage was a director of Microcell Inc., when it filed for protection under the *Companies' Creditors Arrangement Act*.

Mr. Wetmore was an officer of Air Atlantic Ltd., when it filed for creditor protection under the *Bankruptcy and Insolvency Act*.

**Stephen G. Wetmore,**<sup>(5)</sup> 52  
Ontario, Canada

Independent

Member of:

- Audit Committee
- Social Responsibility and Risk Governance Committee

Mr. Wetmore is Group President, National Markets and Executive Vice-President, BCE Inc., and is a chartered accountant and a member of the Canadian Institute of Chartered Accountants.

Mr. Wetmore was previously President and CEO of Aliant Inc., President and CEO NewTel Enterprises Ltd., President of Air Atlantic and Managing Director of Scotia Holding PLC. He was Chair of the Atlantic Provinces' Economic Council and Nova Scotia Council on Higher Education and has actively promoted education through his leadership affiliations with Dalhousie University, Memorial University, University College of Cape Breton, the Shad Valley Institute, RCS Netherwood and the Canadian Youth Business Fundraising Committee.

Mr. Wetmore is also a director of:

- Aliant Inc.
- Bell Canada Holdings
- C.D. Howe Institute
- Dalhousie Business School
- Stratos Global Corporation
- The Learning Partnership
- various private companies controlled by BCE Inc. and Bell Canada

## Meeting Attendance

The table below lists the Board and Committee meetings held in 2004 and the number attended by each director. Directors who are members of Committees are expected to attend Committee meetings.

	Board (11 meetings)		Audit Committee (6 meetings)		Governance Committee (4 meetings)		Management Resources and Compensation Committee (9 meetings)		Social Responsibility and Risk Governance Committee (4 meetings)	
	Number	%	Number	%	Number	%	Number	%	Number	%
<b>Gilbert S. Bennett</b>	11	100%	6	100% <sup>(1)</sup>	4	100% <sup>(1)</sup>	9	100% <sup>(1)</sup>	4	100% <sup>(1)</sup>
<b>Martha G. Billes</b>	11	100%	6	100% <sup>(2)</sup>	4	100%	9	100% <sup>(2)</sup>	4	100%
<b>Owen G. Billes</b> <sup>(4)</sup>	8	100% <sup>(3)</sup>	3	100% <sup>(3)(5)</sup>	1	100% <sup>(3)</sup>	6	100% <sup>(3)</sup>	2	100% <sup>(3)(5)</sup>
<b>Adam Bucci</b> <sup>(6)</sup>	11	100%			4	100%	8	89%		
<b>Gordon F. Cheesbrough</b>	10	91%	4	67%					3	75%
<b>Austin E. Curtin</b> <sup>(7)</sup>	11	100%	6	100%					4	100%
<b>James D. Fisher</b>	11	100%	6	100%			9	100%	3	75%
<b>H. Earl Joudrie</b>	10	91%			2	50%			4	100%
<b>John S. Lacey</b>	10	91%			4	100%	8	89%		
<b>Rémi Marcoux</b>	10	91%	5	83%	3	75%				
<b>Kathleen Misunas</b>	11	100%					9	100%	4	100%
<b>Frank Potter</b>	11	100%			4	100%	3	33%	4	100%
<b>Maureen J. Sabia</b>	11	100%	6	100%			9	100%	3	75% <sup>(8)</sup>
<b>Wayne C. Sales</b>	11	100%	6	100% <sup>(9)</sup>	4	100% <sup>(9)</sup>	7	78% <sup>(9)</sup>	4	100% <sup>(9)</sup>
<b>Graham W. Savage</b>	10	91%	6	100%			7	78%		
<b>Stephen G. Wetmore</b>	10	91%	6	100%					4	100%

### Notes

(1) The Chairman of the Board attends all Committee meetings.

(2) Ms. Billes is not a member of the Audit Committee or the Management Resources and Compensation Committee but attends meetings of these Committees as an invited guest.

(3) Mr. Billes was elected to the Board of Directors on May 11, 2004.

(4) Mr. Billes resigned as a member of the Governance Committee and the Management Resources and Compensation Committee on March 10, 2005.

(5) Mr. Billes is not a member of the Audit Committee or the Social Responsibility and Risk Governance Committee but attends meetings of these Committees as an invited guest.

(6) Mr. Bucci resigned as a member of the Governance Committee and the Management Resources and Compensation Committee on March 10, 2005.

(7) Mr. Curtin resigned as a member of the Audit Committee on March 11, 2004. He attended two of the six Audit Committee meetings during 2004 as a member of the Committee and the remaining four as an invited guest.

(8) Miss Sabia is not a member of the Social Responsibility and Risk Governance Committee but attends meetings of this Committee as an invited guest.

(9) Mr. Sales is not a member of any Committee but attends meetings of the Committees as an invited guest.

# About the Board of Directors

The Board of Directors is elected by shareholders. The Board has explicitly assumed responsibility for stewardship of the Company.

The Board is responsible for:

- overseeing the conduct of the business and affairs of the Company
- supervising management
- using reasonable efforts to ensure that all major issues affecting the Company are given appropriate consideration.

In addition to its primary roles of overseeing corporate performance and providing quality, depth and continuity of management to meet our strategic objectives, the Board, among other things, is responsible for:

- approving business, strategic, financial and succession plans and monitoring the implementation of these plans
- approving communications to shareholders
- overseeing financial reporting and disclosure
- appointing officers and reviewing their performance at least once a year
- approving dividend payments, the issue, purchase and redemption of securities, the acquisition and disposition of capital assets, short and long-term objectives and human resource and other plans including executive compensation, employee benefits, profit sharing and incentive plans.

The Board:

- fulfills its responsibilities directly, through its Committees and through management
- delegates its authority to manage day-to-day business to management, but can review management decisions
- is informed of the Company's operations on an ongoing basis through Board and Committee meetings, and reports from and discussions with management.

The Chairman of the Board is responsible for facilitating highly effective performance of the Board. The Chairman's duties include, among other things:

- setting the agenda for Board meetings
- using his best efforts to provide directors with the information they need to do their job
- chairing Board meetings
- acting as a key liaison between the Board and management.

Please see *Appendix B* on page B1 for a copy of the Board's mandate. This document has been approved by the Board.

The Board meets at least nine times a year, and more often if necessary. Time is set aside at most meetings to discuss issues without management present.

The Board met 11 times in 2004.

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## Board Committees

The Board has established four standing Committees:

- Audit Committee
- Governance Committee
- Management Resources and Compensation Committee
- Social Responsibility and Risk Governance Committee.

The Board does not have an executive committee.

The Board has designated subjects, including matters of policy, on which the Committees are to perform an advisory role and report to the Board. The Committees have been delegated the authority required to carry out their functions. They review matters and make recommendations to the Board but do not make decisions on behalf of the Board except in limited circumstances. None of the Committee members is a current or former employee of Canadian Tire or any of its subsidiaries.

All Committees meet regularly without management present. Every director is entitled to attend any Committee meeting even if he or she is not a member of that Committee.

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## Audit Committee

The Audit Committee is currently made up of six directors:

- |                         |                       |
|-------------------------|-----------------------|
| • Gordon F. Cheesbrough | • Maureen J. Sabia    |
| • James D. Fisher       | • Graham W. Savage    |
| • Rémi Marcoux          | • Stephen G. Wetmore. |

Miss Sabia is the Chairman of the Committee.

Austin E. Curtin is invited to attend all Audit Committee meetings.

## Financial Reporting

The Audit Committee meets with the financial officers and external auditor to:

- review our annual and interim consolidated financial statements and then recommend them to the Board for approval
- review the procedures used in preparing financial statements and reports
- review disclosure documents and report on them to the Board
- monitor the adequacy of our financial internal control system
- monitor our financial risks
- review the activities of our Risk and Control Services department and its reports
- confirm that our tax returns have been filed.



## External Auditors

The current external auditors are Deloitte & Touche LLP.

The external auditors are accountable to the Board and the Audit Committee, as representatives of our shareholders.

With respect to the external auditors, the Audit Committee is responsible for:

- recommending to the Board the external auditors to be nominated for appointment by our shareholders
- evaluating their performance
- recommending their replacement, if appropriate
- approving their compensation
- monitoring their independence.

The Audit Committee meets with the external auditors to:

- review the planned scope of the audit, the areas of special emphasis and the materiality levels proposed to be employed
- confirm that management has not placed any restrictions on the scope and nature of planned audits
- review the results of the audit and discuss the external auditors' opinion on our accounting controls and the quality of our financial reporting.

Management is responsible for evaluating recommendations made by the external auditors, and for implementing recommendations that are accepted, including recommendations related to the Company's system of financial internal controls.

## Auditor Independence

The external auditors are responsible for ensuring that they meet standards for professional objectivity and independence. They are also responsible for disclosing to the Audit Committee:

- all relationships between the external auditors and the Company or its related entities
- the fees they charged for audit and non-audit services during the past year.

The Audit Committee also carries out the following:

- discusses with the external auditors any items in the written disclosure required by the Canadian Institute of Chartered Accountants Accounting Guideline 11, *Communications with Audit Committees*, that might be perceived to affect the external auditors' objectivity and independence
- reviews the non-audit services provided by the external auditors, as well as the external auditors' conclusion that the provision of those services does not prevent them from meeting the professional standards for objectivity and legal requirements for independence.

## Approving Services

The Audit Committee has a formal process for approving services from the external auditors. The external auditors must provide an annual client services plan which the Audit Committee must approve before any work begins.

The external auditors will be selected for additional audit or non-audit services only if:

- management is satisfied that they are the preferred supplier for these services
- the Chairman of the Audit Committee approves the proposed terms of engagement and advises the Audit Committee of the proposed provision of services at its next meeting. The entire Audit Committee must approve non-audit services when fees are more than \$100,000 or when the services are of a sensitive or unusual nature.

The Audit Committee meets at least four times a year, and met six times in 2004. The Chairman of the Audit Committee is available to meet at any time and meets regularly with the external auditors and representatives of the Risk and Control Services department.

Please see *Appendix C* on page C1 for a copy of the Audit Committee's mandate and charter. This document has been approved by the Board.

For more information about the Audit Committee as required by Part 5 of Multilateral Instrument 52-110, see pages 32 to 34 in our Annual Information Form.

## Auditors' Fees

The table below shows the fees that Deloitte & Touche LLP received for services for the year ended January 1, 2005.

Audit fees and quarterly reviews of financial statements (including our consolidated financial statements and financial statements of certain subsidiaries)		\$2,279,000
Other audit, tax and assurance related services		\$2,207,000
Other advisory and consulting services		\$ 128,000



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## Governance Committee

The Governance Committee is currently made up of five directors:

- Martha G. Billes
- Rémi Marcoux
- H. Earl Joudrie
- Frank Potter.
- John S. Lacey

Ms. Billes is the Chairman of the Committee.

Owen G. Billes and Adam Bucci are invited to attend all Governance Committee meetings.

The Governance Committee is appointed by the Board and is responsible for:

- making recommendations to the Board concerning our governance processes and practices
- appointing directors to serve on and to chair other Board Committees
- assisting the Board to assess the performance of the Board as a whole as well as individual directors and the Chairman of the Board
- identifying qualified candidates who may be elected to the Board by holders of Class A Non-Voting Shares
- conducting an annual review of the compensation of directors and the Chairman of the Board and recommending any changes to the Board.

The Committee met four times in 2004.

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## Management Resources and Compensation Committee

The Management Resources and Compensation Committee is currently made up of five directors:

- James D. Fisher
- Maureen J. Sabia
- John S. Lacey
- Graham W. Savage.
- Kathleen Misunas

Mr. Fisher is the Chairman of the Committee.

Owen G. Billes and Adam Bucci are invited to attend all Management Resources and Compensation Committee meetings.

The Committee is responsible for making recommendations to the Board in the following areas:

- the Company's compensation philosophy
- the appointment of senior officers
- the total compensation of senior officers, including base salary and short-term and long-term incentive plans
- the design of the Company's compensation and benefit plans.

The Committee also assists the Board in assessing the performance of senior officers and planning for senior officer succession. The Committee's duties include:

- assessing the performance of the President and Chief Executive Officer annually
- assessing the performance of other senior officers with the President and Chief Executive Officer
- reviewing and monitoring development programs that focus on management succession.

As part of its duties, the Committee also oversees employment arrangements when new executives are hired, reviews payouts under the short-term incentive plan and reviews employee opinion surveys which are conducted regularly.

The Committee met nine times in 2004.

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## Social Responsibility and Risk Governance Committee

The Social Responsibility and Risk Governance Committee is currently made up of seven directors:

- Martha G. Billes
- Kathleen Misunas
- Gordon F. Cheesbrough
- Frank Potter
- Austin E. Curtin
- Stephen G. Wetmore.
- H. Earl Joudrie

Mr. Potter is the Chairman of the Committee.

The Committee is primarily responsible for providing guidance to the Board and oversight of management regarding social responsibility and enterprise risk management.

### Social Responsibility

The Committee provides guidance and oversight regarding policies, procedures and programs which:

- address our social responsibilities
- govern ethical business conduct, human rights and employment practices
- protect the environment and safeguard the health and safety of our employees
- facilitate our investment in communities in which we carry on business to an extent and in a manner commensurate with our standing in the Canadian business community
- govern communications and dialogue with employees, customers, shareholders, suppliers and the community regarding the Company's social responsibility practices.

The Committee also provides guidance and oversight regarding our core statement of social responsibility and Codes of Business Conduct, monitoring and reporting of our activities which address our social responsibilities, and other issues of concern brought to it by members of the Committee, the Board or management.

## Risk Governance

The Committee is responsible for taking all actions which, in the opinion of the Board or the Committee, are necessary or desirable for the Committee to gain and maintain reasonable assurance that management is meeting certain obligations with respect to our enterprise risk management process, and to report its conclusions to the Board. The enterprise risk management process involves the identification, assessment, monitoring and management of risks confronting the Company. The obligations that management is required to meet include:

- developing and maintaining an enterprise risk management policy
- implementing effective enterprise risk management throughout the Company in accordance with that policy
- identifying new principal risks in a timely manner
- effectively monitoring, managing and reporting on principal risks in compliance with the enterprise risk management policy.

The Committee met four times in 2004.

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## Our Corporate Governance Policies and Practices

Management and the Board of Directors believe that good corporate governance policies and practices are essential to our performance. We regularly review the corporate governance policies and practices we have developed over the years to maintain assurance that they continue to be comprehensive, relevant and effective.

Our corporate governance policies and practices described below explain how we are meeting:

- the guidelines for corporate governance adopted by the Toronto Stock Exchange (the *TSX Guidelines*)
- the guidelines proposed by securities regulators in Canada that we expect to be in force later in the summer of 2005 (the *CSA Rules*):
  - proposed National Policy 58-201, *Corporate Governance Guidelines*
  - proposed National Instrument 58-101, *Disclosure of Corporate Governance Practices*.

### The TSX Guidelines

The TSX Guidelines include 14 guidelines for effective corporate governance and require each listed company to disclose its approach to corporate governance and, where the company's system is different from the guidelines, an explanation of the differences. Our corporate governance is substantially consistent with the objectives set out in the TSX Guidelines. Our approach to the matters of corporate governance referred to in each of the 14 guidelines follows.

### 1. The board should explicitly assume responsibility for stewardship of the company, and specifically for:

#### (i) *Adoption of strategic planning process;*

The written objectives of the President and Chief Executive Officer include responsibility for the development of strategic plans. The Board has adopted a process to focus on strategic planning matters on a regular basis, which process includes the annual approval of longer term strategic plans and annual business plans and the monitoring of performance against and continuing suitability of such plans.

#### (ii) *Identification of principal risks and ensuring implementation of risk management systems;*

The identification of our principal business risks is the responsibility of management subject to review by the Board. We have established an enterprise risk management process to enhance the consistency and effectiveness of risk assessment and management. This process is being implemented across the organization. The Board has established Board committees to monitor the implementation of systems put in place pursuant to the enterprise risk management process. As examples, the Social Responsibility and Risk Governance Committee reviews and monitors the Company's management of environmental risk and occupational health and safety matters, and the Audit Committee performs a similar role with respect to risks in financial reporting and disclosure.

#### (iii) *Succession planning and monitoring senior management;*

The Management Resources and Compensation Committee reviews and reports at least annually to the Board on organizational and succession planning matters. The President and Chief Executive Officer has a written objective regarding succession planning for senior management and the Company has a management resource planning process in place to monitor the performance and development of senior management. Senior management is expected to take advantage of appropriate development opportunities made available from time to time.

#### (iv) *Communications policy;*

To ensure that the rules of timely disclosure are observed the Board has, through the creation of a Corporate Affairs Department and the appointment of appropriate officers, put in place structures for effective communication between the Company, its stakeholders and the public. The Board has also approved disclosure and insider trading policies which designate certain employees as authorized spokespersons of the Company, establish disclosure guidelines and set out restrictions on insider trading in our securities.

(v) ***Integrity of internal control and management information systems;***

- ***Systems and controls***

The Audit Committee reviews the Company's financial and accounting systems and controls principally by receiving reports from the Risk and Control Services department (internal audit) and by reviewing the external auditors' annual letter of comments on these items and management's responses thereto.

- ***Occupational health and safety and environmental matters***

The Social Responsibility and Risk Governance Committee receives and reviews regular reports regarding occupational health and safety matters and environmental issues together with annual reports concerning these subjects. Our environmental management systems have been reviewed by independent consultants on two occasions in recent years.

- ***Human resources matters***

In addition to the role of the Management Resources and Compensation Committee in relation to human resources matters, the Social Responsibility and Risk Governance Committee reviews and monitors our policies and activities in human rights and related employment matters with a view to employment equity and the avoidance of discrimination and other human rights infringements.

- ***Information systems***

As part of our ongoing planning processes, the Board reviews our management information practices and policies. In addition, the Audit Committee reviews the adequacy of management financial information systems from time to time.

**2. Majority of directors should be "unrelated" (independent of management and free from conflicting interest).**

The TSX Guidelines define an *unrelated director* as a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding. A *related director* is defined as a director who is not an unrelated director.

The Board is composed of 16 members, three of whom are nominated by the Board and elected by the holders of Class A Non-Voting Shares. The remaining 13 directors elected annually by the holders of Common Shares include Mr. Sales, the President and Chief Executive Officer, and 12 individuals nominated pursuant to a shareholders' agreement which provides, amongst other things, that Ms. Billes, together with corporations and trusts associated with her, has the right to nominate nine directors and CTC Dealer Holdings Limited has the right to nominate three directors. The Board of Directors includes a

majority of directors who are unrelated to the Company. The Board believes that the number of directors who do not have interests in or relationships with the Company, Ms. Billes or corporations or trusts associated with Ms. Billes provides for fair representation of shareholders who have invested in the Company.

**3. Disclosure for each director whether he or she is related, and how that conclusion is reached.**

Mr. Sales is the President and Chief Executive Officer of the Company and Mr. Billes is employed by the Company. Therefore, Mr. Sales and Mr. Billes are related to the Company. Mr. Bucci and Mr. Curtin are Canadian Tire Associate Dealers pursuant to contracts with the Company in the same form as other Canadian Tire Associate Dealers and, therefore, are considered to be related to the Company.

None of the remaining directors, being a majority of the Board members, is related by reason of having worked for the Company, having material contracts with the Company or having received remuneration from the Company in excess of directors' fees and related retainers. In addition, none of the remaining directors has any business or other relationship with Ms. Billes or any interest in or relationship with corporations or trusts associated with her which could, or could reasonably be perceived to, materially interfere with his or her ability to act with a view to the best interests of the Company, and as such, none of the remaining directors is related to Ms. Billes or corporations or trusts associated with her.

**4. Appoint a committee responsible for the appointment/assessment of directors composed exclusively of outside directors, a majority of whom are unrelated.**

The Governance Committee has the mandate to recommend candidates for the Board and to develop assessment procedures for Board and director performance. All of the directors on the Committee are outside, unrelated directors.

**5. Implement a process for assessing the effectiveness of the board, its committees and individual directors.**

Every second year, the effectiveness of the full Board is assessed through a process which requires each director to assess the Board's performance in respect of a lengthy list of criteria reflecting the Board's responsibilities. The results of all the directors' assessments are consolidated into a composite report on the full Board's effectiveness. The Board and the Governance Committee use the composite report to identify and remediate any aspects of the Board's performance which do not meet the directors' rigorous standards. Similar processes are used annually to assess the effectiveness of the Committees and the Chairman of the Board.

In intervening years when a full Board assessment is not conducted, the performance of each individual director (other than the President and Chief Executive Officer and the Chairman of the Board) is assessed through a process which requires each director to assess anonymously the effectiveness of every director (including himself or herself) by reference to a list of criteria derived primarily from the director's job description. The assessments of each director are compiled into a composite report for that director and the composite report is provided to that director and to the Chairman of the Governance Committee. Where appropriate, the Chairman of the Board and/or the Chairman of the Governance Committee then meets with the individual director to discuss the composite report.

**6. Provide orientation and education programs for new directors.**

Reports, summaries, analyses and documents relating to our strategic plan, business, affairs and governance are provided to new directors, each of whom receives a director's orientation through meetings with officers and other Board members and visits to our main operational sites. From time to time presentations are made to the Board on the operations of the various Company functions and facilities and visits are made to new operations. All directors are advised on an ongoing basis concerning legal and other matters applicable to the Company and the duties of directors. Every director is afforded the opportunity, at the Company's expense, to attend conferences, seminars and courses directed to expanding the director's knowledge and skills.

**7. Consider reducing the size of the board, with a view to improving effectiveness.**

The Board believes that the current number of directors promotes effectiveness and efficiency and is appropriate in all the circumstances.

**8. Review compensation of directors in light of risks and responsibilities.**

The Governance Committee reviews and recommends to the Board of Directors for approval the remuneration of directors. The Board considers the time commitment, comparative compensation, risks, responsibilities and other factors in determining compensation.

**9. Committees should generally be composed of outside directors and a majority of Committee members should be unrelated.**

The Board Committees, except for the Social Responsibility and Risk Governance Committee, are composed solely of outside directors, all of whom are unrelated directors.

**10. Appoint a committee responsible for approach to corporate governance issues.**

The Governance Committee is, amongst other things, responsible for making recommendations to the Board of Directors regarding our approach to corporate governance and our disclosure of such approach.

**11. (i) Define limits to management's responsibilities by developing mandates for the board and the President and Chief Executive Officer.**

**(ii) The board should approve the President and Chief Executive Officer's corporate objectives.**

The Board of Directors has a written mandate which describes in detail the Board's duties in managing or supervising the management of the Company's business, as more fully described under *About the Board of Directors* above. Certain roles are delegated to management or a Board Committee subject to review by the full Board. A written job description is in place for the President and Chief Executive Officer, whose written objectives are approved annually by the Board of Directors and constitute a part of the President and Chief Executive Officer's mandate on a year-to-year basis. Please see *Appendix B* on page B1 for the text of the Board mandate.

**12. Establish structures and procedures to enable the board to function independently of management.**

The Board of Directors has the prerogative of meeting independently of management and does so at most regularly scheduled Board meetings. The Committees of the Board function independently of management when appropriate. The Chairman of the Board, who is not a member of management, is responsible for facilitating highly effective performance by the Board of Directors in the discharge of its responsibilities.

**13. Establish an audit committee with a specifically defined mandate, all members of which should be outside directors.**

The Audit Committee is composed solely of outside directors and has a specifically defined mandate and charter, a copy of which is attached as *Appendix C* to this information circular.

**14. Implement a system to enable individual directors to engage outside advisors at the company's expense.**

Individual directors are entitled to engage outside advisors at the Company's expense with the authorization of the Chairman of the Board.



## The CSA Rules

The CSA Rules provide that if management of the Company solicits proxies from its security holders for the purpose of electing directors to the Company's Board of Directors, the Company must include in its management information circular the following disclosure:

1. **Disclose whether or not a majority of directors are "independent", as that term is defined in the CSA Rules.**  
The Board of Directors includes a majority of directors who are *independent* directors.
2. **Disclose for each director whether he or she is "independent" or "not independent" and the basis for that determination.**  
Mr. Sales is the President and Chief Executive Officer of the Company and Mr. Billes is an employee of the Company. Therefore, Mr. Sales and Mr. Billes are *not independent* directors. Mr. Bucci and Mr. Curtin are Canadian Tire Associate Dealers pursuant to contracts with the Company in the same form as other Canadian Tire Associate Dealers' contracts and, therefore, are considered to be *not independent* directors.

In the view of the Board, although Mr. Bucci and Mr. Curtin are *not independent* directors, the knowledge, experience and perspective they bring to the Board as Canadian Tire Associate Dealers is critical to the effective governance of the Company.

All of the other directors are *independent*.

3. (i) **Disclose the process by which the board identifies new candidates for board nomination.**  
The Governance Committee has the mandate to recommend candidates for the Board. In so doing the Governance Committee considers the competencies and skills that the Board considers to be necessary for the Board, as a whole, and for each existing director to possess. The Governance Committee also considers the competencies and skills each new nominee will bring to the boardroom.
- (ii) **Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.**  
The Governance Committee acts as the nominating committee of the Board. All of the directors on the Governance Committee are independent directors.
- (iii) **If the board has a nominating committee, disclose the responsibilities, powers and operation of the nominating committee.**  
See page 13 of this information circular for a description of the powers, responsibilities and operation of the Governance Committee.

4. **Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments.**  
The Board, its Committees and individual directors are regularly assessed with respect to their effectiveness and contribution. See *TSX Guideline #5* on page 15 for a description of the assessment process for the Board, its Committees and individual directors.
5. (i) **Describe the measures the board takes to orient new directors regarding**
  - (a) the role of the board, its committees and its directors, and
  - (b) the nature and operation of the company's business.
- (ii) **Describe the measures, if any, the board takes to provide continuing education for its directors.**  
For the purpose of maintaining reasonable assurance that each new director engages in a comprehensive orientation process and that all directors are provided with continuing education opportunities, the Board or the Governance Committee:
  - (a) requires management to provide to each new director:
    - (i) copies of the articles and by-laws of the Company
    - (ii) copies of the mandates of the Board and each Board Committee
    - (iii) copies of the position descriptions for an individual director, the Chairman of the Board and the Chairman of each Board Committee
    - (iv) a copy of the Diligence Policy of the Board of Directors
    - (v) copies of the agendas and minutes for all Board and Board Committee meetings held in the 12-month period immediately preceding such new director's election or appointment to the Board
    - (vi) a copy of the Company's current strategic plan
    - (vii) copies of the Company's Annual Reports, Management's Discussion & Analysis (MD&A) and Management Information Circulars for the last five financial years of the Company preceding such new director's election or appointment to the Board
    - (viii) copies of the Company's interim financial statements and related MD&As for the last two financial years of the Company immediately preceding such new director's election or appointment to the Board
    - (ix) a copy of the Company's current Annual Information Form
    - (x) a copy of the Company's Code of Business Conduct for Employees and Directors
    - (xi) a copy of the Company's Disclosure Policy

- (xii) a description of (1) the amount, form and timing of remuneration payments made to each director by the Company, and (2) the Company's share ownership guidelines for directors
  - (xiii) a copy of the Company's insider trading policies, including the "black-out" periods for the current financial year
  - (xiv) opportunities to meet with the President and Chief Executive Officer and the senior officers of all of the Company's business units for the purpose of discussing the nature and operation of the Company's business and affairs
  - (xv) opportunities to visit the Company's principal operating locations and to discuss the operation of those locations with the managers of those locations
- (b) requires the Chairman of the Board to meet with each proposed new director and to explain to such proposed new director the culture of the Board, the commitment of time and energy expected of every director and the competencies and skills which such proposed new director is expected to bring to the Board
- (c) makes available to every director the opportunity, at the expense of the Company,
- (i) to attend any conference, seminar, course or other educational experience (1) which is intended to expand corporate directors' knowledge and skills, and (2) which is approved by the Chairman of the Board or the Chairman of the Governance Committee
  - (ii) to visit any of the Company's principal operating locations and to discuss the operation of those locations with the managers of those locations.

**6. Disclose the process by which the board determines the compensation for the company's directors and officers.**

The Governance Committee reviews and recommends to the Board of Directors for approval the remuneration of directors. The Board considers the time commitment, comparative compensation, risks, responsibilities and other factors in determining compensation.

The Company's executive compensation program is overseen on behalf of the Board of Directors by the Management Resources and Compensation Committee. The Committee has primary responsibility for making recommendations to the Board of Directors regarding the compensation of senior officers of the Company including the senior officers named in the *Summary Compensation Table*. The Committee annually organizes a Board review of the performance of the President

and Chief Executive Officer and, with the President and Chief Executive Officer, reviews the performance evaluations of the Company's senior officers, recommends to the Board the compensation philosophy of the Company, reviews the design, competitiveness and execution of the Company's compensation and benefit plans and oversees individual employment arrangements when executives are hired. The Committee conducts an annual review of the Company's executive compensation program, including compensation of the President and Chief Executive Officer. The review is conducted with the assistance of independent professional compensation consultants reporting directly to the Committee.

**7. Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.**

The Management Resources and Compensation Committee is composed entirely of independent directors.

**8. Disclose the responsibilities, powers and operation of the compensation committee.**

See page 13 of this information circular for a description of the responsibilities, powers and operation of the Management Resources and Compensation Committee.

**9. Disclose whether or not the board and the President and Chief Executive Officer have developed a written position description for the President and Chief Executive Officer.**

A written job description is in place for the President and Chief Executive Officer, whose written objectives are approved annually by the Board of Directors and constitute a part of the President and Chief Executive Officer's mandate on a year-to-year basis.

**10. Disclose the text of the board's written mandate.**

The text of the Board's written mandate is attached hereto as *Appendix B*.



11. Disclose whether or not the independent directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held during the preceding 12 months.

The independent directors, together with Mr. Billes and the directors who are Associate Dealers and who are not independent, hold regularly scheduled meetings at which members of management are not in attendance. Seven such meetings were held during the previous 12 months.

12. Disclose each director who is a director of any other reporting issuer in a jurisdiction or a foreign jurisdiction.

See the directors' biographies under *Slate of Director Nominees* beginning on page 7 of this information circular for directorships of other reporting issuers for each director.

13. Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.

Gilbert S. Bennett is Chairman of the Board and is an independent director. Mr. Bennett is responsible for facilitating highly effective performance of the Board. His duties include, among other things:

- (i) setting the agenda for Board meetings
- (ii) using his best efforts to provide directors with the information they need to do their job
- (iii) chairing Board meetings
- (iv) acting as a key liaison between the Board and management.

14. Disclose whether or not the board has developed written position descriptions for the chair and the chair of the each board committee.

The Board has developed written position descriptions for the Chairman of the Board and the chairman of each Board Committee.

15. (i) Disclose whether or not the board has adopted a written ethical business conduct code for its directors, officers and employees, and
- (a) how an interested party may obtain a copy of the written code
  - (b) how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board ensures compliance with its code
  - (c) provide a cross-reference to any material change report(s) filed within the preceding 12 months that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

- (ii) Disclose any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

- (iii) Disclose any other steps the board takes to encourage and promote a culture of ethical business conduct.

The Board has approved the Company's Code of Business Conduct For Employees and Directors and the Code of Business Conduct for Suppliers, a copy of which may be obtained without charge by contacting Susan J. E. Rogers at Canadian Tire Corporation, Limited, 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario M4P 2V8. The Codes are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

Each officer of the Company is accountable for ensuring that the Codes are implemented in their business unit or functional area and that all violations are reported in a manner consistent with the requirements of the Codes.

Management is required to provide, at least quarterly, reports to the Audit Committee and Social Responsibility and Risk Governance Committee on all reported violations and their disposition.

If a director or an officer is a party to a material transaction or agreement or a proposed material transaction or agreement with the Company, or, if the director or officer is a director or an officer of, or has a material interest in, any person who is a party to a material transaction or agreement or a proposed material transaction or agreement with the Company, he or she is required to comply with the conflict of interest provisions of the Ontario *Business Corporations Act*, which require written disclosure to the Company by the director or officer, or a request by the director or officer to have entered in the minutes of meetings of directors the nature and extent of his or her interest. In addition, the Board is given an opportunity to discuss such agreements or transactions in the absence of the interested director. A director who has declared a conflict of interest cannot vote on the matter in which he or she has an interest.

16. Identify standing committees of the board other than audit, compensation and nominating committees and describe their function.

The Social Responsibility and Risk Governance Committee is the only standing Committee of the Board other than the Audit Committee, the Management Resources and Compensation Committee and the Governance Committee.

See page 13 of this information circular for a description of the Social Responsibility and Risk Governance Committee's function.

# Executive Compensation

This section provides details about executive compensation and employment arrangements in 2004.

## Summary Compensation Table

The table below shows the annual short-term and long-term compensation paid to the President and Chief Executive Officer, the Executive Vice-President and Chief Financial Officer and our three other most highly compensated senior officers.

Name and Principal Position	Year	Annual Compensation			Securities Under Options or SARs Granted (#) <sup>(3)</sup>	Long-term Compensation Awards	
		Salary (\$)	Bonus (\$) <sup>(1)</sup>	Other Annual Compensation (\$) <sup>(2)</sup>		Shares or Units Subject to Resale Restrictions (\$)	All Other Compensation (\$)
<b>Wayne C. Sales</b>	<b>2004</b>	<b>990,000</b>	<b>1,279,777</b>	<b>269,840</b>	–	<b>1,666,937<sup>(4)</sup></b>	<b>855</b>
President and Chief	2003	990,000	1,068,439	256,878	–	1,617,500 <sup>(5)</sup>	4,465,897 <sup>(6)</sup>
Executive Officer	2002	980,000	1,033,802	242,582	70,000	811,500 <sup>(5)</sup>	1,221
<b>J. Huw Thomas</b>	<b>2004</b>	<b>404,750</b>	<b>359,436</b>	<b>77,455</b>	–	<b>482,181<sup>(4)</sup></b>	<b>346</b>
Executive Vice-President	2003	388,750	279,701	69,264	8,000	352,800 <sup>(5)</sup>	1,339,856 <sup>(6)</sup>
and Chief Financial Officer	2002	366,250	257,547	61,575	15,000	162,300 <sup>(5)</sup>	430
<b>A. Mark Foote</b>	<b>2004</b>	<b>532,000</b>	<b>375,504</b>	<b>101,276</b>	–	<b>635,450<sup>(4)</sup></b>	<b>50,455</b>
President,	2003	513,750	345,100	89,983	22,000	373,600 <sup>(5)</sup>	1,342,646 <sup>(6)</sup>
Canadian Tire Retail	2002	491,250	281,044	82,665	20,000	243,450 <sup>(5)</sup>	601
<b>Thomas K. Gauld</b>	<b>2004</b>	<b>401,077</b>	<b>376,811</b>	<b>125,881</b>	–	<b>476,587<sup>(4)</sup></b>	<b>365</b>
President, Canadian Tire	2003	382,385	286,788	66,142	16,500	250,800 <sup>(5)</sup>	1,161,214 <sup>(6)</sup>
Financial Services Limited	2002	357,500	268,125	59,644	13,000	162,300 <sup>(5)</sup>	466
<b>Michael R. Lambert</b>	<b>2004</b>	<b>347,500</b>	<b>270,954</b>	<b>64,390</b>	–	<b>231,581<sup>(4)</sup></b>	<b>1,353</b>
President, Mark's Work Wearhouse,	2003	349,026	261,762	49,668	12,000	176,400 <sup>(5)</sup>	626,472 <sup>(6)</sup>
Ltd. and Executive Vice-President	2002	268,269	196,840	15,069	36,000	563,425 <sup>(5)</sup>	1,285
of the Company							

### Notes

#### (1) Short-term Incentive Plan

This column lists the amounts earned under our Short-term Incentive Plan.

#### (2) Profit Sharing and Stock Purchase Plans and Perquisites

This column includes imputed interest on loans and awards under our Profit Sharing and Share Purchase Plans. In addition, Mr. Sales received perquisites of \$53,442. This included \$20,000 which paid for financial advisory services and an automobile allowance of \$30,000. Perquisites and other personal benefits paid to other officers are not disclosed as they are less than \$50,000 and less than 10 percent of the officer's total annual salary and bonus.

#### (3) Options

This column lists the number of Class A Non-Voting Shares for which options were granted under our Stock Option Plan.

#### (4) Performance Conditioned Share Units

We awarded 78,050 performance conditioned share units before January 1, 2005 to the President and Chief Executive Officer, the Executive Vice-President and Chief Financial Officer and our three other most highly compensated senior officers as follows:

Mr. Sales	— 37,250
Mr. Thomas	— 10,775
Mr. Foote	— 14,200
Mr. Gauld	— 10,650
Mr. Lambert	— 5,175.

The values disclosed in this column are based on the respective market prices of the Class A Non-Voting Shares as of the close of business on the date of the

relevant award. The Performance Conditioned Share Unit Plan provides that recipients of performance conditioned share unit awards are entitled to receive a cash payment per unit based on the market value of the Company's Class A Non-Voting Shares at the end of a three-year period, increased or decreased by applying a multiplier calculated by reference to share price appreciation and to the Company's average return on invested capital. The performance conditioned share units awarded to the senior officers listed above had an aggregate value of \$3,983,020 at the end of the financial year, based on the market value of Class A Non-Voting Shares as of the close of business on December 31, 2004 and giving effect to a multiplier of 0.90788. The minimum multiplier that may be applied to the performance conditioned share units is 0 and the maximum multiplier is 1.5. See *Long-term Incentive Plans—Performance Conditioned Share Unit Plan* for the terms of the plan. Dividend equivalents are not paid on these units.

#### (5) Performance Share Units

We awarded 145,000 performance share units before January 1, 2005 to the President and Chief Executive Officer, the Executive Vice-President and Chief Financial Officer and our three other most highly compensated senior officers as follows:

Mr. Sales	— 85,000
Mr. Thomas	— 18,000
Mr. Foote	— 21,000
Mr. Gauld	— 14,000
Mr. Lambert	— 7,000.

The values disclosed in this column are based on the respective market values of the Class A Non-Voting Shares as of the close of business on the date of the

relevant award. The Performance Share Unit Plan provides that recipients of performance share unit awards are entitled to receive a cash payment per unit based on the market value of the Company's Class A Non-Voting Shares at the end of a three-year period, increased or decreased by applying a multiplier calculated by reference to the Company's total return to shareholders relative to a group of approximately 40 North American retailers against which the Company measures its performance (the *Comparator Group*). The actual multiplier that will be applied to the value of the recipient's performance share units at the payout date will be determined by the Company's rank relative to the Comparator Group as of the determination date in the recipient's Performance Share Unit agreement. The performance share units awarded to the senior officers listed above had an aggregate value of \$12,101,259 at the end of the financial year, based on the market value of Class A Non-Voting Shares as of the close of business on December 31, 2004 and giving effect to a multiplier of 1.5 for performance share units awarded in 2002 and a multiplier of 1.48 for performance share units awarded in 2003. The minimum multipliers that may be applied to the performance share units awarded in 2002 and 2003 are 0 and 0.3, respectively, and the maximum multiplier is 1.5. See *Long-term Incentive Plans—Performance Share Unit Plan* for the terms of the plan. Dividend equivalents are not paid on these units. In the case of Mr. Lambert, the amount disclosed reflects the value of restricted share units awarded in addition to performance share units awarded to Mr. Lambert in 2002.

#### (6) Restricted Share Units

We awarded an aggregate of 100,000 restricted share units from 2000 to 2003 to the President and Chief Executive Officer, the Executive Vice-President and Chief Financial Officer and our three other most highly compensated senior officers as follows:

Mr. Sales	—	50,000
Mr. Thomas	—	15,000
Mr. Foote	—	15,000
Mr. Gauld	—	13,000
Mr. Lambert	—	7,000.

Awards of these units were disclosed in the years in which they were awarded. The Restricted Share Unit Plan provided that if specified share price targets were met, a multiplier would be applied to the value of the units. As all share price targets were met during the applicable restriction period, the maximum multiplier of 2.5 was applied to the value of all restricted share units awarded. The restriction period for these units ended on October 2, 2003 and the payout date was October 31, 2003. Payout values for the units are included in the 2003 row of the *All Other Compensation* column above. See *Long-term Incentive Plans—Restricted Share Unit Plan* for the terms of the plan. Dividend equivalents were not paid on these units.

## Options/SAR Grants During the Most Recently Completed Financial Year

We did not grant any stock options under the Stock Option Plan during the financial year ended January 1, 2005.

## Aggregated Options/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-end Options/SAR Values

The table below is a summary of all stock options exercised by the senior officers listed in the *Summary Compensation Table* during the financial year ended January 1, 2005. It also shows the total value of their unexercised options at January 1, 2005.

	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$) <sup>(2)</sup>	Unexercised Options/SARs at January 1, 2005 (#) <sup>(1)</sup>		Value of Unexercised "In-the-Money" Options/SARs at January 1, 2005 (\$) <sup>(2)</sup>	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Wayne C. Sales	119,824	3,975,959	312,565	60,000	8,461,129	1,957,150
J. Huw Thomas	32,250	1,187,042	87,500	18,500	2,561,539	566,329
A. Mark Foote	40,000	806,510	122,631	34,000	3,484,219	1,010,386
Thomas K. Gauld	139,406	2,753,172	3	23,875	94	705,012
Michael R. Lambert	—	—	21,000	27,000	645,072	804,576

#### Notes

(1) Each option granted is for one Class A Non-Voting Share.

(2) These values represent the difference between the exercise price of the options and the market value of the Class A Non-Voting Shares as of the date the options were exercised or as of our financial year-end, as applicable.

## Employment Agreements

### *President and Chief Executive Officer*

Mr. Sales' employment agreement with Canadian Tire is in effect from July 1, 2004 until June 30, 2007. The agreement:

- specifies that his annual base salary is \$990,000
- entitles him to a grant of deferred share units with a face value of \$2 million based on the 20-day weighted average price of one Class A Non-Voting Share on the day preceding the execution of his employment agreement; this grant will be made on August 3, 2005 provided Mr. Sales is employed by the Company on August 3, 2005 or if his employment is terminated prior to August 4, 2005 without cause, or by Mr. Sales in limited circumstances
- allows him to participate in:
  - our Short-term Incentive Plan
  - our Long-term Incentive Plan for executives under which he will receive annually a grant valued at no less than \$1.6 million on the date of the grant
  - any new incentive plan we introduce
  - our Profit Sharing Plan and Share Purchase Plan
  - other benefits that are generally provided to our senior officers.
- provides for payment to his insurer to a maximum annually of \$20,000 (U.S.) in respect of the costs of health insurance for healthcare in the United States for himself and his wife
- entitles him to an annual payment, until one year following the end of his employment with the Company, equal to the foregone pre-tax benefit to him of the housing loan he voluntarily repaid in 2004
- provides for payment of his annual membership fees at three clubs
- entitles him to other perquisites described in Note 2 to the *Summary Compensation Table* on page 20.

If Mr. Sales' employment is terminated by the Company without cause and in the absence of disability (as defined by the agreement) or by Mr. Sales in certain limited circumstances specified in the agreement, or the term of his employment contract expires, Mr. Sales' annual base salary, annual bonus and vacation will continue for one year. His annual bonus entitlement for this one-year period will be equal to the average of any annual bonuses paid to him for the last two fiscal years that ended before the day of termination.

Any unvested stock options granted to Mr. Sales will vest on the day of termination, and are exercisable until the earlier of the fifth anniversary of the date of termination of his employment and the expiry of the options.

Mr. Sales will continue to receive all of his benefits during the one-year period following the date of termination (except for long-term disability insurance), his automobile, club and financial planning perquisites. We will also pay a lump sum after-tax amount of \$50,000 (Cdn.) in respect of moving expenses and \$25,000 for outplacement costs, less withholding taxes.

In respect of health insurance costs in the United States, we will pay a maximum of \$20,000 (U.S.) annually to Mr. Sales' insurer for him and his wife until the earlier of the death of both Mr. Sales and his wife and 2015, and up to \$30,000 (U.S.) annually thereafter until the earlier of the death of both Mr. Sales and his wife and 2020.

If Mr. Sales' employment is terminated by the Company for cause, by reason of his death or disability (as defined by the agreement), by the Company without cause or by Mr. Sales in certain other limited circumstances specified in the agreement after August 3, 2005, all deferred share units granted to Mr. Sales on August 3, 2005, as described above, will be exercisable by him in accordance with the deferred share unit plan under which they were issued.

If Mr. Sales' employment is terminated without cause by the Company for disability (as defined by the agreement) or by reason of his death, the Company is required to pay him his annual base salary and expenses due at the time of termination, his annual bonus pro-rated to the date of termination and his long-term incentives as if Mr. Sales' employment had continued during any term or performance period under those plans. If Mr. Sales' employment is terminated by the Company with cause, the Company is required to pay him only his annual base salary and expenses due at the time of termination.

In the event Mr. Sales resigns for reasons other than certain limited circumstances specified in the agreement, the Company will have no further obligations or responsibilities to Mr. Sales.

### *Other Senior Officers*

Mr. Thomas, Mr. Foote and Mr. Lambert have also entered into employment agreements with the Company. The agreements entitle each of them to:

- a minimum annual base salary, specified in the agreement (see the *Summary Compensation Table* on page 20 for their 2004 annual base salaries)
- participation in the Short-term Incentive Plan, Profit Sharing Plan, Share Purchase Plan and Long-term Incentive Plan for executives
- other benefits that are generally provided to our senior officers.

Mr. Thomas' employment agreement also provides that he is entitled to:

- a housing loan<sup>(1)</sup> in the principal amount of \$150,000 repayable in seven equal annual installments commencing January 1, 2004
- an automobile allowance of \$1,645 per month, Company paid parking and a Canadian Tire Auto Club membership
- reimbursement for financial planning services to a maximum of \$5,000 annually.

Mr. Lambert's employment agreement also provides that he is entitled to:

- a Company paid leased automobile and operating expenses which together are approximately \$1,470 per month, Company paid parking and a Canadian Tire Auto Club membership
- reimbursement for financial planning services to a maximum of \$5,000 annually.

Mr. Foote's employment agreement also provides that he is entitled to:

- an automobile allowance of \$1,645 per month, Company paid parking and a Canadian Tire Auto Club membership
- reimbursement for financial planning services to a maximum of \$5,000 annually.

If Mr. Thomas' or Mr. Lambert's employment is terminated without just cause, they are entitled to base salary for one year, an annual bonus pro-rated to the day of termination as long as financial targets are met, and flexible benefits coverage (excluding life insurance and long-term disability insurance) until the earlier of the end of the base salary continuation or having obtained new employment.

### **Composition of the Management Resources and Compensation Committee**

The current members of the Management Resources and Compensation Committee are James D. Fisher, Chairman, John S. Lacey, Kathleen Misunas, Maureen J. Sabia and Graham W. Savage.

Peter Y. Atkinson was a member of the Management Resources and Compensation Committee until May 2004. Mr. Atkinson did not stand for re-election as a director in May 2004.

Owen G. Billes was appointed a member of the Management Resources and Compensation Committee on May 10, 2004.

Owen G. Billes and Adam Bucci resigned as members of the Committee on March 10, 2005.

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## **Report on Executive Compensation**

The Management Resources and Compensation Committee oversees the executive compensation program on behalf of the Board of Directors.

The Committee is responsible for recommending to the Board the appointment and compensation of all of our senior officers, including the senior officers listed in the *Summary Compensation Table* on page 20.

(1) Mr. Thomas' housing loan will be repaid in full during 2005.

For further information about the Management Resources and Compensation Committee see page 13 of this information circular.

Our executive compensation plan applies to all of our senior officers. It is designed to:

- attract and retain highly qualified executives
- motivate superior performance
- align the interests of executives with the interests of our shareholders.

The executive compensation plan includes three key elements:

- annual base salary
- short-term incentives
- long-term incentives, granted in 2004 as performance conditioned share units.

Compensation is linked to our short-term and long-term goals.

A significant part of senior officer compensation is based on our success in meeting specific performance goals including strategic plan objectives and appreciation in our share price.

The Management Resources and Compensation Committee reviews our compensation program every year with the assistance of independent, professional compensation consultants who report directly to the Committee. Every two years the review compares our compensation program with the programs of comparable companies in the retail and financial services industries and other large Canadian companies with whom the Company competes for executives. The Committee believes this review process allows for an effective, ongoing evaluation of our program against current industry practices.

### **Annual Base Salary**

The Committee sets each senior officer's annual base salary, taking the following into consideration:

- the range of base salaries paid in the competitive marketplace. This includes salaries paid by large Canadian retailers and a group of organizations representing a cross-section of industries and generating annual revenues of between \$2 billion and \$23 billion to people holding positions of responsibility comparable to the senior officer's position
- the senior officer's experience, knowledge and performance
- the value of other components in the senior officer's compensation package.



## Incentive Plans

The table below provides a summary of the Short-term and Long-term Incentive Plans we have in place.

Name of the Plan	Who is Eligible	Goals of the Plan	Type of Incentive
<b>Short-term Incentive Plan</b> Annual Bonus Plan	<ul style="list-style-type: none"> <li>senior officers</li> <li>senior management</li> </ul>	<ul style="list-style-type: none"> <li>relate compensation to our overall performance</li> </ul>	Cash payment linked to: <ul style="list-style-type: none"> <li>our consolidated net income and the operating profits of our divisions and subsidiaries (generally 75%)</li> <li>the performance objectives of operating units (generally 25%)</li> </ul>
<b>Long-term Incentive Plans</b> Performance Share Unit Plan <ul style="list-style-type: none"> <li>long-term incentive</li> </ul>	<ul style="list-style-type: none"> <li>senior officers</li> <li>senior management</li> </ul>	<ul style="list-style-type: none"> <li>align compensation with the achievement of the goals in our strategic plan</li> <li>attract and retain talented senior management</li> <li>align the interests of senior management with shareholders</li> </ul>	<ul style="list-style-type: none"> <li>performance share units (restricted share units) that are paid out in cash</li> <li>payment linked to our total return to shareholders relative to a comparator group of 40 North American retailers</li> </ul>
<b>Performance Conditioned Share Unit Plan</b> <ul style="list-style-type: none"> <li>long-term incentive</li> </ul>	<ul style="list-style-type: none"> <li>senior officers</li> <li>senior management</li> </ul>	<ul style="list-style-type: none"> <li>align compensation with the achievement of the goals in our strategic plan</li> <li>attract and retain talented senior management</li> <li>align the interests of senior management with shareholders</li> </ul>	<ul style="list-style-type: none"> <li>performance conditioned share units that are paid out in cash</li> <li>payment linked to the appreciation in value of Class A Non-Voting Shares and our average return on invested capital over a three-year period</li> </ul>
<b>Stock Option Plan</b> <ul style="list-style-type: none"> <li>long-term incentive</li> </ul>	<ul style="list-style-type: none"> <li>senior officers</li> <li>senior management</li> </ul>	<ul style="list-style-type: none"> <li>align compensation with the achievement of the goals in our strategic plan</li> <li>attract and retain talented senior management</li> <li>align the interests of senior management with shareholders</li> </ul>	<ul style="list-style-type: none"> <li>options to buy Class A Non-Voting Shares</li> <li>award linked to salary, individual performance and capabilities</li> </ul>
<b>Restricted Share Unit Plan</b> <ul style="list-style-type: none"> <li>long-term incentive</li> </ul>	<ul style="list-style-type: none"> <li>senior officers</li> <li>senior management</li> </ul>	<ul style="list-style-type: none"> <li>align compensation with the achievement of the goals in our strategic plan</li> <li>attract and retain talented senior management</li> <li>align the interests of senior management with shareholders</li> </ul>	<ul style="list-style-type: none"> <li>restricted share units that were paid out in cash</li> <li>payment linked to the market value of Class A Non-Voting Shares during a “restriction period”</li> </ul>

### Short-term Incentive Plan

#### Annual Bonus Plan

Every year the Management Resources and Compensation Committee recommends for approval to the Board the criteria that will be used to calculate the amount of the bonus, the participants and their rates of participation.

In 2004, the President and Chief Executive Officer was entitled to receive an award ranging from 0 percent to 150 percent of his annual base salary. All other senior officers were eligible to receive awards ranging from 0 percent to 100 percent of their annual base salary.

### Long-term Incentive Plans

#### Performance Share Unit Plan

The plan awards performance share units, which are a form of restricted share unit, based on individual capabilities, potential and recent performance of senior officers and senior managers.

Each unit awarded entitles the recipient to a cash payment per unit equal to the average market value of one Class A Non-Voting Share during the 20-day trading period that ends on (and includes) the last day of the period ending approximately three years from the

date of issue (the *performance period*), multiplied by a factor ranging from 0.3 to 1.5 (0 to 1.5 for awards made before 2003).

The multiplication factor we use depends on how our total return to shareholders compares to a group of approximately 40 North American retailers. For example, for awards made in 2003, if our total return to shareholders for the following three years was:

- at or below the 15th percentile of the comparator group, the value of the performance share units would be multiplied by 0.3
- at the 50th percentile of the comparator group, the value of the performance share units would be multiplied by 1
- at the 75th percentile or above, the value of the performance share units would be multiplied by 1.5.

Awards are paid up to three years from the date the unit was awarded, or earlier if an employee is terminated for reasons other than cause or in certain other circumstances. A payment will not be made if the eligible executive resigns voluntarily or is terminated for cause before the date specified in the executive’s performance share unit agreement. Payments made before the end of the three-year period are multiplied by a factor of 1.0 or less.

No performance share units were awarded in 2004.



### ***Performance Conditioned Share Unit Plan***

The plan awards performance conditioned share units, which are a form of restricted share unit, based on individual capabilities, potential and recent performance of senior officers and senior managers.

Each unit awarded entitles the recipient to a cash payment equal to the average market value of one Class A Non-Voting Share during the 20-day trading period that ends on (and includes) the last day of the period ending approximately three years from the date of issue (the *performance period*). This amount is multiplied by two equally weighted factors:

- a factor based on the appreciation in price of Class A Non-Voting Shares
- a factor based on the Company's average return on invested capital over three fiscal years (from 2004 to 2006).

Each factor ranges from 0 to 1.5, and depends on whether performance reaches pre-established levels. If performance is:

- below the threshold, the factor will be 0
- at threshold, the factor will be 0.5
- at target, the factor will be 1.0
- at the maximum or higher, the factor will be 1.5.

Awards are paid within 45 days after the end of the performance period. Awards are paid out before the end of the performance period if an employee is terminated for reasons other than cause or in certain other circumstances. A payment will not be made to an eligible executive if he or she resigns voluntarily or is terminated for cause during the performance period. Payments made before the end of the performance period use a share appreciation and return on invested capital factors of 1.0 or less.

A total of 305,100 performance conditioned share units were awarded in 2004.

### ***Stock Option Plan***

The Company's Stock Option Plan was established to increase the correlation between executive compensation and returns to shareholders and to provide long-term incentives to senior officers and senior management employees of the Company and its subsidiaries. The Management Resources and Compensation Committee may recommend awards to selected senior officers and senior management employees under the Stock Option Plan. The recommendation for each individual award falls within a range that has been pre-established for each senior management level. The ranges take into account market practices and the total number of options available for distribution. Most individual awards made within a range are calculated by reference to the respective salaries, recent performance and capabilities of the optionees.

The maximum number of Class A Non-Voting Shares issuable under the Stock Option Plan is 2,738,557 Class A Non-Voting Shares (representing 3.36 percent of the now outstanding Common Shares and Class A Non-Voting Shares) and the number of options to purchase Class A Non-Voting Shares outstanding at the date of

this information circular is 2,732,013 (representing 3.35 percent of the now outstanding Common Shares and Class A Non-Voting Shares). No one person can receive more than 5 percent of the total number of Class A Non-Voting Shares outstanding.

Options to buy shares generally "vest" at the rate of 25 percent a year for four years immediately following the date the options were granted. When an option vests, it can be used to buy a Class A Non-Voting Share at the weighted average price of Class A Non-Voting Shares on the TSX during the 10-day period ending on the date the option was granted.

All options granted under the Stock Option Plan are, or will be, granted under agreements that specify that options can be exercised for a period of up to 10 years, and that outline the circumstances when option rights will be terminated.

If an employee becomes incapacitated, dies, retires having reached 60 years of age, retires to become a Canadian Tire Associate Dealer or ceases to be employed by the Company (or any of its subsidiaries) for any other reason, the employee's options may be exercised by the employee, or his or her personal representative as the case may be, as follows:

- *in the event of incapacitation, death or retirement having reached 60 years of age* — up to the earlier of the expiration of the options and three years following the date of retirement
- *in the event of retirement to become a Canadian Tire Associate Dealer* — up to the earlier of the expiration of the options and one year following the date of retirement
- *in the event of termination of employment for any other reason* — up to the earlier of the expiration of the options and 30 days following the date of termination of employment.

The Stock Option Plan can be amended by the Board of Directors with the approval of the TSX and without the approval of shareholders, provided that the total number of Class A Non-Voting Shares issuable under the Stock Option Plan is not increased and the manner of determining the minimum option price is not altered.

The Stock Option Plan can be terminated by the Board of Directors at any time without prejudice to outstanding options.

No stock options were awarded in 2004.

### ***Restricted Share Unit Plan***

This plan awarded restricted share units based on services performed.

Each unit awarded and issued entitled the recipient to receive a cash payment equal to the weighted average price of Class A Non-Voting Shares on the TSX during the 20-day period ending approximately three years from the date of issue (the *restriction period*). We multiplied this amount by a factor that was based on the market price of Class A Non-Voting Shares meeting pre-established levels during the restriction period. Awards were paid up to three years less 30 days from the date we awarded the units.

Awards were paid out earlier if the employee was terminated for reasons other than cause or in certain other circumstances. A payment was not made if the eligible executive resigned voluntarily or was terminated for cause before the payment date specified in the applicable Restricted Share Unit Plan agreement.

The restriction period for units issued under this plan ended on October 2, 2003, and the payout date was October 31, 2003.

Other Benefits

Our senior officers participate in our Profit Sharing and Share Purchase Plans, and are entitled to receive other benefits available to other employees, generally on the same basis. We do not have a pension plan for senior officers or other employees.

Share Ownership Guidelines

We have adopted guidelines that set out minimum levels of share ownership for senior officers who are members of management’s executive committee.

Within three years, these officers are required to accumulate Class A Non-Voting Shares equal to a percentage of their annual base salary, as follows:

- President and Chief Executive Officer — 300 percent of annual salary
- Chief Financial Officer, executive vice-presidents and presidents — 200 percent of annual salary
- senior vice-presidents and vice-presidents — 100 percent of annual salary.

The officers can hold up to 50 percent of their minimum share requirement in share units valued using the minimum applicable multiplier.

Compensation of the President and Chief Executive Officer

The Board formally evaluates the performance of the President and Chief Executive Officer every year. Every two years, the Management Resources and Compensation Committee with the assistance of its independent professional compensation consultants, selects and reviews a peer group comparison of compensation paid to chief executive officers of other North American retailers and Canadian companies of a similar size as a benchmark to help assess how competitive and appropriate our compensation is for Mr. Sales. The Committee is of the view that Mr. Sales’ total compensation is competitive with the compensation of the selected peer group of chief executive officers.

Mr. Sales’ compensation package, including his base salary, was originally established when his appointment as President and Chief Executive Officer was negotiated with the Management Resources and Compensation Committee. Mr. Sales and the Board have agreed to extend his tenure as President and Chief Executive Officer and have renegotiated his employment agreement. Mr. Sales’ annual base salary will not change during his employment agreement. He is entitled to receive a bonus under our Short-term Incentive

Plan. Payment of his bonus is dependent on the annual performance of the Company. The 2004 measures and weightings that were required to be met for Mr. Sales to receive a full bonus were as follows:

Measure	Plan Weighting
Consolidated Net Income of the Company After Income Tax	25%
Canadian Tire Retail Earnings Before Income Tax including PartSource	27%
Canadian Tire Financial Services Limited Earnings Before Income Tax	15%
Petroleum Earnings Before Income Tax	3%
Mark’s Work Wearhouse Ltd. Earnings Before Income Tax	5%
Expense Management <sup>(1)</sup>	25%

Notes

(1) The expense management component of Mr. Sales’ annual bonus compensation is based on actual versus plan expenses for various corporate functions including those of the treasury, finance, strategy, real estate, risk and control, legal, human resources, information technology, new business development and corporate affairs departments.

The maximum bonus Mr. Sales could have received under the Short-term Incentive Plan during 2004 was 150% of his annual base salary for achieving 200% of plan target. He earned a bonus equivalent to 133.21% of his base salary, which reflected the weighted average performance of the measures set out above.

Mr. Sales is also entitled to participate in the Long-term Incentive Plans. In 2004, Mr. Sales was awarded performance conditioned share units based on his salary, performance and capabilities. The award of performance conditional share units is one of the ways that we link his compensation to our share price and the Company’s return on invested capital. The Committee believes the award is appropriate for his level of responsibility.

Compensation Highlights for 2005

Plans for 2005 compensation include the following:

- except for the President and Chief Executive Officer, the annual base salaries of our senior officers will increase in total by 3.9 percent
- the Short-term Incentive Plan will remain the same
- we will not grant any stock options
- we will issue share units to certain senior officers and senior management.

Conclusion

The Management Resources and Compensation Committee is satisfied that our compensation policies and executive compensation are aligned with the goal of achieving our strategic objectives, reflect market practices and have been developed to attract, retain and motivate the skilled team of executives that is required to achieve our strategic objectives and maximize shareholder value.

Report presented by:

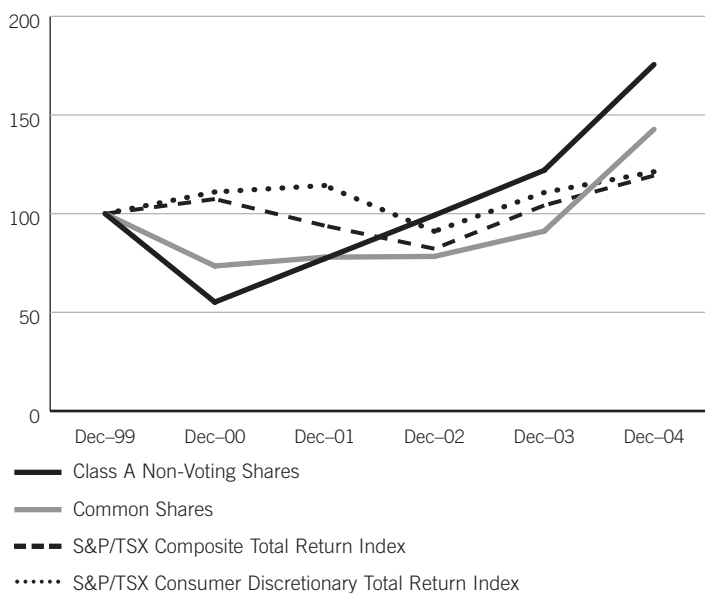
- James D. Fisher, Chairman
- John S. Lacey
- Kathleen Misunas
- Maureen J. Sabia
- Graham W. Savage

## How Our Shares Have Performed

The following graph and chart assume that \$100 was invested over a five-year period beginning on the last day of December 1999 and compare the yearly percentage change in the cumulative total shareholder return over those five years on Canadian Tire's Common Shares and Class A Non-Voting Shares with the cumulative total returns of the S&P/TSX Composite Total Return Index (formerly the TSE 300 Stock Index) and the S&P/TSX Consumer Discretionary Total Return Index, respectively, assuming in each case reinvestment of dividends at 100 percent of the market price on a quarterly basis.

### Cumulative Total Shareholder Return

December 31, 1999–December 31, 2004



	Class A Non-Voting Shares	Common Shares	S&P/TSX Composite Total Return Index	S&P/TSX Consumer Discretionary Total Return Index
December 1999	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
December 2000	55.17	73.48	107.41	110.99
December 2001	77.19	77.94	93.91	114.26
December 2002	99.19	78.33	82.23	91.07
December 2003	121.99	91.11	104.20	110.71
December 2004	175.56	142.76	119.29	121.23

## Other Compensation Information

### Compensation of Directors

#### Fees and Expenses

In 2004, our directors received:

- an annual retainer
- an attendance fee for each Board and Committee meeting they attended
- a travel fee to cover travel time related to meetings they attended.

Directors are also reimbursed for travel and other expenses they incur to attend shareholder meetings, Board meetings or to perform other duties in their role as a director.

The table below lists the fees directors were entitled to receive in 2004. The President and Chief Executive Officer does not receive these fees.

	Fee
<b>Annual Retainer</b>	
Chairman of the Board	\$ 230,000
• Class A Non-Voting Shares or DSUs	\$ 20,000
Board Members	\$ 84,000
Committee Chairman	\$ 11,000
Audit Committee Chairman	\$ 25,000
<b>Attendance Fees</b>	
Board Meeting	\$ 2,000
Board Meeting held via conference call	\$ 750
Committee Meeting	\$ 2,000
• for Committee members and directors who attended as an invited guest	
Audit Committee meeting	\$ 2,750
<b>Travel Fee</b>	
• when travel time for a round trip to attend the meeting was more than four hours (not applicable to the Chairman of the Board)	\$ 1,500

### Share Ownership Guidelines

Directors are required to accumulate at least three times the value of their annual retainer in Class A Non-Voting Shares or deferred share units (DSUs) by the later of February 9, 2008 and their fifth anniversary since becoming a director.

In 2004, each director, other than the Chairman of the Board and the President and Chief Executive Officer, was entitled to receive an annual retainer of \$84,000. If a director owned the minimum amount of Class A Non-Voting Shares and/or DSUs, he or she received:

- \$64,000 in cash, Class A Non-Voting Shares and/or DSUs as specified by the director
- \$20,000 in Class A Non-Voting Shares or DSUs at his or her discretion.

If a director had not reached the minimum amount, he or she received:

- \$44,000 in cash, Class A Non-Voting Shares and/or DSUs as specified by the director
- \$40,000 in Class A Non-Voting Shares or DSUs at his or her discretion.

### Directors' Deferred Share Unit Plan

Directors who are not Company employees are permitted under the Directors' Deferred Share Unit Plan to receive all or part of their annual retainer, meeting fees and additional compensation in DSUs.

DSUs are credited quarterly to each participating director's account. The number of units is calculated by dividing the amount the director chooses to receive in DSUs by the market value of a Class A Non-Voting Share on the day the DSUs are credited. When the director resigns from the Board, he or she receives an amount equal to the number of DSUs credited to his or her account, plus any dividends that have accrued in the form of DSUs, multiplied by the market value of Class A Non-Voting Shares at the time. The retiring director receives his or her payment in cash, after the deduction of any withholding taxes that apply.

In 2004, 17,422 DSUs were credited to the accounts of directors participating in the plan.

### Liability Insurance for Directors and Officers

During the year ended January 1, 2005, we bought liability insurance coverage of \$100 million for our directors and officers. This insurance is designed to protect them against liabilities they may face in their capacity as directors or officers of Canadian Tire.

We pay a deductible of \$250,000 for each loss for claims where we grant indemnity to individual directors and officers. We pay a \$1 million deductible for each loss in securities claims brought by, or on behalf of, a shareholder of Canadian Tire.

We paid \$599,000 in policy premiums from April 4, 2004 to April 4, 2005, on behalf of individual directors and officers. The insurance policy does not differentiate between coverage for directors and coverage for officers, and we cannot estimate the amount of the premium that relates to the group of directors or the group of officers.

### Securities Authorized for Issue under Incentive Plans

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
<b>Equity Compensation Plans Approved by Securityholders</b>			
• Stock Option Plan	2,732,013	\$26.95	6,544
<b>Equity Compensation Plans Not Approved by Securityholders</b>			
• Canadian Tire's Share Purchase Plan	0	Not applicable	4,900,000 <sup>(1)</sup>
• Canadian Tire's Deferred Profit Sharing Plan			
• Canadian Tire's Deferred Profit Sharing Plan for Employees of Participating Associate Dealers			
<b>Total</b>	<b>2,732,013</b>	<b>–</b>	<b>4,906,544</b>

#### Notes

- (1) The Board of Directors has approved the issuance of up to 4.9 million Class A Non-Voting Shares after May 12, 2005 under these plans, subject to shareholder approval of such maximum number at this meeting. The particulars of the plans are summarized below.

### Equity Compensation Plans Approved by Securityholders

#### Stock Option Plan

For a description of the Stock Option Plan, see *Long-term Incentive Plans — Stock Option Plan* on page 25.

### Equity Compensation Plans Not Approved by Securityholders

#### Canadian Tire Corporation, Limited Deferred Profit Sharing Plan

This plan rewards our employees and officers and those of participating subsidiaries and encourages them to participate in our growth, development and success. There is no fixed maximum number or percentage of Class A Non-Voting Shares which may be issued under the plan and designated for any one of the participating officers or the participating officers as a group.

Every year we make an annual payment to the trustees of the plan that equals at least one percent of our previous year's net profits after income tax. We designate to the trustees the amount to be allocated to each of the employees and officers participating in the plan. The trustees invest not less than 10 percent of the amount allocated to each employee or officer in Class A Non-Voting Shares, with the balance invested in SEI LifePath Funds as directed by each employee and officer.

If the trustees of the plan subscribe for Class A Non-Voting Shares, we will allot and issue Class A Non-Voting Shares to the trustees, generally at the then current market price, calculated as the weighted average price at which Class A Non-Voting Shares trade on the TSX during the 20-day period ending on the date of subscription.

The money and securities held by the trustees (the *trust property*), is divided into funds that are then divided into units. Twenty percent of the units held for plan participants vest after one full year of employment. The remaining units vest after two full years of employment.

When participants turn 69, they receive the net asset value of all units that have been allocated to them. Participants who die, retire after they turn 65 or leave their job because they have a permanent physical or mental disability, or because their job was eliminated in certain circumstances, are entitled to the net asset value of all units that have been allocated to them, whether vested or not. If, however, they leave their job due to other circumstances, they will receive the net asset value of all units held for and vested in them. Participants can withdraw units from the plan before they turn 65 as long as they meet certain provisions of the plan and according to terms that we approve from time to time. If the plan is terminated or wound up, participants will receive the net asset value of all units held for them. In certain circumstances, participants may elect to receive Class A Non-Voting Shares held for them at the time of the receipt of the net asset value of the units. Participants are not entitled to transfer their rights under the plan, except in limited specified circumstances.

The Canadian Tire Corporation, Limited Deferred Profit Sharing Plan was established under a trust deed dated January 1, 1968 and amended and restated as of January 1, 2001. Cameron D. Stewart, Stanley W. Pasternak and William Peters are the current trustees of the plan.

Routine amendments to the plan can be made with the approval of the Board of Directors. Other changes require the consent of a specified percentage of the participants. If the resolution set out in *Appendix A* is passed, shareholder approval of any future amendments to the plan is not intended to be requested except where required at law or by a regulatory organization having jurisdiction over the company or its securities, including a securities commission or the TSX.

#### ***Deferred Profit Sharing Plan for Employees of Participating Associate Dealers***

This plan was created by the Canadian Tire Dealers' Association for use by Canadian Tire Associate Dealers (*Associate Dealers*) to enable Associate Dealers the opportunity to share their success with their employees.

The plan is open to employees of Associate Dealers who are unrelated to the Associate Dealer and who meet certain other criteria, including working at an Associate Store during the previous calendar year. None of our employees or those of our subsidiaries (including officers) is eligible to participate in the plan.

Under the plan, Associate Dealers grant awards to their employees (the *participants*) on an annual basis. The Associate Dealer contribution to the plan must meet minimum contribution levels based on profits or sales of the Associate Store. If an Associate Dealer has contributed to the plan, we will pay a bonus to the Associate Dealer, and the Associate Dealer then contributes an equivalent amount to the plan in the following year.

Contributions to the plan are made to the trustee of the plan (currently Sun Life Assurance Company of Canada) on behalf of the participants. These contributions are invested in a pooled fund maintained by the trustee and are generally vested immediately. The pooled fund is divided into units and each participant is allocated a number of units based on the value of the contributions made on his or her behalf. A portion of the funds contributed to the plan are invested by the trustee in Class A Non-Voting Shares of Canadian Tire. Under the agreement pursuant to which the plan was established, we have agreed to allot and issue to the trustee Class A Non-Voting Shares, generally at the current market price, calculated as the weighted average price at which Class A Non-Voting Shares trade on the TSX during the 20-day period immediately preceding the receipt of the subscription for the shares.

If a participant's employment with an Associate Dealer is terminated (other than as a result of a change in the Associate Dealer at a particular store location) or if a participant dies or becomes disabled, the participant or his or her legal representative is paid the dollar value of the units held for him or her. At the election of the participant, his or her entitlement may also be paid through the transfer of Class A Non-Voting Shares to a registered retirement savings plan or to purchase an annuity. Participants are not entitled to transfer their rights under the plan, except in limited circumstances. Withdrawals from the plan are permitted in other specified circumstances, including on a participant reaching 65 years of age, for educational or housing purposes and on marital breakdown.

The plan was established in 1972 under an agreement between the Canadian Tire Dealers' Association, Canadian Tire Corporation, Limited and all participating Canadian Tire Associate Dealers. A formal agreement relating to the plan was made on November 1, 1990, replaced on January 1, 1994 and further replaced on July 1, 2004.



The plan can be amended with the approval of the Board of Directors of Canadian Tire and the Canadian Tire Dealers' Association. If the resolution set out in *Appendix A* is passed, shareholder approval of any future amendments to the plan is not intended to be requested except where required at law or by a regulatory organization having jurisdiction over the Company or its securities, including a securities commission or the TSX.

#### ***Canadian Tire Corporation, Limited Share Purchase Plan***

This plan is designed to encourage eligible employees to share in our future growth, development and success by owning Class A Non-Voting Shares. Our employees and those of participating subsidiaries may participate in the plan. These employees include officers of the Company and participating subsidiaries and there is no fixed maximum number or percentage of Class A Non-Voting Shares which may be issued under the plan to any one of the participating officers or the participating officers as a group.

Eligible employees can contribute up to 10 percent of their annual base salary before deductions to the plan through payroll deduction. The contributions are held in trust and used to buy Class A Non-Voting Shares periodically at the then current market price, calculated as the weighted average price at which Class A Non-Voting Shares trade on the TSX during selected four-week periods. These shares are held in trust by the trustee of the plan.

We also contribute a taxable bonus from our profits of up to 50 percent of the amount each eligible employee contributes to the plan, subject to approval by the Board. This contribution is made to each employee participating in the plan, and to certain other employees in limited circumstances, on or before the last working day of the calendar year provided that he or she is still an employee of the Company. The trustee uses this money to buy Class A Non-Voting Shares on the open market in accordance with the terms of the plan and allocates the Class A Non-Voting Shares to the employee. We may, at our discretion, compensate plan participants and other employees for income tax they pay on the bonus for the current year and previous year.

Ten percent of the Class A Non-Voting Shares purchased for the employee using our contributions will vest after the first year of employment. These Class A Non-Voting Shares will continue to vest at the rate of 10 percent every year until all of the Class A Non-Voting Shares purchased with our contributions become vested. Participants are not entitled to transfer their rights under the plan, except in limited specified circumstances.

Dividends paid on unvested Class A Non-Voting Shares will be reinvested in Class A Non-Voting Shares for the eligible employee. If the employment of an employee is terminated, except in limited circumstances, he or she:

- can no longer participate in the plan
- is entitled to receive all vested shares and may give the trustee instructions to pay out, transfer or withdraw them by share certificate
- loses all unvested Class A Non-Voting Shares that have been allocated to him or her under the plan.

The plan can be amended with the approval of the Board of Directors, subject to shareholder or regulatory approval where required. If the resolution set out in *Appendix A* is passed, shareholder approval of any future amendments to the plan is not intended to be requested except where required at law or by a regulatory organization having jurisdiction over the Company or its securities, including a securities commission or the TSX.



## Other Information

### Normal Course Issuer Bid

We have adopted an annual policy of repurchasing sufficient Class A Non-Voting Shares to offset, over the long term, the dilutive effects of issuing Class A Non-Voting Shares under our employee and the Associate Dealers' profit sharing plans, our stock option and share purchase arrangements and the dividend reinvestment plan. This repurchase arrangement is called a *normal course issuer bid*.

We have filed a notice of intention with the TSX to make a normal course issuer bid to purchase up to 1.8 million Class A Non-Voting Shares between February 19, 2005 and February 18, 2006. This is less than 10 percent of the public float of Class A Non-Voting Shares as of February 10, 2005. Canadian Tire's Common Shares are not part of this bid.

We purchased 1,541,000 Class A Non-Voting Shares in 2004 under the notice of intention we filed in February 2004.

### Documents You Can Request

You can ask us for a copy of the following documents at no charge:

- notice of intention to make the 2005 Normal Course Issuer Bid
- MD&A and consolidated financial statements for the financial year ended January 1, 2005. These documents contain financial information and are included in our 2004 Annual Report.
- 2005 Annual Information Form and the documents incorporated by reference.

Please write to Susan J.E. Rogers at Canadian Tire Corporation, Limited, 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario M4P 2V8.

### Information Available Online

The MD&A, consolidated financial statements, Annual Information Form and other additional information about the Company is on SEDAR at [www.sedar.com](http://www.sedar.com).

You can also visit our website at [www.cantire.ca](http://www.cantire.ca) for current and past financial reports, annual information forms, management information circulars, financial news releases, stock price information, dividend payment history, as well as investor presentations and webcasts.

The contents and the sending of this Management Information Circular have been approved by the Board of Directors of the Company.

Dated as of March 10, 2005  
Toronto, Ontario



Cameron D. Stewart  
*Secretary*

## Appendix A

BE IT RESOLVED THAT:

1. the maximum number of Class A Non-Voting Shares of Canadian Tire Corporation, Limited (the “Corporation”) issuable in aggregate under the Canadian Tire Corporation, Limited Deferred Profit Sharing Plan, the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers and the Canadian Tire Corporation, Limited Share Purchase Plan after May 12, 2005 be fixed at 4,900,000, with each issuance of Class A Non-Voting Shares of the Corporation thereunder to be at the times, for the subscription prices and on such other terms as are approved by the Board of Directors of the Corporation;
2. amendments to the Canadian Tire Corporation, Limited Deferred Profit Sharing Plan, the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers and the Canadian Tire Corporation, Limited Share Purchase Plan, which are approved by the Board of Directors of the Corporation, other than amendments required by law or by a regulatory organization having jurisdiction over the Corporation or its securities to be approved by some or all of the shareholders, be and the same are hereby authorized and approved;
3. each of the directors and officers of the Corporation be and is hereby authorized and directed to do all things and to execute all documents necessary or desirable to give effect to the foregoing.

## CANADIAN TIRE CORPORATION, LIMITED BOARD OF DIRECTORS MANDATE

### 1. PRIMARY ROLE OF THE BOARD

The directors (collectively the “Board”) of Canadian Tire Corporation, Limited (the “Corporation”) are responsible for the stewardship of the Corporation. The Ontario Business Corporations Act (the “OBCA”), the statute which governs the Corporation, provides that the stewardship responsibility of the Board consists primarily of the duty to manage or supervise the management of the business and affairs of the Corporation.

The OBCA further authorizes the Board, subject to certain exceptions, to delegate to an officer or officers of the Corporation powers to manage the business and affairs of the Corporation. As authorized by the OBCA and for the purpose of effectively discharging the Board’s stewardship responsibility,

- (a) the Board has delegated to the chief executive officer of the Corporation (the “CEO”) the powers and authority to manage the business and affairs of the Corporation; and
- (b) the Board has assumed the duty to supervise the CEO’s management of the business and affairs of the Corporation.

### 2. THE ROLE OF BOARD COMMITTEES

As authorized by the OBCA, the Board may appoint committees of Directors (“Board committees”) and, subject to certain limitations set out in the OBCA, may delegate to any Board committee any of the powers of the Board. The Board may also require any such Board committee (a “Designated Committee”) to take specified actions for the purpose of assisting the Board to discharge the Board’s duties.

### 3. STANDARD OF CONDUCT

As required by the OBCA, every member of the Board (a “Director”) must, in discharging his or her duties,

- (a) act honestly and in good faith with a view to the best interests of the Corporation; and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Accordingly, the action which the Board or a Designated Committee must take to discharge each of its duties in any circumstances is the action (the “Diligent Action”) which could reasonably be expected to be taken in comparable circumstances by a person (1) acting honestly and in good faith with a view to the best interests of the Corporation, and (2) exercising the care, diligence and skill that a reasonably prudent person would exercise.

### 4. CATEGORIES OF BOARD DUTIES

The Board believes that the Board’s duties fall broadly into two categories: (1) the duties (the “Ordinary Course Duties”) which the Board must discharge in the ordinary course of acting as the steward of the Corporation and supervising the CEO’s management of the business and affairs of the Corporation; and (2) the duties (the “Extraordinary Duties”) which the Board must discharge when the Board, the CEO or the Corporation is confronted with unusual circumstances such as (but not limited to) consideration of a take-over bid, merger, significant acquisition or other significant transaction or event outside the ordinary course of the Corporation’s business.

### 5. THE BOARD’S ORDINARY COURSE DUTIES

- A. The Board acknowledges and accepts the following Ordinary Course Duties:

#### Financial Reporting and Disclosure

Governments, securities commissions, stock exchanges and other agencies and instrumentalities having jurisdiction over the Corporation (collectively the “Regulators”) have promulgated laws, regulations, rules, policies and other requirements relating to financial reporting and disclosure by the Corporation (collectively the “Financial Reporting Rules”). The Board must take, or require a Board committee (the “Audit Committee”) to take, Diligent Action to gain and maintain reasonable assurance that the senior officers of the Corporation (“Management”), the Board and the Corporation meet all financial reporting and disclosure obligations (“Financial Reporting Obligations”) imposed on them by the Financial Reporting Rules. The Board recognizes that the most significant Financial Reporting Obligations are as follows:

- (a) Management must prepare (1) comparative financial statements of the Corporation relating separately to each financial year of the Corporation (the “Current Year”) and the financial year of the Corporation next preceding the Current Year (the “Preceding Year”), and (2) Management discussion and analysis (“MD&A”) relating to such financial statements;
- (b) Management must prepare (1) comparative interim financial statements of the Corporation relating separately to each of the three-month, six-month and nine-month periods of the Current Year and the Preceding Year; and (2) MD&A relating to such financial statements;
- (c) each comparative financial statement of the Corporation specified in subsection (a) above (a “Current Annual Statement”), each comparative interim financial statement of the Corporation specified in subsection (b) above (a “Current Quarterly Statement”) and the MD&A relating to such financial statements must:

- (i) in the case of each Current Annual Statement and each Current Quarterly Statement (a “Current Financial Statement”), present fairly the financial position of the Corporation, the results of its operations and its cash flows in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”);
  - (ii) be made up and certified as required by the Financial Reporting Rules;
  - (iii) in the case of each Current Annual Statement, be accompanied by a report thereon (the “Required Report”) prepared in accordance with the Financial Reporting Rules by a firm of chartered accountants (the “external auditor”) which is objective and independent;
  - (iv) be filed with Regulators in compliance with the Financial Reporting Rules; and
  - (v) be sent to holders of the Corporation’s securities in compliance with the Financial Reporting Rules;
- (d) in compliance with and subject to the Financial Reporting Rules, the Board must place before each annual meeting of shareholders of the Corporation and send to each shareholder of the Corporation each Current Annual Statement;
- (e) subject to and in compliance with the Financial Reporting Rules, where a material change (as defined in the Financial Reporting Rules) occurs in the affairs of the Corporation, the Corporation must
- (i) forthwith issue a news release authorized by a member of Management disclosing the nature and substance of the material change (a “Material Change News Release”); and
  - (ii) file a report of such material change (a “Material Change Report”) with Regulators as soon as practicable (and in any event within ten days) of the date on which the material change occurs; and
- (f) all financial information concerning the Corporation which is disseminated to the public by or on behalf of the Corporation must be accurate, complete and fairly presented.
- B. The Board must also take Diligent Action to:**
- (a) gain and maintain reasonable assurance that the composition, authority and responsibilities of the Audit Committee conform to and comply with the Financial Reporting Rules;
  - (b) nominate a firm of objective and independent chartered accountants (the “proposed auditor”) for appointment as the external auditor by the holders of common shares of the Corporation;
  - (c) fix the compensation of the external auditor; and
  - (d) gain and maintain reasonable assurance that the Corporation is in compliance with its obligations under tax, employment and similar laws and regulations (“Employment Obligations”).
- C. The Board shall empower and require the Audit Committee to:**
- (a) recommend to the Board
    - (i) the proposed auditor to be nominated by the Board for appointment as the external auditor by the holders of common shares of the Corporation; and
    - (ii) the compensation of the external auditor;
  - (b) take Diligent Action to oversee the work of the external auditor in preparing and issuing a Required Report and performing other audit, review and attest services for the Corporation;
  - (c) take Diligent Action to resolve disagreements between Management and the external auditor regarding financial reporting;
  - (d) when it is appropriate to do so, pre-approve all non-audit services proposed to be provided to the Corporation or its subsidiary entities by the external auditor; for purposes of this mandate,
    - (i) “audit services” means the professional services rendered by the external auditor for the audit and review of the Corporation’s financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements; and
    - (ii) the term “non-audit services” means services other than audit services;
  - (e) review the Corporation’s financial statements, related MD&A and related annual and interim press releases before the Corporation publicly discloses such information;
  - (f) take Diligent Action to gain and maintain reasonable assurance that the Corporation has adequate procedures in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements;
  - (g) establish procedures for
    - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters; and
    - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

- (h) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditor; and
  - (i) review annually the expenses of the Chairman of the Board and the CEO for the purpose of gaining reasonable assurance as to the reasonableness of such expenses.
- D.** Upon the demand of the external auditor, the Board shall:
- (a) furnish to the external auditor
    - (i) such information and explanations; and
    - (ii) such access to records, documents, books, accounts and vouchers of the Corporation and its subsidiaries
 as the Board is reasonably able to furnish and as are, in the opinion of the external auditor, necessary to enable the external auditor to make the examination (the "Required Examination") of the Corporation's financial statements required by the Financial Reporting Rules and to make the Required Report; and
  - (b) obtain from the present or former directors, officers, employees and agents of any subsidiary of the Corporation and furnish to the external auditor the information and explanations
    - (i) that such present or former directors, officers, employees and agents are reasonably able to furnish; and
    - (ii) that are, in the opinion of the external auditor, necessary to enable the external auditor to make the Required Examination and the Required Report.
- E.** The Board shall delegate to the Audit Committee the power and authority to communicate directly with the external auditor and the Corporation's Risk and Control Services Group (the "internal auditor").

### Strategic Planning

- A.** The Board must require the CEO, in collaboration with the Board, to develop and to present to the Board:
- (a) the primary objective(s) which the CEO proposes to pursue in managing the business and affairs of the Corporation (the "Primary Objective(s)"); and
  - (b) a plan which the CEO proposes to implement which is designed to enable the Corporation to achieve the Primary Objective(s) (the "Strategy") and which takes into account, amongst other things, the Corporation's strengths and weaknesses, the opportunities for and threats to the Corporation's business and the Board's risk tolerance level.
- B.** The Board must take Diligent Action to gain reasonable assurance as to:
- (a) the appropriateness of the Primary Objective(s);

- (b) whether the Strategy, if executed, is reasonably likely to enable the Corporation to achieve the Primary Objective(s); and
  - (c) whether the Strategy is reasonably capable of being executed by Management.
- C.** If the Board gains reasonable assurance as to the appropriateness of the Primary Objective(s), the Board may approve the Primary Objective(s) (the "Approved Primary Objective(s)").
- D.** If the Board gains reasonable assurance that (1) the Strategy, if executed, is reasonably likely to enable the Corporation to achieve the Approved Primary Objective(s), and (2) the Strategy is reasonably capable of being executed by Management, then the Board may approve the Strategy (the "Approved Strategy").
- E.** The Board must take Diligent Action to monitor Management's implementation of the Approved Strategy and the Corporation's progress toward achieving the Approved Primary Objective(s).
- F.** If at any time the Board is of the opinion that
- (a) the Approved Primary Objective(s) is or are no longer appropriate;
  - (b) an Approved Strategy is no longer reasonably capable of being executed by Management; or
  - (c) an Approved Strategy is no longer reasonably likely to enable the Corporation to achieve the Approved Primary Objective(s),
- the Board must require the CEO to develop and present to the Board revised Primary Objective(s) and/or a revised Strategy, as the case may be, and the Board must then deal with the revised Primary Objective(s) and/or revised Strategy in the manner specified in sections B, C, D and E above.

### Risk Management

- A.** The Board must take, or require a Board committee (the "SRRG") to take, Diligent Action to gain and maintain reasonable assurance that the strategic, operational, reporting and compliance risks of the Corporation's business ("Risks") are identified in a timely manner and are effectively assessed, monitored and managed. In particular, the Board must take, or require the SRRG to take, Diligent Action to gain and maintain reasonable assurance that:
- (a) Management develops for the Corporation a formalized, disciplined and integrated enterprise risk management process ("ERM") (1) which can reasonably be expected to enable Management to identify in a timely manner and to effectively assess, monitor and manage Risks, and (2) which is reasonably capable of being implemented and sustained by Management;



- (b) Management develops a policy (the “ERM Policy”) which accurately sets out the risk philosophy of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring and managing Risks;
  - (c) Management fully implements and sustains the ERM in compliance with the ERM Policy;
  - (d) the ERM Policy continues to set out accurately the risk philosophy of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring and managing Risks;
  - (e) in a timely manner, Management identifies the most significant Risks (“Principal Risks”), including those Risks related to or arising from the Corporation’s weaknesses, the threats to the Corporation’s business and the assumptions underlying the Approved Strategy; and
  - (f) Management directly and effectively assesses, monitors and manages Principal Risks in compliance with the ERM Policy.
- (c) the Corporation establishes and maintains an appropriate succession plan (a “Succession Plan”) which identifies the potential short-term and longer-term successors to the CEO and the holders of all other Management and senior manager’s positions in the Corporation; and
  - (d) the Corporation establishes and maintains effective policies and practices (“Training Policies and Practices”) which, in conjunction with the Succession Plan, provide for training, monitoring and continuously improving the skills of senior managers and employees.
- B. The Board must also take, or require the MRCC to take, Diligent Action to:**
- (a) establish and maintain a clear written position description for the CEO which reflects the Board’s delegation to the CEO of the powers and authority to manage the business and affairs of the Corporation and which delineates the CEO’s responsibilities;
  - (b) employ as the CEO a person whom the Board believes is capable of managing the business and affairs of the Corporation in a manner which will enable the Corporation to achieve the Primary Objective(s);
  - (c) approve the terms and conditions of the CEO’s employment by the Corporation, including any changes to such terms and conditions;
  - (d) establish, maintain and implement a formal process for annually assessing the performance of the CEO, taking into account the CEO’s position description and the goals and objectives of the Corporation which have been approved by the Board and which the CEO is responsible for meeting; and
  - (e) after consultation with the CEO, appoint all other officers of the Corporation and approve the terms and conditions of each such officer’s employment by the Corporation, including any changes to such terms and conditions.

## Human Resources

- A. The Board must take, or require a Board committee (the “MRCC”) to take, Diligent Action to gain and maintain reasonable assurance that there exist within the Corporation effective policies and practices to enable the Corporation to attract, develop and retain the human resources required by the Corporation to meet the Primary Objective(s). In particular, the Board must take, or require the MRCC to take, Diligent Action to gain and maintain reasonable assurance that:**
- (a) the Corporation’s overall compensation philosophy for all employees balances the objectives (the “Compensation Objectives”) of (i) attracting, developing and retaining highly competent employees, (ii) appropriately and fairly incenting and rewarding strong performance by employees and the Corporation in both the short term and the longer term, and (iii) maintaining the Corporation’s employee costs at a competitive level;
  - (b) the compensation program for members of Management consists of an appropriate combination (an “Appropriate Compensation Combination”) of base salary, a short-term incentive plan, a longer-term incentive plan and other benefits;
- C. The Board shall:**
- (a) establish, maintain and communicate to the CEO a policy which defines the limits of the CEO’s powers, authority and accountability to the Board in managing the business and affairs of the Corporation; and
  - (b) require the MRCC to:
    - (i) recommend for Board approval comprehensive compensation and benefit programs for the CEO, for other members of Management and for other senior managers, including the criteria (which shall incorporate relevant corporate goals and objectives) against which

the performance of the Corporation, the CEO, other members of Management and other senior managers will be evaluated for purposes of any incentive plans (“Incentive Plans”) included in such compensation programs;

- (ii) advise the Board of the MRCC’s evaluation of the actual performance of the Corporation, the CEO, each other member of Management and each other senior manager against the criteria approved by the Board for purposes of the Incentive Plans, and make recommendations to the Board with respect to compensation levels (including the CEO’s compensation level) based on such evaluations; and
- (iii) review and make recommendations to the Board respecting any proposed public disclosure of executive compensation by the Corporation before the Corporation publicly discloses such information.

## Governance Structures and Practices

- A.** The Board must take, or require a Board committee (the “Governance Committee”) to take, Diligent Action to gain and maintain reasonable assurance that the Board’s composition, structures and practices enable the Board to discharge the Board’s duties in a highly effective manner. In particular, the Board must take, or require the Governance Committee to take, Diligent Action to gain and maintain reasonable assurance that:
- (a) a majority of the Directors are independent; for purposes of this mandate, a Director is independent if
    - (i) the Director has no direct or indirect relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of the Director’s independent judgement; and
    - (ii) the Director is not an individual who is considered to have a material relationship with the Corporation under the terms of National Instrument 58-101 Disclosure of Corporate Governance Practices;
  - (b) the Chairman of the Board is an independent Director and is not a member of Management;
  - (c) every member of the Audit Committee, the MRCC and the Governance Committee is an independent Director;
  - (d) the Board, as a whole, possesses the competencies and skills required to enable the Board to discharge the Board’s duties;
  - (e) the number of Directors constituting the Board facilitates effective decision-making by the Board;
  - (f) each new Director engages in a comprehensive orientation process (“Comprehensive Orientation Process”) directed to

enabling the new Director to understand fully (i) the role of the Board and all Board committees, (ii) the contribution that every Director is expected to make to governing the Corporation, including the commitment of time and energy expected of every Director, and (iii) the nature and operation of the Corporation’s business and affairs;

- (g) all Directors are provided with continuing education opportunities to maintain and enhance Directors’ skills and abilities as directors and to permit Directors’ knowledge and understanding of the nature and operation of the Corporation’s business and affairs to remain current; and
  - (h) the form and amount of the Directors’ compensation is appropriate.
- B.** The Board must also:
- (a) impose on the Governance Committee the responsibility for developing and recommending to the Board the Corporation’s approach to corporate governance, including a set of corporate governance principles and guidelines specifically applicable to the Corporation;
  - (b) impose on the Governance Committee the responsibility for:
    - (i) identifying individuals qualified to become new Directors; and
    - (ii) after considering the competencies and skills that (1) the Board believes to be necessary for the Board, as a whole, to possess, (2) the Board believes each existing Director to possess, and (3) any proposed new nominee will bring to the Board, recommend to the Board qualified individuals as nominees for election to the Board at a meeting of shareholders of the Corporation or for appointment by the Board to fill casual vacancies in the Board;
  - (c) appoint and maintain such other committees of the Board (in addition to the Audit Committee, the MRCC, the SRRG and the Governance Committee) as the Board deems necessary or desirable to assist the Board in discharging the Board’s duties;
  - (d) as a part, or by means, of regularly scheduled meetings of the Board, hold separate meetings of the Directors at which no member of Management is in attendance;
  - (e) establish and maintain a written mandate for the Board and a written charter for each Board committee; the charter for each Board committee shall clearly establish the committee’s purpose and responsibilities, committee member qualifications, member appointment and removal processes, structure and operations (including any authority of the

committee to delegate powers to individual members and subcommittees) and the manner in which the committee will report to the Board;

- (f) establish and maintain clear written position descriptions for the Chairman of the Board and the Chairman of each Board committee;
- (g) establish and maintain a clear written position description for an individual Director which shall set out the expectations and responsibilities of a Director, including basic duties and responsibilities with respect to attendance at Board and Board committee meetings and advance review of meeting materials;
- (h) establish, maintain and implement appropriate formal processes for regularly assessing (i) the effectiveness of the Board, taking into account the Board's mandate, (ii) the effectiveness of the Chairman of the Board, taking into account the Chairman of the Board's position description, (iii) the effectiveness and contribution of each Board committee, taking into account such committee's charter, (iv) the effectiveness of the Chairman of each Board committee, taking into account such committee Chairman's position description, and (v) the effectiveness and contribution of each individual Director, taking into account the position description for an individual Director as well as the competencies and skills which such Director is expected to bring to the Board;
- (i) keep the Governance Committee advised of the Board's views as to (i) the competencies and skills which the Board, as a whole, should possess, and (ii) the competencies and skills which each existing Director possesses;
- (j) establish and maintain a process by which any Director may, at the expense of the Corporation, engage independent counsel or other advisors to provide advice to the Director with respect to the Director's discharge of his or her duties as a Director;
- (k) confer on each Board committee the authority (1) to engage independent counsel and other outside advisors as the committee deems necessary to carry out its duties, and (2) to set and (at the expense of the Corporation) pay the compensation for any independent counsel or other outside advisor engaged by the committee; and
- (l) impose on each Board committee the obligation to report promptly to the Board all conclusions and decisions reached by the committee as a result of taking the Diligent Action and discharging the other duties imposed on the committee by the Board.

## **Governance Culture**

The Board must take Diligent Action to establish and sustain amongst all Directors a culture which incorporates the following attitudes, values, and convictions (the "Appropriate Culture"):

- (a) acceptance of the Board's accountability for the Corporation's performance;
- (b) the conviction that Directors owe each other their best efforts in carrying out their duties and exercising their authority;
- (c) insistence on the highest level of honesty and integrity in all actions of the Board, Management and other senior managers and employees of the Corporation;
- (d) trust and respect amongst Directors;
- (e) open sharing of all relevant information amongst Directors and amongst Directors and Management; and
- (f) the acceptance and respect of differing opinions.

## **Miscellaneous Duties**

The Board must also take, or require a Designated Committee to take, Diligent Action to:

- (a) establish, maintain and monitor compliance with a written code of business conduct and ethics (the "Code of Business Conduct") applicable to Directors, officers and employees of the Corporation; the Code of Business Conduct must constitute standards reasonably designed to promote integrity and to deter wrongdoing and must address the following issues:
  - (i) conflicts of interest, including transactions and agreements in respect of which a Director or member of Management has a material interest;
  - (ii) protection and proper use and exploitation of the Corporation's assets and opportunities;
  - (iii) confidentiality of private information relating to the business and affairs of the Corporation;
  - (iv) fair and ethical dealing with the Corporation's security holders, customers, suppliers, competitors and employees;
  - (v) compliance with applicable laws, rules and regulations; and
  - (vi) reporting of any illegal or unethical behavior or other breaches of the Code of Business Conduct;
- (b) require waivers of compliance with the Code of Business Conduct granted for the benefit of any Director or member of Management to be granted only by the Board or an appropriately empowered Board committee;

- (c) gain and maintain reasonable assurance as to the integrity, comprehensiveness and effectiveness of those elements of the Corporation (including its resources, management information systems, processes, culture, structure and tasks) which, taken together (the “Internal Controls”), support the Corporation’s personnel in meeting the Corporation’s objectives and obligations, including the Financial Reporting Obligations;
- (d) establish, maintain and monitor compliance with a written communications policy for the Corporation (the “Communications Policy”); the Communications Policy must, amongst other things, establish and assign accountability for monitoring Internal Controls, including Internal Financial Controls, relating to the issuance of Material Change News Releases and the filing with Regulators of Material Change Reports;
- (e) gain and maintain reasonable assurance (i) as to the integrity of the CEO and the other members of Management, and (ii) that the CEO and the other members of Management create and maintain a culture of integrity throughout the Corporation;
- (f) gain and maintain reasonable assurance that appropriate policies and processes exist and are implemented throughout the Corporation relating to protection of the environment and to the health and safety of the Corporation’s employees, customers and other stakeholders;
- (g) require the CEO to develop, and to present to the Board for assessment and approval, a statement of the philanthropic activities in which the Corporation will engage;
- (h) gain and maintain reasonable assurance that appropriate policies and processes exist and are implemented to govern the Corporation’s philanthropic activities; and
- (i) gain and maintain reasonable assurance that Management, the Board and the Corporation comply with the applicable laws, regulations, rules, policies and other requirements promulgated by Regulators (the “Corporate Rules”) relating to:
  - (i) the composition of the Board;
  - (ii) calling and holding of meetings of the Board;
  - (iii) the composition of Board committees;
  - (iv) the disclosure of conflicts of interest by Directors and members of Management;
  - (v) securities registers and registers of transfers of securities;
  - (vi) the calling and holding of meetings of shareholders;
  - (vii) soliciting proxies, including providing shareholders with forms of proxy, information circulars and notices of meetings;
  - (viii) filing forms of proxy, information circulars and notices of meetings with Regulators; and
  - (ix) filing annual information forms and material contracts with Regulators.

### **Diligence Policy**

The Board must establish and maintain a policy describing Diligent Action to be taken by or on behalf of the Board to discharge the Board’s Ordinary Course Duties effectively.

## **6. THE BOARD’S EXTRAORDINARY DUTIES**

When the Board, the CEO or the Corporation is confronted with unusual circumstances which give rise to Extraordinary Duties, the Board or a Designated Committee of the Board shall:

- (a) seek expert advice as to (1) the nature of the Extraordinary Duties arising from such unusual circumstances, and (2) the Diligent Action which the Board or the Designated Committee must take to discharge those Extraordinary Duties; and
- (b) take the Diligent Action specified by such expert advice.

## CANADIAN TIRE CORPORATION, LIMITED AUDIT COMMITTEE MANDATE AND CHARTER

### I THE BOARD OF DIRECTORS' MANDATE FOR THE AUDIT COMMITTEE

1. The Board of Directors ("Board") bears responsibility for the stewardship of Canadian Tire Corporation, Limited (the "Corporation"). To discharge that responsibility, the Board is obligated by the Ontario Business Corporations Act to supervise the management of the business and affairs of the Corporation. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Corporation's business and affairs.

Financial reporting and disclosure by the Corporation constitute a significant aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's financial reporting and disclosure (the "Financial Reporting Objective") is to gain reasonable assurance of the following:

- (a) that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (b) that the accounting principles, significant judgements and disclosures which underlie or are incorporated in the Corporation's financial statements are the most appropriate in the prevailing circumstances;
- (c) that the Corporation's quarterly and annual financial statements are accurate and present fairly the Corporation's financial position and performance in accordance with generally accepted accounting principles and together with management's discussion and analysis and the annual information form constitute a fair presentation of the Corporation's financial condition; and
- (d) that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public in a timely manner.

The Board is of the view that the Financial Reporting Objective cannot be reliably met unless the following activities (the "Fundamental Activities") are conducted effectively:

- (i) the Corporation's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation's financial transactions;

- (ii) the Corporation's internal financial controls are regularly assessed for effectiveness and efficiency;
- (iii) the Corporation's quarterly and annual financial statements are properly prepared by management;
- (iv) the Corporation's quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Corporation; and
- (v) the financial components of the Corporation's Disclosure Policy are complied with by management and the Board.

To assist the Board in its monitoring of the Corporation's financial reporting and disclosure, the Board has established, and hereby continues the existence of, a committee of the Board known as the Audit Committee (the "Committee"). The Committee shall develop and present to the Board for the Board's approval a Charter which, amongst other things, will describe the activities in which the Committee will engage for the purpose of gaining reasonable assurance that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met.

### 2. Composition of Committee

- (a) The Committee shall be appointed annually by the Board and consist of at least five (5) members from among the directors of the Corporation, each of whom shall be an independent director as defined under the applicable requirements of the securities regulatory authorities as adopted or amended and in force from time to time and free from any relationship that, in the opinion of the Board, could interfere with the exercise of his or her independent judgement as a member of the Committee. Officers of the Corporation, including the Chairman of the Board, may not serve as members of the Audit Committee.
- (b) All members of the Committee shall be financially literate as described in paragraph 3 of the Operating Principles.
- (c) The Board shall designate the Chairman of the Committee.

### 3. Reliance on Experts

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

- (a) financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.



#### 4. Limitations on Committee's Duties

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met and to enable the Committee to report thereon to the Board.

## II AUDIT COMMITTEE CHARTER

The Audit Committee's Charter outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. This Charter comprises:

- Operating Principles;
- Operating Procedures;
- Specific Responsibilities and Duties.

### A. Operating Principles

The Committee shall fulfill its responsibilities within the context of the following principles:

#### (1) Committee Values

The Committee expects the management of the Corporation to operate in compliance with the Corporation's Code of Conduct and corporate policies; with laws and regulations governing the Corporation; and to maintain strong financial reporting and control processes.

#### (2) Communications

The Chairman and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee Chairmen, the external auditors, the Internal Auditor and other key Committee advisors as applicable.

#### (3) Financial Literacy

All Committee members shall have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

#### (4) Annual Audit Committee Work Plan

The Committee, in consultation with management and the external auditors, shall develop an annual Audit Committee Work Plan responsive to the Committee's responsibilities as set out in this Charter.

In addition, the Committee, in consultation with management and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the Corporation's financial disclosure.

#### (5) Meeting Agenda

Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditors.

#### (6) Committee Expectations and Information Needs

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at least one week in advance of meeting dates.

#### (7) External Resources

To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of the Corporation, retain one or more persons having special expertise.

#### (8) In Camera Meetings

At each meeting of the Committee, the members of the Committee shall meet in private session with the external auditors; with management; and with the Committee members only. The Committee shall meet in private session with the Internal Auditor as often as it deems necessary, but in any event, no less than twice per year.

#### (9) Reporting to the Board

The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.

#### (10) Committee Self Assessment

The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

#### (11) **The External Auditors**

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

#### (12) **Approval of Other Engagements**

The Committee shall approve all engagements for accounting and tax advice provided by an audit firm other than the external auditors.

### **B. Operating Procedures**

- (1) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two (2) members of the Committee or at the request of the external auditors.
- (2) A quorum shall be a majority of the members.
- (3) Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as Secretary of all meetings of the Committee.
- (4) In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
- (5) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

### **C. Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

#### ***Financial Reporting***

- (1) review the Corporation's annual and quarterly financial statements with management and the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with GAAP and together with management's discussion and analysis and the annual information form constitute a fair presentation of the Corporation's financial condition and report thereon to the Board before such financial statements are approved by the Board;
- (2) review with management and the external auditors the financial statements of the Corporation's significant subsidiaries and of the Corporation's profit sharing plans;

- (3) receive from the external auditors reports on their review of the annual and quarterly financial statements;
- (4) receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;
- (5) review and, if appropriate, recommend approval to the Board of news releases and reports to shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements;
- (6) review and, if appropriate, recommend approval to the Board of all public disclosure documents containing material audited or unaudited financial information, including material change disclosures of a financial nature, earnings press releases, prospectuses, management's discussion and analysis, annual information forms, as well as any earnings guidance; and
- (7) satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements in order to satisfy itself that such information is fairly presented and periodically assess the adequacy of these procedures.

#### ***Accounting Policies***

- (1) review with management and the external auditors the appropriateness of the Corporation's accounting policies, disclosures, reserves, key estimates and judgements, including changes or variations thereto and obtain reasonable assurance that they are presented fairly in accordance with GAAP; and report thereon to the Board;
- (2) review major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the accounts of the Corporation and its subsidiaries;
- (3) review with management and the external auditors the degree of conservatism of the Corporation's underlying accounting policies, key estimates and judgements and reserves.

#### ***Risk and Uncertainty***

- (1) acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Corporation, determine the Corporation's tolerance for risk and approve risk

management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:

- (a) reviewing with management the Corporation's tolerance for financial risk;
  - (b) reviewing with management its assessment of the significant financial risks facing the Corporation;
  - (c) reviewing with management the Corporation's policies and any proposed changes thereto for managing those significant financial risks;
  - (d) reviewing with management its plans, processes and programs to manage and control such risks;
- (2) discuss with management, at least annually, the guidelines and policies utilized by management with respect to financial risk assessment and management, and the major financial risk exposures and the procedures to monitor and control such exposures in order to assist the Committee to assess the completeness, adequacy and appropriateness of financial risk disclosure in management's discussion and analysis and in the financial statements;
  - (3) ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value and review such policies and procedures periodically;
  - (4) review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
  - (5) review foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;
  - (6) review the adequacy of insurance coverages maintained by the Corporation;
  - (7) review regularly with management, the external auditors and the Corporation's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements.

#### ***Financial Controls and Control Deviations***

- (1) review the plans of the internal and external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;

- (2) receive regular reports from management, the external auditors and its legal department on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

#### ***Compliance with Laws and Regulations***

- (1) review regular reports from management and others (e.g. internal and external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:
  - (a) tax and financial reporting laws and regulations;
  - (b) legal withholding requirements;
  - (c) environmental protection laws and regulations;
  - (d) other laws and regulations which expose directors to liability;
- (2) review reports from the Social Responsibility Committee with respect to Occupational Health and Safety matters having a potential significant financial impact and to gain reasonable assurance annually that the Corporation's reserves with respect to such matters are sufficient and appropriate;
- (3) review the status of the Corporation's tax returns and those of its subsidiaries;
- (4) discuss with the General Counsel any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the business of the Corporation, or on the compliance policies of the Corporation.

#### ***Relationship with External Auditors***

- (1) recommend to the Board the nomination of the external auditors;
- (2) recommend to the Board the remuneration and the terms of engagement of the external auditors;
- (3) if necessary, recommend the removal by the shareholders of the current external auditors and replacement with new external auditors;
- (4) review the performance of the external auditors annually or more frequently as required;
- (5) receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;
- (6) receive a report annually from the external auditors with respect to their independence, such report to include a

disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;

- (7) establish a policy under which management shall bring to the attention of the Chairman of the Committee all requests for non-audit services to be performed by the external auditors for the Corporation and its subsidiaries before such work is commenced. The Chairman is authorized to approve all such requests, but if any such service exceeds \$100,000 in fees, or the service is of a sensitive or unusual nature, the Chairman shall consult with the Committee before approving the service. The Chairman has the responsibility to inform the Committee of all pre-approved services at its next meeting;
- (8) discuss with management and the external auditors the timing and the process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner;
- (9) review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the external audit can be coordinated with internal audit activities and the materiality levels which the external auditors propose to employ;
- (10) meet regularly with the external auditors in the absence of management to determine, *inter alia*, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
- (11) establish effective communication processes with management and the Corporation's internal and external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee;
- (12) oversee the work of the external auditors and the resolution of disagreements between management and the external auditors with respect to financial reporting; and
- (13) request that the external auditors provide to the Committee, at least annually, an oral and/or written report describing the external auditors' internal quality assurance policies and procedures as well as any material issues raised in the most recent internal quality assurance reviews, quality reviews conducted by the Canadian Public Accountability Board, or any inquiry or investigation conducted by government or regulatory authorities.

### ***Internal Auditor***

- (1) review the Internal Auditor's terms of reference;
- (2) review the annual plan of the Internal Auditor;
- (3) review the reports of the Corporation's Internal Auditor with respect to control and financial risk, and any other matters appropriate to the Committee's duties. The Committee shall review the adequacy and appropriateness of management's response, including the implementation thereof;
- (4) review and approve the reporting relationship of the Internal Auditor to ensure that an appropriate segregation of duties is maintained and that the Internal Auditor has an obligation to report directly to the Committee on matters affecting the Committee's duties, irrespective of his or her other reporting relationships;
- (5) review and report to the Board on the appointment, replacement, reassignment or dismissal of the Internal Auditor.

### ***Other Responsibilities***

- (1) periodically review the form, content and level of detail of financial reports to the Board;
- (2) approve annually the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;
- (3) after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources;
- (4) review in advance the appointment of the Corporation's senior financial executives;
- (5) investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
- (6) review reports from the Internal Auditor, the external auditors, and/or other Committee Chairmen on their review of compliance with the Corporation's Code of Conduct, and the Corporation's policies on political donations and commissions paid to suppliers or others;
- (7) review and approve the Corporation's policies with respect to the hiring of partners, employees and former partners and employees of the current and former external auditors;

- (8) (a) establish procedures for:
  - (i) the confidential receipt, retention and treatment of complaints received by the Corporation regarding the Corporation's accounting, internal accounting controls or auditing matters; and
  - (ii) the confidential anonymous submission, retention and treatment of concerns by employees regarding questionable accounting or auditing matters; and
- (b) require that all such matters be reported to the Committee together with a description of the resolution of the complaints or concerns.

#### ***Accountability***

- (1) review and update this Charter on a regular basis for approval by the Board;
- (2) from time to time, as requested by the Board, disclose its Mandate and this Charter in the Corporation's statement of corporate governance practices and in its annual information form.
- (3) review the description of the Committee's activities as set forth in the Corporation's statement of corporate governance practices.





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