

MARCH 15, 2012

# **CANADIAN TIRE CORPORATION, LIMITED**

## **Notice of 2012 Annual Meeting of Shareholders and Management Information Circular**



**Annual Meeting  
May 10, 2012**







# Notice of 2012 Annual Meeting of Shareholders

## You are invited to the Annual Meeting of Shareholders of Canadian Tire Corporation, Limited

### When

Thursday, May 10, 2012  
10:00 a.m. (Toronto time)

### Where

MaRS Collaboration Centre  
101 College Street  
Toronto, Ontario

In this Notice, *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, where applicable.

### Business of the Meeting

We will address four items at the Annual Meeting:

1. the Company's consolidated annual financial statements for the financial year ended December 31, 2011, including the external auditor's report;
2. the election of directors who will serve until the end of the next Annual Meeting of Shareholders;
3. the appointment of the external auditor who will serve until the end of the next Annual Meeting of Shareholders, and authorizing the directors to set the external auditor's compensation; and
4. the transaction of such further and other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

### You Have the Right to Vote

You have the right to vote at our Annual Meeting if you are a Canadian Tire shareholder as of the close of business on March 22, 2012.

### Your Vote is Important

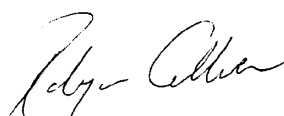
As a Canadian Tire shareholder, it is important that you read the accompanying management information circular carefully. You have different voting rights depending on whether you own Common Shares or Class A Non-Voting Shares.

You are entitled to vote at the Annual Meeting either in person or by proxy. If you are unable to attend the Annual Meeting in person, you are requested to vote your shares using the enclosed form of proxy or voting instruction form.

Registered shareholders should complete and sign the enclosed form of proxy and return it in the envelope provided. Proxies must be received by Canadian Tire's transfer agent, Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, North Tower, Toronto, Ontario, Canada M5J 2Y1, by no later than 5:00 p.m. (Toronto Time) on Wednesday, May 9, 2012.

Non-registered shareholders should review the voting instruction form provided by their intermediaries, which sets out the procedures to be followed for voting shares held through intermediaries.

By order of the Board,



Robyn A. Collver  
Secretary

Toronto, Ontario  
March 15, 2012







# Management Information Circular


All information in this management information circular is as of March 15, 2012, unless otherwise indicated.

In this management information circular, *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, where applicable.

**This management information circular is provided in connection with our Annual Meeting of Shareholders to be held on May 10, 2012 (the Meeting). Your proxy is solicited by management of Canadian Tire for the items described in the notice on the previous page.**

As a shareholder, you have the right to attend and vote at the Meeting. Please read this management information circular. It gives you information you need to know to cast your vote. We also encourage you to read our 2011 Annual Report, which includes the consolidated annual financial statements of Canadian Tire for our financial year ended December 31, 2011. A copy of our 2011 Annual Report will be sent to registered and beneficial shareholders who requested it and is also available on the System for Electronic Document Analysis and Retrieval (*SEDAR*) at [www.sedar.com](http://www.sedar.com).

The Board of Directors has approved the contents of this management information circular, and has authorized it to be sent to every shareholder. 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.



Robyn A. Collver  
*Secretary*

Toronto, Ontario  
March 15, 2012



## Table of Contents

Who Can Vote . . . . .	3
Q & A on Proxy Voting . . . . .	4
Business of the Meeting . . . . .	6
• Receiving the Consolidated Annual Financial Statements	
• Electing Directors	
• Appointing the External Auditor	
• Considering Other Business	
About the Nominated Directors . . . . .	7
About the Board of Directors . . . . .	17
• The Chairman of the Board	
• Board Committees	
• Canadian Tire Bank Board of Directors	
• Report of the Audit Committee	
• Report of the Management Resources and Compensation Committee	
• Report of the Governance Committee	
• Report of the Social Responsibility Committee	
Director Compensation . . . . .	26
Executive Compensation . . . . .	30
Other Compensation Information . . . . .	50
Other Information . . . . .	55
Appendices	
• Appendix A – Board of Directors' Mandate . . . . .	A1
• Appendix B – Statement of Principles . . . . .	B1
• Appendix C – The Chairman's Job Description . . . . .	C1
• Appendix D – Audit Committee Mandate and Charter . . . . .	D1
• Appendix E – Management Resources and Compensation Committee Mandate . . . . .	E1
• Appendix F – Governance Committee Mandate . . . . .	F1
• Appendix G – Social Responsibility Committee Mandate . . . . .	G1
• Appendix H – Canadian Tire's Corporate Governance Policies and Practices . . . . .	H1



# 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 the close of business on March 22, 2012 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 external auditor, and authorizing the directors to set the external auditor's compensation; and
- the transaction of such further and other business as may properly come before the Meeting or any adjournment or postponement thereof.

As of March 15, 2012, Canadian Tire had 3,423,366 Common Shares outstanding. The directors and officers of Canadian Tire are not aware of any person or company that beneficially owns, directly or indirectly, or exercises control or direction over more than 10% 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 G. Billes <sup>(1)</sup>	1,400,767	40.9%
Owen G. Billes <sup>(2)</sup>	700,383	20.5%
C.T.C. Dealer Holdings Limited	700,384	20.5%
The Trustees of the Company's Deferred Profit Sharing Plan (established on January 1, 1968) <sup>(3)</sup>	419,280	12.2%

### 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, with the exception of a small number of non-voting common shares of Tire 'N' Me owned by Owen Billes, Ms. Billes 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 her director biography table on page 8.
- (2) Albikin Management Inc. (*Albikin*) owns 700,383 Common Shares and 741,176 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 Martha 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 his director biography table on page 8.
- (3) Sun Life Assurance Company of Canada (*Sun Life*) is the beneficial owner of the 419,280 Common Shares over which the Trustees of the Company's Deferred Profit Sharing Plan (*the Trustees*) exercise control or direction. In connection with this holding of shares, Sun Life has issued a group annuity policy to the Trustees and provides benefits to the Trustees and indirectly to the beneficiaries of the Company's Deferred Profit Sharing Plan which are substantially the same as those to which they would have been entitled had the shares not been transferred to Sun Life. The Trustees are entitled to vote the shares of the Company held by Sun Life. For more information on the Company's Deferred Profit Sharing Plan, see page 52.

## 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 only in the following circumstances:

- if applicable laws give them that right, or
- if an offer to purchase Common Shares is made to all or substantially all holders of Common Shares or is required by law or by the Toronto Stock Exchange (*the TSX*) to be made to all holders of Common Shares in Ontario, and the majority of the Common Shares issued and outstanding are tendered to and taken up by the party making the offer. In this case, unless the offer to purchase is for both classes of shares at the same price per share and on the same terms and conditions, the holders of Class A Non-Voting Shares will thereafter be entitled to one vote per share at all shareholder meetings and the Class A Non-Voting Shares shall be designated as Class A Shares.

The Board of Directors has adopted a policy providing that in an uncontested election of directors by the holders of Class A Non-Voting Shares of the Company, any nominee who receives a greater number of votes "withheld" than votes "for" his or her election will tender his or her resignation to the Chairman of the Board promptly following the Company's Annual Meeting of Shareholders. The Governance Committee will consider the offer of resignation and, if appropriate, will recommend that the Board accept the resignation. The Board of Directors will make its decision and announce it in a news release within 90 days following the Annual Meeting of Shareholders, including the reasons for rejecting the resignation, if applicable. A director who tenders a resignation pursuant to this policy will not attend the portion of any meeting of the Board of Directors or the Governance Committee at which the resignation is considered. Subject to the requirements of the *Business Corporations Act* (Ontario), the Board of Directors may leave the vacancy unfilled until the next Annual Meeting of Shareholders, fill the vacancy through the appointment of a new director, or call a special meeting of holders of Class A Non-Voting Shares to elect a new director to fill the vacant position.

The Common Shares and Class A Non-Voting Shares are each generally voted separately as a class. As a result, aggregating the voting rights attached to the Common Shares and Class A Non-Voting Shares is not relevant to any corporate action currently contemplated. If an occasion should arise on which the holders of the Common Shares and the holders of the Class A Non-Voting Shares are entitled to vote together (rather than separately as a class), then based on the numbers of Common Shares and Class A Non-Voting Shares outstanding at March 15, 2012, the Class A Non-Voting Shares would represent approximately 95.8% of the aggregate voting rights attached to the Common Shares and the Class A Non-Voting Shares. See the Company's articles of amendment dated December 15, 1983, which are available on SEDAR at [www.sedar.com](http://www.sedar.com), for more information on the voting rights of the holders of Common Shares and Class A Non-Voting Shares.

As of March 15, 2012, Canadian Tire had 78,038,790 Class A Non-Voting Shares outstanding. The directors and officers are not aware of any person or company that beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Class A Non-Voting Shares.



## Q & A on Proxy Voting

### Q: What am I voting on?

A: Holders of Common Shares are voting on (i) the election of 13 directors to the Board of Canadian Tire, and (ii) the appointment of the external auditor and authorizing the directors to set the external auditor's compensation.

Holders of Class A Non-Voting Shares are voting on the election of three directors to the Board of Canadian Tire.

### Q: Who is entitled to vote?

A: Holders of Common Shares and Class A Non-Voting Shares as at the close of business on March 22, 2012 are entitled to vote. Each Common Share and Class A Non-Voting Share is entitled to one vote on the items of business on which these shares are entitled to be voted.

### Q: How do I vote?

A: If you are a registered shareholder, you may vote in person at the Meeting or you may sign the enclosed form of proxy appointing the named persons or another person you choose, who need not be a Canadian Tire shareholder, to represent you as proxyholder and vote your shares at the Meeting. If your shares are held in the name of a nominee or intermediary, please see the box on page 5 for voting instructions.

### Q: What if I plan to attend the Meeting and vote in person?

A: If you are a registered shareholder and plan to attend the Meeting on May 10, 2012 and vote your shares in person at the Meeting, you do not need to complete and return the form of proxy. Please register with the transfer agent, Computershare Trust Company of Canada, upon arrival at the Meeting. Your vote will be taken and counted at the Meeting. If your shares are held in the name of a nominee or intermediary, please see the box on page 5 for voting instructions.

### Q: How do I vote shares registered in the name of two or more owners?

A: To vote shares registered in the name of two or more owners, all registered owners must sign the enclosed form of proxy. The completed proxy form must be returned to Canadian Tire's transfer agent, Computershare Trust Company of Canada, in the envelope provided. **These shares cannot be voted by telephone or through the Internet.**

### Q: How do I vote shares registered in the name of a corporation or other legal entity?

A: To vote shares registered in the name of a corporation or other legal entity, an authorized officer or attorney of that corporation or legal entity must sign the enclosed form of proxy. This person may have to provide proof that he or she is authorized to sign. The completed proxy form must be returned to Canadian Tire's transfer agent, Computershare Trust Company of Canada, in the envelope provided. **These**

**shares cannot be voted by telephone or through the Internet.**

### Q: Can I vote by telephone?

A: If you are a registered shareholder, you can vote by telephone by calling 1-866-732-VOTE (8683). Follow the instructions provided. You will need your 15 digit control number (located on the front of the form of proxy) to identify yourself to the system. If you are voting by telephone, all required information must be entered by 5:00 p.m. (Toronto Time) on Wednesday, May 9, 2012. If you vote by telephone, you cannot appoint anyone other than the directors named on your proxy form as your proxyholder.

### Q: Can I vote through the Internet?

A: If you are a registered shareholder, go to [www.investorvote.com](http://www.investorvote.com) and follow the instructions. You will need your 15 digit control number (located on the front of the form of proxy) to identify yourself to the system. If you are voting through the Internet, all required information must be entered by 5:00 p.m. (Toronto Time) on Wednesday, May 9, 2012.

### Q: Who is soliciting my proxy?

A: **The enclosed form of proxy is being solicited by management of Canadian Tire** and the associated costs will be borne by Canadian Tire. The solicitation will be made primarily by mail but may also be made by telephone or in person.

### Q: What if I sign the form of proxy enclosed with this circular?

A: Signing the enclosed form of proxy gives authority to Maureen J. Sabia, Stephen G. Wetmore or Frank Potter, each of whom is a director of Canadian Tire, or to another person you have appointed, to vote your shares at the Meeting.

### Q: Can I appoint someone other than these directors to vote my shares?

A: **Yes. Write the name of this person, who need not be a Canadian Tire shareholder, in the blank space provided in the form of proxy.**

It is important to ensure that any other person you appoint is attending the Meeting and is aware that he or she has been appointed to vote your shares. Proxyholders should, upon arrival at the Meeting, present themselves to a representative of Canadian Tire's transfer agent, Computershare Trust Company of Canada.

### Q: What do I do with my completed proxy?

A: Return it to Canadian Tire's transfer agent, Computershare Trust Company of Canada, in the envelope provided, so that it arrives no later than 5:00 p.m. (Toronto Time) on



Wednesday, May 9, 2012. This will ensure your vote is recorded.

**Q: If I change my mind, can I take back my proxy once I have given it?**

A: Yes. If you are a registered shareholder and wish to revoke your proxy, prepare a written statement to this effect. The statement must be signed by you or your attorney as authorized in writing or by electronic signature to the extent permitted by applicable law or, if the shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney of the corporation. This statement must be delivered to the Secretary of Canadian Tire at the following address no later than 5:00 p.m. (Toronto Time) on Wednesday, May 9, 2012, or the business day immediately preceding any adjournment of the Meeting, or to the Chairman of the Board of Canadian Tire on the day of the Meeting, Thursday, May 10, 2012, or any adjournment of the meeting.

Canadian Tire Corporation, Limited  
2180 Yonge Street, 18<sup>th</sup> Floor  
Toronto, Ontario M4S 2B9  
Attention: Robyn A. Collier  
Secretary  
Fax: (416) 480-3500

**Q: How will my shares be voted if I give my proxy?**

A: The persons named on the form of proxy must vote for or withhold from voting your shares in accordance with your directions, or you can let your proxyholder decide for you. In the absence of such directions, proxies received by management will be voted **in favour of** the election of directors to the Board and the appointment of the external auditor and authorizing the directors to set the external auditor's compensation.

**Q: What if amendments are made to these matters or if other matters are brought before the Meeting?**

A: The persons named in the form of proxy will have discretionary authority with respect to amendments or variations to matters identified in the Notice of Annual Meeting of Shareholders of Canadian Tire and with respect to other matters which may properly come before the Meeting.

As of the date of this management information circular, management of Canadian Tire knows of no such amendment, variation or other matter expected to come before the Meeting. If any other matters properly come before the Meeting, the persons named in the form of proxy will vote on them in accordance with their best judgment.

**Q: How many shares are entitled to be voted?**

A: As of March 15, 2012, there were outstanding 3,423,366 Common Shares and 78,038,790 Class A Non-Voting Shares of Canadian Tire. Registered shareholders may exercise one vote for each Common Share and one vote for each Class A Non-Voting Share held by them at the close of business on March 22, 2012.

**Q: Who counts the votes?**

A: Canadian Tire's transfer agent, Computershare Trust Company of Canada, counts and tabulates the votes.

**Q: If I need to contact the transfer agent, how do I reach them?**

A: For general shareholder enquiries, you can contact the transfer agent by mail at:

Computershare Trust Company of Canada  
100 University Avenue  
9<sup>th</sup> Floor, North Tower  
Toronto, Ontario M5J 2Y1  
Canada

or by telephone:

within Canada and the United States at 1-800-564-6253, and from all other countries at 514-982-7555;

or by fax:

within Canada and the United States at 1-866-249-7775, and from all other countries at 416-263-9524;

or by e-mail at [service@computershare.com](mailto:service@computershare.com).

**Q: If my shares are not registered in my name but are held in the name of a nominee or intermediary (a bank, trust company, securities broker, trustee or other), how do I vote my shares?**

A: As required by Canadian securities legislation, you will have received from your nominee or intermediary a voting instruction form for the number of shares you hold. You can vote your shares held by your nominee or intermediary in one of two ways.

1. For your shares to be voted for you, please follow the voting instructions provided by your nominee or intermediary.

2. To vote your shares personally, insert your name in the space provided on the voting instruction form and return the form by following the instructions provided. Do not otherwise complete the form as your vote will be taken at the Meeting. Upon arrival at the Meeting, please register with the transfer agent, Computershare Trust Company of Canada. Since Canadian Tire has limited access to the names of its non-registered shareholders, if you attend the Meeting Canadian Tire may have no record of your shareholdings or of your entitlement to vote unless you complete the voting instruction form as indicated above and your nominee or intermediary has appointed you as proxyholder.

**Q: What if I want to change my vote?**

A: If you are a non-registered shareholder, please contact your nominee or intermediary for instructions on how to revoke your voting instructions.



# Business of the Meeting

We will address four items at the Meeting:

1. the Company's consolidated annual financial statements for the financial year ended December 31, 2011, including the external auditor's report;
2. the election of directors who will serve until the end of the next Annual Meeting of Shareholders;
3. the appointment of the external auditor who will serve until the end of the next Annual Meeting of Shareholders, and authorizing the directors to set the external auditor's compensation; and
4. the transaction of such further and other business as may properly come before the Meeting or any adjournment or postponement thereof.

As of the date of this management 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, you or your proxyholder can vote your shares on these items as you, he or she sees fit.

## 1. Receiving the Consolidated Annual Financial Statements

Our 2011 Annual Report has been prepared and will be sent to registered and beneficial shareholders who requested it. It is also available on SEDAR at [www.sedar.com](http://www.sedar.com). Management will review our consolidated financial results at the Meeting and shareholders and proxyholders will be given an opportunity to discuss these results with management.

## 2. Electing Directors

This year the Board has determined that 16 directors will be elected at the Annual 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 directors. The following persons have been nominated for election by the holders of Common Shares:

- Iain C. Aitchison
- Martha G. Billes
- Owen G. Billes
- H. Garfield Emerson
- John A. F. Furlong
- James L. Goodfellow
- Claude L'Heureux
- James A. Riley
- Maureen J. Sabia
- Peter B. Saunders
- Graham W. Savage
- George A. Vallance
- Stephen G. Wetmore

If you own Class A Non-Voting Shares, you can vote on the election of three directors. The following persons have been nominated for election by the holders of Class A Non-Voting Shares:

- Frank Potter
- Timothy R. Price
- Alan P. Rossy

All of the nominated directors are currently directors of Canadian Tire and were elected as directors at our Annual Meeting of Shareholders on May 12, 2011.

## 3. Appointing the External Auditor

If you own Common Shares, you can vote on the appointment of the external auditor and on authorizing the Board of Directors to set the external auditor's compensation. The Board recommends that the Company's current external auditor, Deloitte & Touche LLP, Chartered Accountants (*D&T*), be reappointed as the external auditor.

## 4. Considering Other Business

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



## About the Nominated Directors

The director biographies on pages 7 to 15 describe the nominated directors, along with the number of Common Shares, Class A Non-Voting Shares and deferred share units (DSUs) under the Deferred Share Unit Plan for Directors (*the DSU Plan for Directors*) they each own. DSUs do not carry any voting rights.

The director biographies also indicate the aggregate value of all Common Shares, Class A Non-Voting Shares or DSUs held by each director as well as whether or not each director has met the Company's share ownership guidelines for directors. Each director, other than Stephen Wetmore, the President and Chief Executive Officer (*the President and CEO*), is required to accumulate at least three times the value of the annual director retainer in Common Shares, Class A Non-Voting Shares or DSUs by the fifth anniversary of becoming a director. For more information on the Company's share ownership guidelines for directors, see *Director Share Ownership Guidelines* on page 27. For more information on the Company's share ownership guidelines applicable to Mr. Wetmore, see *Executive Share Ownership Guidelines* on page 40.

Each director holds office until the next Annual Meeting of Shareholders or until a successor is elected or appointed.

Pursuant to a shareholders' agreement between Martha G. Billes (together with corporations and trusts with which she is associated) and C.T.C. Dealer Holdings Limited dated October 30, 1989, as amended, Ms. Billes has proposed nine and C.T.C. Dealer Holdings Limited has proposed three of the

13 directors to be elected by the holders of Common Shares at the Meeting. Ms. Billes and C.T.C. Dealer Holdings Limited have agreed to vote for the election of such nominees, and the President and CEO, 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 advises 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 18 or more 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 current or former officers or employees of Canadian Tire.

### Nominated Directors



**Iain C. Aitchison**  
Howell, New Jersey,  
U.S.A.  
Director since: 2009  
*Independent*<sup>(1)</sup>

#### Current Activities:

Mr. Aitchison is a Corporate Director.

#### Past Activities:

Prior to January 1, 2011, Mr. Aitchison served as President, "K" Line Total Logistics, LLC and President and CEO, Century Distribution Systems, Inc., international transportation and logistics companies in the U.S.A. Mr. Aitchison entered the field of international transportation in 1964, over the years serving with Dalgety (East Africa), Ltd. in Kenya and Tanzania, Gilman & Company, Ltd. in Hong Kong, Kawasaki Kisen Kaisha, Ltd. in Japan and "K" Line/Kerr Corporation and "K" Line Total Logistics in the United States.

Board/Committee Membership		Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors Management Resources and Compensation Committee		14 of 14 5 of 5	100% 100%	100%	Canadian Tire Corporation, Limited	2009 – Present
Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)						
Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>		Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met
—	6	3,735		3,741	\$246,546	May 14, 2014
						Has Share Ownership Guideline Been Met? <sup>(4)</sup>
						No





**Martha G. Billes**<sup>(5)(6)</sup>  
Calgary, Alberta,  
Canada  
Director since: 1980  
*Independent*<sup>(1)</sup>

**Current Activities:**

Ms. Billes is President and a director of Albikin Management Inc., an investment holding company. She is Chairman of Canadian Tire Jumpstart Charities. Ms. Billes is the daughter of Canadian Tire co-founder, A.J. Billes, and has beneficially owned or controlled a majority of the Common Shares of the Company since 1997. She is also a director of Marlore Enterprises Ltd. and Tire 'N' Me Pty. Ltd., and is Honorary Consul Emeritus for the Republic of Chile, Southern Alberta Region. In 2010, Ms. Billes was appointed by the Federal Government to the Board of Directors of the Toronto Organizing Committee for the 2015 Pan American and Parapan American Games.

**Past Activities:**

Ms. Billes has served on the boards of several public companies. She received an Honorary Doctorate of Commerce degree from Ryerson University in 2002. Ms. Billes was a member of the Board of Trustees of the Sunnybrook Medical Centre Foundation and the Calgary Women's Emergency Shelter – Endowment Fund Trust. Ms. Billes has also served as a director of Canadian Tire Bank.

Board/Committee Membership	Attendance		Total %	Public Board Membership During Last Five Years		
Board of Directors	14 of 14	100%	100%	Canadian Tire Corporation, Limited	1980 – Present	
Management Resources and Compensation Committee	8 of 8	100%				
Governance Committee	2 of 2	100%				
Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)						
Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs	Date at which Share Ownership Guideline was to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
1,400,767	5,706	–	1,406,473	See Note (7)	February 9, 2008	Yes



**Owen G. Billes**<sup>(6)(8)</sup>  
St. Catharines, Ontario,  
Canada  
Director since: 2004  
As a Canadian Tire  
Dealer, Mr. Billes is *not*  
*independent*<sup>(1)</sup>

**Current Activities:**

Mr. Billes is President, Sandy McTyre Retail Ltd., which operates a Canadian Tire store in Welland, Ontario. He is the son of Martha G. Billes and grandson of Canadian Tire co-founder, A.J. Billes. Mr. Billes is also a director of Canadian Tire Jumpstart Charities and Canadian Tire Bank.

**Past Activities:**

Mr. Billes joined Canadian Tire in 1992 as Changeover Consultant, Dealer Changeover. He subsequently worked at Canadian Tire in various divisions, including the Operations Planning Centre, Dealer Operations, Logistics, Automotive Marketing, New Business Development and Petroleum. He also worked in Customer Service Strategic Development at Canadian Tire Financial Services Limited and at four Canadian Tire stores. In 2007, Mr. Billes entered the Canadian Tire Dealer-in-Training Program. Mr. Billes has also served as a member of the Board of Governors for Niagara College.

Board/Committee Membership		Attendance		Total %	Public Board Membership During Last Five Years		
Board of Directors		14 of 14	100%	100%	Canadian Tire Corporation, Limited	2004 – Present	
Social Responsibility Committee		2 of 2	100%				
Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)							
Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>		Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs	Date at which Share Ownership Guideline was to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
700,383	754,765	–		1,455,148	See Note (7)	May 11, 2009	Yes





**H. Garfield Emerson, Q.C.**

Toronto, Ontario,  
Canada

Director since: 2007  
*Independent*<sup>(1)</sup>

**Current Activities:**

Mr. Emerson is Principal, Emerson Advisory, an independent advisory firm, and a Corporate Director. He is a director of CAE Inc., Pelmorex Media Inc. and Sentry Select Capital Corp., and an Executive in Residence with the Rotman School of Management, University of Toronto, and with the Faculty of Public Affairs, Carleton University.

**Past Activities:**

Mr. Emerson is the past National Chair of Fasken Martineau DuMoulin LLP (2001-2006). Mr. Emerson was previously President and Chief Executive Officer of NM Rothschild & Sons Canada Limited, investment bankers (1990-2001), non-executive Chairman of the Board of Rogers Communications Inc. (1993-2006) and a senior partner of Davies, Ward & Beck. He has also served as a director of Canada Deposit Insurance Corporation, University of Toronto Asset Management Corporation, NM Rothschild & Sons Limited, Wittington Investments Limited, Marathon Realty Company Limited, Open Text Corporation, Genstar Capital Corporation, Rogers Wireless Communications Inc. and Sunnybrook Health Sciences Centre.

Board/Committee Membership		Attendance		Total %	Public Board Membership During Last Five Years		
Board of Directors		12 of 14	86%	90%	CAE Inc.	1992 – Present	
Audit Committee		3 of 3	100%		Canadian Tire Corporation, Limited	2007 – Present	
Management Resources and Compensation Committee		3 of 3	100%		First Calgary Petroleum Ltd.	2008 – 2008	
					Open Text Corporation	2008 – 2009	
Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)							
Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>		Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met <sup>(4)</sup>
–	–	7,889		7,889	\$519,903	May 10, 2012	Yes



**John A.F. Furlong<sup>(9)</sup>**

Vancouver, British  
Columbia, Canada

Director since: 2011  
*Independent*<sup>(1)</sup>

**Current Activities:**

Mr. Furlong is a Corporate Director and a professional speaker represented by the Twentyten Group, a firm comprised of former members of the Vancouver Organizing Committee for the 2010 Vancouver Olympic and Paralympic Games (VANOC). Mr. Furlong serves as a director for Whistler Blackcomb Holdings Inc. and is also a member of the Canadian Olympic Association and Chairman of the "Own the Podium" program.

**Past Activities:**

Mr. Furlong served as the Chief Executive Officer of VANOC and led the team that organized and delivered the 2010 Vancouver Olympic and Paralympic Winter Games. Prior to his appointment to VANOC in 2004, Mr. Furlong was President and Chief Operating Officer for the Vancouver 2010 Bid Corporation. In 2010, Mr. Furlong was named an Officer of the Order of Canada and became a Member of the Order of British Columbia. Mr. Furlong's service to sport and Canada has landed him with numerous additional forms of recognition. Among these are Canadian of the Year, Canada's Sports Executive of the Year and Marketer of the Year.

Board/Committee Membership		Attendance		Total %	Public Board Membership During Last Five Years		
Board of Directors		7 of 7	100%	100%	Canadian Tire Corporation, Limited	2011 – Present	
Social Responsibility Committee		1 of 1	100%		Whistler Blackcomb Holdings Inc.	2010 – Present	
Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)							
Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>		Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
–	–	721		721	\$47,494	May 12, 2016	No





**James L. Goodfellow**  
Oakville, Ontario, Canada  
Director since: 2010  
*Independent<sup>(1)</sup>*

**Current Activities:**

Mr. Goodfellow is a Corporate Director and serves as a director of Discovery Air Inc. and a member of the Audit Committee of the Department of Foreign Affairs and International Trade Canada. Mr. Goodfellow also provides consulting services on corporate governance, risk governance and financial reporting matters.

**Past Activities:**

Prior to his retirement in 2008, Mr. Goodfellow was a senior partner and Vice-Chairman of Deloitte & Touche LLP. He has also been an active contributor to the accounting profession. He is past Chairman of the Canadian Institute of Chartered Accountants' Accounting Standards Board as well as its Canadian Performance Reporting Board. He was made a Fellow of the Ontario Institute of Chartered Accountants in 1986 for distinguished service to the profession and, in 2009, was awarded the Ontario Institute's Distinguished Order of Merit, the highest honour given by the Institute.

Board/Committee Membership	Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors	14 of 14	100%	94%	Canadian Tire Corporation, Limited	2010 – Present
Audit Committee	3 of 3	100%		Discovery Air Inc.	2008 – Present
Social Responsibility Committee	0 of 1	0%			

**Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)**

Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
–	6,000	–	6,000	\$395,400	October 7, 2015	Yes



**Claude L'Heureux<sup>(8)(10)</sup>**  
Orléans, Ontario, Canada  
Director since: 2011  
As a Canadian Tire Dealer, Mr. L'Heureux is *not independent<sup>(1)</sup>*

**Current Activities:**

Mr. L'Heureux is President of Gestion Claude L'Heureux Inc., which operates a Canadian Tire Store in Orléans (Ottawa), Ontario. He is also a board member of the Snow Suit Fund of Ottawa.

**Past Activities:**

Mr. L'Heureux has been a Canadian Tire Dealer since 1983 and has operated a number of Canadian Tire stores in Ontario and Quebec. He was Vice-President of the Canadian Tire Dealers' Association from 1999 to 2001. He has also served as a director of the Canadian Tire Dealers' Association, as Chairman of three regional Dealer groups and on numerous Canadian Tire Dealers' Association committees. Mr. L'Heureux was the recipient of the Canadian Tire Award of Excellence in 2000. He has also served on the board of The West Island Community Share.

Board/Committee Membership	Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors	7 of 7	100%	100%	Canadian Tire Corporation, Limited	2011 – Present
Social Responsibility Committee	1 of 1	100%			

**Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)**

Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
–	200	1,502	1,702	\$112,131	May 12, 2016	No





**Frank Potter**  
Toronto, Ontario,  
Canada  
Director since: 1998  
*Independent<sup>(1)</sup>*

**Current Activities:**

Mr. Potter is a Corporate Director and Chairman of Canadian Tire Bank. He is also a director of Penn West Petroleum Ltd., C.A. Bancorp Inc. and Sentry Select Capital Corp., a private company that manages a number of exchange-traded investment trusts and each of the trusts and funds in the Sentry Select family.

**Past Activities:**

Mr. Potter was formerly Chairman, Emerging Market Advisors, Inc., a consulting firm dealing with international direct investment, Chairman of Imagine Group Holdings Limited, a private Bermuda reinsurance company, and a director of Biovail Corporation. He has also served on the boards of numerous public companies. Mr. Potter is also a former international banker, executive director of The World Bank and senior advisor at the Department of Finance.

Board/Committee Membership	Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors	14 of 14	100%	100%	Biovail Corporation	2009 – 2010
Management Resources and Compensation Committee (Chairman)	8 of 8	100%		C.A. Bancorp Inc.	2006 – Present
Governance Committee	2 of 2	100%		Canadian Tire Corporation, Limited	1998 – Present
				Golden China Resources Corporation	2004 – 2007
				Penn West Petroleum Ltd.	2000 – Present
				Rockwater Capital Corp.	2001 – 2007
				Softchoice Corporation	2002 – 2009
				Strategic Energy Corp.	2005 – 2008

**Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)**

Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
–	1,888	9,233	11,121	\$732,903	February 9, 2008	Yes



**Timothy R. Price**  
Toronto, Ontario,  
Canada  
Director since: 2007  
*Independent<sup>(1)</sup>*

**Current Activities:**

Mr. Price is Chairman, Brookfield Funds, Brookfield Asset Management Inc., an asset management company. He is Chairman of the York University Foundation, the lead director of Astral Media Inc., a director of Brookfield Residential Properties Inc., HSBC Bank Canada, Fairfax Financial Holdings Limited, St. Michael's Hospital Foundation and the Centre for Addiction and Mental Health Foundation, and a governor of York University.

**Past Activities:**

Mr. Price was previously President and CEO of Hees Enterprises Limited and Chairman of Trilon Financial Corporation, which were companies that merged into Brookfield Asset Management Inc. He was formerly Chairman of Q9 Networks Inc., a trustee of Morguard REIT and a director of Brookfield Homes Corporation.

Board/Committee Membership	Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors	13 of 14	93%	95%	Astral Media Inc.	1978 – Present
Audit Committee	3 of 3	100%		Brookfield Homes Corporation Inc.	2009 – 2011
Governance Committee	1 of 1	100%		Brookfield Residential Properties Inc.	2011 – Present
Social Responsibility Committee (Chairman)	1 of 1	100%		Canadian Tire Corporation, Limited	2007 – Present
				Fairfax Financial Holdings Limited	2010 – Present
				HSBC Bank Canada	2007 – Present
				Morguard REIT	2005 – 2008
				Q9 Networks Inc.	2004 – 2008

**Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)**

Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
–	1,800	9,539	11,339	\$747,248	May 10, 2012	Yes





**James A. Riley**  
Toronto, Ontario,  
Canada  
Director since: 2006  
*Independent*<sup>(1)</sup>

**Current Activities:**

Mr. Riley is Managing Director and Chief Operating Officer of The Catalyst Capital Group Inc., a private equity investment firm. He is also a director of The Canadian Stage Company.

**Past Activities:**

Mr. Riley is a former partner of Goodmans LLP and has more than 30 years of experience practicing law in the areas of banking, financial intermediary regulation and mergers and acquisitions. Mr. Riley has been recognized as one of Canada's leading lawyers in these and other practice areas by legal ranking guides. He has served as a director or equivalent of several other for-profit and not-for-profit organizations.

Board/Committee Membership		Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors		13 of 14	93%	92%	Canadian Tire Corporation, Limited	2006 – Present
Management Resources and Compensation Committee		8 of 8	100%			
Governance Committee (Chairman)		1 of 2	50%			
Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)						
Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
–	–	17,072	17,072	\$1,125,026	May 9, 2012	Yes



**Alan P. Rossy**  
Montreal, Quebec,  
Canada  
Director since: 2011  
*Independent*<sup>(1)</sup>

**Current Activities:**

Mr. Rossy is President and Chief Executive Officer of Groupe Copley, a real estate company which purchases, develops and leases residential properties in Montreal and Toronto, and has held this position since 2007. He is also a director of Aimia (formerly Groupe Aeroplan) and a member of its Audit, Finance and Risk Committee and its Human Resources and Compensation Committee. Mr. Rossy serves on the Board of Directors of Selwyn House School, a private boys school in Westmount, Quebec. He is also a Director of the Montreal Children's Hospital Corporate Appeal Board.

**Past Activities:**

Mr. Rossy was Executive Vice-President of Store Operations at Dollarama L.P. from 1991 to 2007. His responsibilities included new store growth, sales, merchandising, advertising and human resources consulting. Mr. Rossy is a founding family member and current shareholder of Dollarama.

Board/Committee Membership		Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors Audit Committee	5 of 7	71%	60%	Aimia (formerly Groupe Aeroplan Inc.)	2007 – Present	
	1 of 3	33%		Canadian Tire Corporation, Limited	2011 – Present	
Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)						
Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
–	–	724	724	\$47,682	May 12, 2016	No





**Maureen J. Sabia**  
Toronto, Ontario,  
Canada  
Director since: 1985  
Non-Executive Chairman  
of the Board since  
March 8, 2007  
*Independent<sup>(1)</sup>*

**Current Activities:**

Miss Sabia is Non-Executive Chairman of the Board of the Company and President, Maureen Sabia International, a consulting firm. She is also a director of Canadian Tire Bank. Miss Sabia 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 is Chairman of the Foreign Affairs and International Trade Canada Audit Committee. She is also Vice-Chairman of the Public Accountants Council for the Province of Ontario, a body mandated by the *Public Accounting Act, 2004* (Ontario) to oversee, in the public interest, the regulation of public accounting.

**Past Activities:**

Miss Sabia, a lawyer, has had careers in the public and private sectors and served as Chairman of the Export Development Corporation. She is past Chairman of the Audit Committee of Canadian Tire. Miss Sabia was formerly a director of Gulf Canada Resources Limited, Hollinger Inc., Laurentian General Insurance Company Inc., O & Y FPT Inc., O & Y Properties Corporation 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 Sunnybrook Medical Centre.

Board/Committee Membership		Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors		14 of 14	100%	100%	Canadian Tire Corporation, Limited	1985 – Present
Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)						
Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
–	6,308	2,123	8,431	\$555,582	February 9, 2008	Yes



**Peter B. Saunders**  
Naples, Florida,  
U.S.A.  
Director since: 2009  
*Independent<sup>(1)</sup>*

**Current Activities:**

Mr. Saunders is the Lead Director of Godiva Chocolatier and Chairman of Jack Wills Ltd., a specialty apparel retailer in the UK. Mr. Saunders is also a director of The Second Cup Ltd. and Total Wine & More, an independent wine retailer in the U.S.A.

**Past Activities:**

Mr. Saunders was previously Chairman (2008 - 2009) and Chief Executive Officer (2002 - 2008) of The Body Shop International PLC and Chief Operating Officer of T. Eaton Co. Ltd. (1995 - 1997).

Board/Committee Membership		Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors		14 of 14	100%	100%	Canadian Tire Corporation, Limited	2009 – Present
Management Resources and Compensation Committee		8 of 8	100%		The Second Cup Ltd.	2011 – Present
Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)						
Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
–	2,000	3,730	5,730	\$377,630	June 10, 2014	Yes





**Graham W. Savage**<sup>(9)(11)</sup>  
Toronto, Ontario,  
Canada  
Director since: 1998  
*Independent*<sup>(1)</sup>

**Current Activities:**

Mr. Savage is a Corporate Director and serves on the boards of Canadian Tire Bank, Postmedia Network Inc., Whistler Blackcomb Holdings Inc. and Cott Corporation.

**Past Activities:**

Mr. Savage has been Chairman, Callisto Capital LP, a merchant banking firm, since 2003. Previously, he was also Chief Financial Officer and a director of Rogers Communications Inc. He has also served as a director of Alias Corp., FMC Financial Models Limited, Leitch Technology Corp., Lions Gate Entertainment Corp., MDC Corp., Microcell Inc., Royal Group Technologies Limited, Sun Media Corp., Sun Times Media Group, Inc. and Vitran Corporation, among others.

Board/Committee Membership	Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors	14 of 14	100%	100%	Canadian Tire Corporation, Limited	1998 – Present
Audit Committee (Chairman)	6 of 6	100%		Cott Corporation	2008 – Present
Governance Committee	2 of 2	100%		Postmedia Network Inc.	2010 – Present
				Sun Times Media Group, Inc.	2003 – 2009
				Whistler Blackcomb Holdings Inc.	2010 – Present

**Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)**

Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
–	3,033	6,300	9,333	\$615,077	February 9, 2008	Yes



**George A. Vallance**<sup>(8)(10)</sup>  
Langley, British Columbia,  
Canada  
Director since: 2011  
As a Canadian Tire Dealer, Mr. Vallance is  
*not independent*<sup>(1)</sup>

**Current Activities:**

Mr. Vallance is President, G.A. Vallance Holdings Limited, which operates a Canadian Tire store in Langley, British Columbia.

**Past Activities:**

Mr. Vallance became a Canadian Tire Dealer in 1989. He was President of the Canadian Tire Dealers' Association from 2008 to 2009. He has also served as a director on the boards of the Canadian Tire Dealers' Association and C.T.C. Dealer Holdings Limited. Mr. Vallance has served as Chairman of several regional Dealer groups and has served on numerous Canadian Tire Dealers' Association committees.

Board/Committee Membership	Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors	7 of 7	100%	100%	Canadian Tire Corporation, Limited	2011 – Present
Social Responsibility Committee	1 of 1	100%			

**Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)**

Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met? <sup>(4)</sup>
–	–	1,622	1,622	\$106,890	May 12, 2016	No





**Stephen G. Wetmore**  
Mississauga, Ontario,  
Canada  
Director since: 2003  
As President and CEO,  
Mr. Wetmore is *not*  
*independent*<sup>(1)</sup>

**Current Activities:**

Mr. Wetmore is President and CEO of the Company and a director of Canadian Tire Financial Services Limited and a director and officer of Mark's Work Wearhouse Ltd., subsidiaries of the Company.

**Past Activities:**

Mr. Wetmore was previously President and CEO, Bell Aliant Regional Communications Income Fund (now, Bell Aliant Inc.), Group President, Corporate Performance and National Markets, Bell Canada and Executive Vice-President, BCE Inc., President and CEO of Aliant Inc., President and CEO of NewTel Enterprises Ltd., President of Air Atlantic, and Managing Director of Scotia Holding PLC. He also served as a director of Aliant Inc., Axia NetMedia Corporation, Manitoba Telecom Services Inc. and Stratos Global Corporation. Mr. Wetmore 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. He has also been a director of the C.D. Howe Institute, and a member of the Financial Executives Institute.

Board/Committee Membership		Attendance		Total %	Public Board Membership During Last Five Years	
Board of Directors		14 of 14	100%	100%	Bell Aliant Regional Communications Income Fund Canadian Tire Corporation, Limited Stratos Global Corporation	2006 – 2008 2003 – Present 1998 – 2007
Number of Shares and DSUs Beneficially Owned, Controlled or Directed (as at March 15, 2012)						
Common Shares	Class A Non-Voting Shares	DSUs <sup>(2)</sup>	Total Number of Shares and DSUs	Market Value of Total Number of Shares and DSUs <sup>(3)</sup>	Date at which Share Ownership Guideline is to be Met	Has Share Ownership Guideline Been Met?
–	24,753	21,164 <sup>(12)</sup>	45,917	\$3,025,958 <sup>(13)</sup>	January 3, 2014	No <sup>(14)</sup>

**Notes**

- (1) "Independent" refers to the Board's determination of whether a director is "independent" under Section 1.2 of the Canadian Securities Administrators' National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.
- (2) The number of DSUs that each director owns has been rounded to the nearest whole number.
- (3) The closing price for Common Shares on December 30, 2011 was \$72.51. The closing price for Class A Non-Voting Shares (and accordingly the value of a DSU) on December 30, 2011 was \$65.90. The market value of each director's total number of shares and DSUs (including fractional DSUs) is based upon these closing share prices.
- (4) The value of Common Shares, Class A Non-Voting Shares or DSUs required to meet the share ownership guideline as at the date at which it is required to be met (currently \$360,000) is calculated as the greater of (i) the acquisition cost of Common Shares, Class A Non-Voting Shares or DSUs, and (ii) the market value of such shares and DSUs based on the closing share prices on December 30, 2011. For more information on the Company's share ownership guidelines for directors, see *Director Share Ownership Guidelines* on page 27.
- (5) Tire 'N' Me owns 1,400,767 Common Shares of the Company. Ms. Billes controls Tire 'N' Me and, with the exception of a small number of non-voting common shares of Tire 'N' Me owned by Owen Billes, Ms. Billes 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.
- (6) Albikin owns 700,383 Common Shares and 741,176 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 Martha 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.
- (7) The value of Ms. Billes' and Mr. Billes' Common and Class A Non-Voting share holdings as at December 31, 2011 exceed the Company's share ownership guidelines for directors.
- (8) Messrs. Billes, L'Heureux and Vallance are Canadian Tire Dealers and as such may, from time to time, participate in a Company supported program that provides financing to Canadian Tire Dealers for their purchase of inventory and fixed assets. The terms and conditions of the financing support provided by the Company under this program are the same for all participating Canadian Tire Dealers.
- (9) Messrs. Furlong and Savage serve together on the board of directors of Whistler Blackcomb Holdings Inc. There are no other interlocking public company directorships among the director nominees.
- (10) C.T.C. Dealer Holdings Limited owns 700,384 Common Shares of the Company, representing approximately 20.5% of the currently outstanding Common Shares. Messrs. L'Heureux and Vallance each hold less than 0.5% of the outstanding voting common shares of C.T.C. Dealer Holdings Limited and do not exercise any control or direction over the shares of the Company held by C.T.C. Dealer Holdings Limited.
- (11) Mr. Savage was a director of Microcell Inc. when it filed for protection under the *Companies' Creditors Arrangement Act* in 2003. Mr. Savage was also a director of Sun-Times Media Group, Inc. (*Sun Times*), formerly Hollinger International Inc. (*Hollinger*). He served as a director of that company from July, 2003 until November, 2009. On June 1, 2004, the Ontario Securities Commission issued a permanent management cease trade order (the *Ontario Cease Trade Order*) against the insiders of Hollinger for failing to file its interim financial statements and interim MD&A for the three-month period ended March 31, 2004 and its annual financial statements, MD&A and AIF for the year ended December 31, 2003. In addition, the British Columbia Securities Commission issued a cease trade order against an insider of Hollinger resident in British Columbia on May 21, 2004, as updated on May 31, 2004 (the *BC Cease Trade Order*). The Ontario Cease Trade Order was allowed to expire on January 9, 2006 and is no longer in effect. The BC Cease Trade Order was revoked on February 10, 2006 and is no longer in effect. Sun Times filed for protection under Chapter 11 of the United States Bankruptcy Code in April 2009.
- (12) Includes DSUs received under the DSU Plan for Directors prior to Mr. Wetmore's appointment as President and CEO of the Company as well as a portion of a previous Short-Term Incentive Plan Award which Mr. Wetmore elected to receive in DSUs under his Deferred Share Unit Plan.
- (13) Mr. Wetmore also owns a nominal amount of units in the CTC Share Fund of the Company's Deferred Profit Sharing Plan, which consists of Common Shares and Class A Non-Voting Shares. For a description of the Company's Deferred Profit Sharing Plan, see page 52.
- (14) For more information on the Company's share ownership guidelines applicable to Mr. Wetmore, see *Executive Share Ownership Guidelines* on page 40.

All of the director nominees have previously been elected as directors of the Company by a vote of shareholders at a meeting, the notice of which was accompanied by an information circular.

The average age of the nominated directors is 63.



## Meeting Attendance

The table below lists the Board and Committee meetings held in fiscal 2011 and the number attended by each director while they were a member of the applicable Committee. Maureen Sabia, the Chairman of the Board, is not a member of any Committee but attends all Committee meetings. Martha Billes is a permanent invited guest at meetings of Committees of which she is not a member. Stephen Wetmore, the President and CEO, is not a member of any Committee but attends Committee meetings as required. Attendance by the Chairman of the Board and Ms. Billes at Committee meetings, which are designated by shaded boxes below, is not included in the total attendance column. Attendance by other directors at meetings of Committees (of which they are not members) at the request of a Committee Chairman is also designated by shaded boxes and is included in the total attendance column.

Director	Board (14 Meetings) <sup>(1)</sup>		Audit Committee (6 Meetings)		Management Resources & Compensation Committee (8 Meetings)		Governance Committee (2 Meetings)		Social Responsibility Committee (2 Meetings)		Total <sup>(2)</sup>
	Number	%	Number	%	Number	%	Number	%	Number	%	%
Iain C. Aitchison <sup>(3)</sup>	14 of 14	100%			1 of 1	100%			1 of 1	100%	100%
					5 of 5	100%					
Martha G Billes	14 of 14	100%	6 of 6	100%	8 of 8	100%	2 of 2	100%	2 of 2	100%	100%
Owen G. Billes	14 of 14	100%							2 of 2	100%	100%
Peter W. Currie <sup>(4)</sup>	4 of 4	100%	3 of 3	100%							100%
Brian G. Domelle <sup>(5)</sup>	4 of 4	100%							1 of 1	100%	100%
H. Garfield Emerson <sup>(6)</sup>	12 of 14	86%	3 of 3	100%	3 of 3	100%					90%
Robert M. Franklin <sup>(7)</sup>	4 of 4		3 of 3	100%			1 of 1	100%	1 of 1	100%	100%
John A.F. Furlong <sup>(8)</sup>	7 of 7	100%							1 of 1	100%	100%
James L. Goodfellow <sup>(9)</sup>	14 of 14	100%	3 of 3	100%					0 of 1	0%	94%
Keith E. Gostlin <sup>(10)</sup>	6 of 7	86%							1 of 1	100%	88%
Claude L'Heureux <sup>(11)</sup>	7 of 7	100%							1 of 1	100%	100%
Frank Potter	14 of 14	100%			8 of 8 (Chairman)	100%	2 of 2	100%			100%
Timothy R. Price <sup>(12)</sup>	13 of 14	93%	3 of 3	100%			1 of 1	100%	1 of 1 (Chairman)	100%	95%
James A. Riley	13 of 14	93%			8 of 8	100%	1 of 2 (Chairman)	50%			92%
Alan P. Rossey <sup>(13)</sup>	5 of 7	71%	1 of 3	33%							60%
Maureen J. Sabia Chairman of the Board	14 of 14	100%	6 of 6	100%	8 of 8	100%	2 of 2	100%	2 of 2	100%	100%
Peter B. Saunders	14 of 14	100%			8 of 8	100%					100%
Graham W. Savage	14 of 14	100%	6 of 6 (Chairman)	100%			2 of 2	100%			100%
George A. Vallance <sup>(14)</sup>	7 of 7	100%							1 of 1	100%	100%
Stephen G. Wetmore <sup>(15)</sup> President and CEO	14 of 14	100%									100%

### Notes

- (1) The Board held 10 regular and four special meetings in 2011.
- (2) This column showing total attendance does not include attendance by the Chairman of the Board and Ms. Billes at Committee meetings that are designated by shaded boxes. This column does include attendance by other directors at meetings of Committees (of which they are not members) at the request of a Committee Chairman.
- (3) Prior to his appointment to the Management Resources and Compensation Committee effective May 12, 2011, Mr. Aitchison attended a meeting of this Committee at the request of the Committee Chairman. Mr. Aitchison ceased to be a member of the Social Responsibility Committee effective May 12, 2011.
- (4) Mr. Currie did not stand for re-election in 2011 and, therefore, ceased to be a director of the Company and a member of the Audit Committee effective May 12, 2011.
- (5) Mr. Domelle did not stand for re-election in 2011 and, therefore, ceased to be a director of the Company and a member of the Social Responsibility Committee effective May 12, 2011.
- (6) Mr. Emerson was appointed to the Audit Committee and ceased to be a member of the Management Resources and Compensation Committee effective May 12, 2011.
- (7) Mr. Franklin did not stand for re-election in 2011 and, therefore, ceased to be a director of the Company, Chairman of the Social Responsibility Committee and a member of the Audit and Governance Committees effective May 12, 2011.
- (8) Mr. Furlong was elected a director of the Company and appointed to the Social Responsibility Committee effective May 12, 2011.
- (9) Mr. Goodfellow was appointed to the Social Responsibility Committee effective May 12, 2011 and the Audit Committee effective June 1, 2011.
- (10) Mr. Gostlin did not stand for re-election in 2011 and, therefore, ceased to be a director of the Company and a member of the Social Responsibility Committee effective May 12, 2011.
- (11) Mr. L'Heureux was elected a director of the Company and appointed to the Social Responsibility Committee effective May 12, 2011.
- (12) Mr. Price ceased to be a member of the Audit Committee and was appointed Chairman of the Social Responsibility Committee and a member of the Governance Committee effective May 12, 2011.
- (13) Mr. Rossey was elected a director of the Company and appointed to the Audit Committee effective May 12, 2011.
- (14) Mr. Vallance was elected a director of the Company and appointed to the Social Responsibility Committee effective May 12, 2011.
- (15) Mr. Wetmore attends Committee meetings as required. In 2011, he attended four of six Audit Committee meetings, all of the Management Resources and Compensation Committee meetings and one of two Social Responsibility Committee meetings.



# About the Board of Directors

The Board of Directors is elected by the Company's shareholders. The Board is responsible for the 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:

- overseeing the development of and approving business, strategic, financial and succession plans and monitoring the implementation of these plans
- overseeing financial reporting and approving material disclosure documents
- 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 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 the day-to-day business to management, but retains responsibility for reviewing management's 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 Board of Directors has a written Mandate. Please see *Appendix A* on page A1 for a copy of the Board's Mandate, which is also available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab.

The Board meets at least nine times a year, and more often, if necessary. The Board met 14 times in 2011. It held 10 regular and four special meetings. Time is set aside at all regularly scheduled meetings to discuss issues without management present.

In 2011, the Board developed a policy on how the Company will respond to suggested new initiatives with respect to shareholder involvement in decision-making that is both responsive to shareholder concerns and appropriate in the circumstances of the Company (*the Statement of Principles*). Please see *Appendix B* on page B1 for a copy of the Statement of Principles, which is also available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab.

## The Chairman of the Board

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 her best efforts to ensure directors are provided with the information they need to make informed decisions and carry out their responsibilities
- chairing Board meetings
- acting as a key liaison between the Board and management
- keeping in touch with the Chairmen of the Board's Committees to discuss issues as they arise, and ensuring that all directors are kept informed between Board meetings of any matter which, in her judgment, they should be made aware.

For a detailed statement of the Chairman of the Board's responsibilities, please see *Appendix C* on page C1 for a copy of her position description, which is also available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab.

## Board Committees

The Board has established four standing Committees:

- Audit Committee
- Management Resources and Compensation Committee (*the MRC Committee*)
- Governance Committee
- Social Responsibility Committee.

The Board does not have an executive committee.

The Board has delegated a number of its routine approval responsibilities to its Committees, as permitted by law, in order to enable the Board to spend more time on business and strategic issues. The Board has approved a Mandate for each Committee which reflects this delegation of authority, resulting in improved efficiencies in decision-making. Each Committee reviews its Mandate and work plan on a regular basis to ensure that it has fulfilled all of its responsibilities under its Mandate. Any revisions to a Mandate are reviewed by the Governance Committee as required, but no less than once every three years, and recommended to the Board for approval. All matters approved by the Committees are reported to the Board and it is always within the prerogative of the Board to approve, veto, amend or change any approval made by a Committee.

All Committees meet regularly without management present. The Chairman of the Board attends all Committee meetings and meets with the Committee Chairmen at meetings of the Governance Committee (on which all Committee Chairmen and Martha Billes serve) and at such other times as may be required. Every director may attend the meetings of a Committee either by invitation or at the discretion of the Chairman of such Committee.

To enhance disclosure of the responsibilities and activities of the Board's Committees, each Committee has provided a



report highlighting its duties under its Mandate and significant achievements during 2011.

None of the current members of any of the Committees, except for Owen G. Billes, is a current or former employee of Canadian Tire or any of its subsidiaries.

### **Canadian Tire Bank Board of Directors**

The Board of Directors of Canadian Tire Bank (*the Bank*), a wholly-owned subsidiary of Canadian Tire Financial Services Limited, which is a wholly-owned subsidiary of the Company, is comprised of nine directors. Serving on the Board of the Bank are the President and Chief Executive Officer of the Bank, four directors of Canadian Tire who are cross-appointed to the Bank Board, one executive from Canadian Tire and three other outside individuals with significant management expertise in banking or similar businesses. The Bank is a Schedule I chartered bank that is regulated by the Office of the Superintendent of Financial Institutions (*OSFI*) and as such is

subject to all of the risk management requirements and reporting required by OSFI from time to time.

The Bank Board meets quarterly or more frequently as circumstances warrant. The Bank Board reviews reports from management on principal risks associated with the Bank's business and operations, approves policies that govern the principal risks of the Bank, including liquidity, operational and legislative compliance risks, and reviews management's implementation of systems to manage these risks and any material deficiencies in the operation of these systems. The Chairman of the Bank Board, Frank Potter, reports to the Company's Board on a quarterly basis on the Bank Board's oversight of the Bank. The Bank's compliance with its risk management policies, among other matters overseen by the Audit Committee of the Bank, is reported to the Company's Audit Committee by Graham Savage, the Chairman of the Company's Audit Committee and a member of the Bank's Audit Committee.



## Report of the Audit Committee



Graham W. Savage,  
Chairman



H. Garfield Emerson



James L. Goodfellow



Alan P. Rossy

Current  
Members:

### MANDATE

*The Audit Committee Mandate and Charter is set out in Appendix D and is available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab.*

*The Audit Committee Chairman's position description is available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab, then click "Board Position Descriptions".*

The Audit Committee oversees Canadian Tire's financial reporting and disclosure, risk management and compliance with applicable laws and regulations.

In 2011, the Audit Committee, in accordance with its Mandate and Charter, accomplished the following:

### Financial Reporting

- ✓ Reviewed the annual and interim financial statements, external auditor's report, management's discussion and analysis, annual information form, financial news releases, officer certifications and all other disclosure documents containing material audited or unaudited financial information
- ✓ Reviewed the appropriateness of and changes to accounting policies and practices, including the transition to reporting under International Financial Reporting Standards (*IFRS*)
- ✓ Reviewed the procedures used in preparing financial statements and reports
- ✓ Monitored the effectiveness of disclosure controls and procedures and the design of internal controls over financial reporting
- ✓ Monitored the Company's financial risks.

### External Auditor

- ✓ Recommended to the Board the firm of chartered accountants to be nominated for appointment as the external auditor
- ✓ Reviewed the external auditor's annual client services plan
- ✓ Evaluated the external auditor's performance
- ✓ Reviewed and approved proposed external audit fees for the year
- ✓ Monitored the independence of and received the external auditor's report on its independence including disclosure of all engagements and associated fees for non-audit services for the Company
- ✓ Reviewed the planned scope of the audit, the areas of special emphasis and the materiality levels proposed to be employed
- ✓ Reviewed the results of the audit and discussed the external auditor's opinion on our accounting controls and the quality of our financial reporting
- ✓ Reviewed and approved non-audit services where appropriate
- ✓ Monitored the quality and effectiveness of the relationship among the external auditor, management and the Audit Committee
- ✓ Reviewed reports from the external auditor to management on internal control issues identified in the course of its audit and attest activities.

### Internal Auditor

- ✓ Reviewed the reports of the Internal Auditor and the adequacy and appropriateness of management's actions
- ✓ Reviewed the performance of the Internal Auditor
- ✓ Reviewed and approved the Internal Auditor's annual audit plan
- ✓ Reviewed and approved the Internal Auditor's charter.



	<p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>✓ Reviewed regular reports on the Company's enterprise risk management (<i>ERM</i>) program</li> <li>✓ Reviewed and recommended to the Board for approval risk management policies governing principal risks</li> <li>✓ Reviewed management's reports on compliance with the Code of Business Conduct (<i>the Code</i>)</li> <li>✓ Reviewed the process for monitoring compliance with and communication of the Code to directors and employees.</li> </ul> <p><b>Canadian Tire Bank Oversight</b></p> <ul style="list-style-type: none"> <li>✓ Received quarterly updates on the matters considered at Canadian Tire Bank Audit Committee meetings.</li> </ul> <p><b>Compliance with Applicable Laws and Regulations</b></p> <ul style="list-style-type: none"> <li>✓ Reviewed reports from management on the Company's compliance with applicable legal and regulatory requirements and the effectiveness of the Company's policies, procedures and programs in relation to its compliance with such laws and regulations</li> <li>✓ Reviewed the status of the Company's tax returns and those of its subsidiaries.</li> </ul> <p><b>Financial Literacy of Audit Committee Members</b></p> <ul style="list-style-type: none"> <li>✓ Assessed the financial literacy of each Audit Committee member.</li> </ul>
<b>2011 KEY MILESTONES</b>	<ul style="list-style-type: none"> <li>✓ Received regular updates from management on the transition to IFRS and considered accounting standard developments under IFRS and the impact thereof on the Company's financial reporting</li> <li>✓ Reviewed and recommended revisions to the Company's principal risks</li> <li>✓ Conducted an assessment of the Audit Committee's performance, including the performance of its members</li> <li>✓ Received updates on the progress of the Company's finance transformation initiatives and systems upgrades</li> <li>✓ Received regular updates on the implementation of an inventory planning management system at Mark's Work Wearhouse Ltd., the Company's subsidiary</li> <li>✓ Approved the appointment of the Company's new Vice-President, Internal Audit Services and Enterprise Risk Management</li> <li>✓ Received status updates on the financial reporting integration relating to the acquisition of The Forzani Group Ltd. (now, FGL Sports)</li> <li>✓ Recommended changes to the Company's Foreign Exchange Risk Management Policy and the Securities and Derivative Policy.</li> </ul>
<b>FINANCIAL LITERACY</b>	All members are "financially literate" as required by the Canadian Securities Administrators (CSA).
<b>100% INDEPENDENT</b>	<p>All members meet Board approved independence standards which are derived from the CSA corporate governance guidelines and are set out in <i>Appendix H</i> to this management information circular.</p> <p>Martha G. Billes is a permanent invited guest at all Audit Committee meetings.</p>

Please see *Appendix D* on page D1 for a copy of the Audit Committee's Mandate and Charter, which has been approved by the Board.

For more information about the Audit Committee as required by Part 5 of National Instrument 52-110, see pages 31 to 32 and 34 of our Annual Information Form for the year ended December 31, 2011 which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Auditor's Fees

The table below shows the fees that D&T received for services for the financial years ended January 1, 2011 and December 31, 2011, respectively:

Auditor's Fees	2010 (ended January 1, 2011)	2011 (ended December 31, 2011)
Audit fees	\$2,616,050	\$3,018,599
Audit-related fees	\$1,767,103	\$3,371,085
Tax fees	\$599,982	\$478,124
All other fees	\$73,724	\$20,111
<b>Total</b>	<b>\$5,056,859</b>	<b>\$6,887,919</b>

The Audit Committee met six times in 2011. The Chairman of the Audit Committee is available to meet at any time and meets regularly with the external auditor and representatives of the Internal Audit Services department and management.

This report has been approved by the members of the Audit Committee: Graham W. Savage, *Chairman*, H. Garfield Emerson, James L. Goodfellow and Alan P. Rossy.



## Report of the Management Resources and Compensation Committee



Current  
Members: Frank Potter,  
Chairman



Iain C. Aitchison



Martha G. Billes



James A. Riley



Peter B. Saunders

### MANDATE

The MRC Committee Mandate is set out in Appendix E and is available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab.

The MRC Committee Chairman's position description is available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab, then click "Board Position Descriptions".

The MRC Committee oversees Canadian Tire's management resources and compensation strategy, plans, policies, procedures and practices.

In 2011, the MRC Committee, in accordance with its Mandate, accomplished the following:

#### Succession Planning

- ✓ Assessed officer succession practices
- ✓ Determined replacements for the President and CEO and other key leadership roles in the event of emergency
- ✓ Reviewed the systems and processes for evaluating senior management development and succession.

#### Executive Compensation Philosophy

- ✓ Reviewed the Company's compensation philosophy
- ✓ Reviewed the adequacy, competitiveness, internal equity and cost effectiveness of the design of the Company's benefit programs
- ✓ Assessed the linkage of the Company's executive compensation philosophy and incentive plans to the Company's performance and business strategy
- ✓ Reviewed changes to compensation guidelines and benefit plans and programs.

#### Appointment and Compensation of Executives other than the President and CEO

- ✓ Reviewed the appointment and terms of employment of officers and other senior executives at the level of Senior Vice-President and above (*collectively, Senior Executives*)
- ✓ Reviewed remuneration changes and share ownership guidelines for Senior Executives
- ✓ Reviewed and recommended to the Board annual (short-term incentive plan) and long-term incentive plan designs for senior management and approved grants and payments thereunder.

#### President and CEO Performance, Evaluation and Compensation

- ✓ Recommended the President and CEO's performance objectives to the Board
- ✓ Oversaw the process for evaluating the President and CEO.

#### Disclosure

- ✓ Reviewed and recommended to the Board for approval the executive compensation disclosure to be included in the management information circular.



<b>2011 KEY MILESTONES</b>	<ul style="list-style-type: none"> <li>✓ Recommended to the Board the 2012 Executive Compensation Policy</li> <li>✓ Considered adjudication items for the short-term incentive plan and approved short-term incentive plan payouts for the 2011 fiscal year</li> <li>✓ Recommended changes to the mandate of the MRC Committee</li> <li>✓ Received updates from management on the senior leadership assessment process and provided oversight on the development of the succession planning process for key executive management positions</li> <li>✓ Considered executive management transition issues in connection with the acquisition of FGL Sports</li> <li>✓ Conducted an assessment of the MRC Committee's performance, including the performance of its members</li> <li>✓ Recommended changes to Executive share ownership guidelines to include a prohibition on the hedging of all or part of an Executive's equity holdings in the Company as well as a policy on non-compliance</li> <li>✓ Recommended the implementation of an incentive plan clawback provision that would be triggered by a financial restatement by the Company</li> <li>✓ Reviewed changes to executive and director compensation disclosure rules adopted by the Canadian Securities Administrators and considered the impact thereof.</li> </ul>
<b>100% INDEPENDENT</b>	<p>The Board has restricted the criteria for membership on the MRC Committee by requiring that not more than one third of its members be chief executive officers of a publicly traded corporation, and there are currently none on the MRC Committee.</p> <p>All members meet Board approved independence standards which are derived from the CSA corporate governance guidelines and are set out in <i>Appendix H</i> to this management information circular.</p>

Please see *Appendix E* on page E1 for a copy of the MRC Committee's Mandate, which has been approved by the Board.

The MRC Committee met eight times in 2011.

This report has been approved by the members of the MRC Committee: Frank Potter, *Chairman*, Iain C. Aitchison, Martha G. Billes, James A. Riley and Peter B. Saunders.



## Report of the Governance Committee



Current  
Members: James A. Riley,  
Chairman



Martha G. Billes



Frank Potter



Timothy R. Price



Graham W. Savage

### MANDATE

*The Governance Committee Mandate is set out in Appendix F and is available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab.*

*The Governance Committee Chairman's position description is available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab, then click "Board Position Descriptions".*

The Governance Committee oversees Canadian Tire's approach to corporate governance in order to assist the Board to discharge its duties in a highly effective manner.

In 2011, the Governance Committee, in accordance with its Mandate, accomplished the following:

### Composition and Performance of the Board and its Committees

#### (i) Director Nominations

- ✓ Reviewed criteria for selecting new directors
- ✓ Reviewed the competencies and skills required in directors and the Board as a whole
- ✓ Maintained an evergreen list of director nominees
- ✓ Recommended three Class A Non-Voting Share director nominees and 13 Common Share director nominees to the Board for approval
- ✓ Appointed the Chairmen and members of the Audit Committee, the MRC Committee, and the Social Responsibility Committee and recommended to the Board the appointment of the Chairman and members of the Governance Committee.

#### (ii) Evaluation of the Board, its Committees and Individual Directors

- ✓ Reviewed criteria for evaluating the independence status of each director
- ✓ Assessed the independence of each director
- ✓ Reviewed the process for evaluating the performance of the Board and individual directors, the Committees and individual Committee members, and the Chairman of the Board
- ✓ Evaluated the Board and Committee Mandates and the position descriptions of the Chairman of the Board and the Committee Chairmen.

#### Director Education and Orientation

- ✓ Reviewed and evaluated the Board's processes for directors' orientation and education activities.

#### Remuneration of the Chairman of the Board and the Directors

- ✓ Recommended the form and amount of the Chairman of the Board's and directors' compensation.

#### Disclosure

- ✓ Reviewed and recommended to the Board for approval the corporate governance disclosure to be included in the management information circular.

#### Corporate Governance Practices and Principles

- ✓ Monitored developments and best practices in corporate governance and reviewed the Board's governance practices with a view to continuously improving the Board's corporate governance standards.



	<b>Other Duties and Responsibilities</b> <ul style="list-style-type: none"> <li>✓ Recommended to the Board the appointment of the Chairman of the Board</li> <li>✓ Reviewed the ongoing relationship between the Board and management and reported to the Board</li> <li>✓ Reviewed the delegation of authority by the Board to the Committees of the Board.</li> </ul>
<b>2011 KEY MILESTONES</b>	<ul style="list-style-type: none"> <li>✓ Reviewed and recommended to the Board various changes to the mandates of the Audit Committee, MRC Committee, Governance Committee and Social Responsibility Committee</li> <li>✓ Approved the Statement of Principles to guide the Company's approach to addressing shareholder initiatives (see <i>Appendix B</i> on page B1 for a copy of the Statement of Principles)</li> <li>✓ Approved the processes for assessing the performance of the Chairman of the Board and each of the Committees and their members and reported the results of such performance evaluations to the full Board</li> <li>✓ Recommended to the Board the adoption of a prohibition on the hedging of a director's equity holdings in the Company.</li> </ul>
<b>100% INDEPENDENT</b>	All members meet Board approved independence standards which are derived from the CSA corporate governance guidelines and are set out in <i>Appendix H</i> to this management information circular.

Please see *Appendix F* on page F1 for a copy of the Governance Committee's Mandate, which has been approved by the Board.

See *Appendix H* on page H1 for a description of our corporate governance policies and practices.

The Governance Committee met twice in 2011.

This report has been approved by the members of the Governance Committee: James A. Riley, *Chairman*, Martha G. Billes, Frank Potter, Timothy R. Price and Graham W. Savage.



## Report of the Social Responsibility Committee



Current  
Members: Timothy R. Price,  
Chairman



Owen G. Billes



John A.F. Furlong



James L. Goodfellow



Claude L'Heureux



George A. Vallance

### MANDATE

*The Social Responsibility Committee Mandate is set out in Appendix G and is available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab.*

*The Social Responsibility Committee Chairman's position description is available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab, then click "Board Position Descriptions".*

The Social Responsibility Committee oversees Canadian Tire's corporate social responsibility, business sustainability, philanthropic and community investment strategies to assist the Board in fulfilling its corporate social responsibility objective through the creation of long-term shareholder value by balancing the Company's economic growth with environmental and social responsibility.

In 2011, the Social Responsibility Committee, in accordance with its Mandate, accomplished the following:

#### Corporate Social Responsibility

- ✓ Assessed the Company's core statement of corporate social responsibility
- ✓ Reviewed the Company's corporate social responsibility, business sustainability, philanthropic and community investment strategies and assessed the effectiveness of such strategies in achieving the Board's corporate social responsibility objective
- ✓ Reviewed annual financial reporting information from and discussed key initiatives of Canadian Tire Jumpstart Charities (*Jumpstart*) for the purpose of reporting to the Board in connection with the ongoing support of Jumpstart.

#### Donations

- ✓ Reviewed and assessed the Company's donations policy
- ✓ Approved the Company's charitable donations budget

### 2011 KEY MILESTONES

- ✓ Received updates from management on the Company's business sustainability strategies
- ✓ Reviewed initiatives relating to the public reporting of the Company's business sustainability performance<sup>(1)</sup>
- ✓ Approved changes to the Company's core statement of corporate social responsibility
- ✓ Conducted an assessment of the Social Responsibility Committee's performance, including the performance of its members
- ✓ Recommended changes to the mandate of the Social Responsibility Committee to clarify the Committee's accountability for oversight of the Company's corporate social responsibility, business sustainability, philanthropic and community investment strategies

Martha G. Billes is a permanent invited guest at all Social Responsibility Committee meetings.

#### Note

- (1) For more information about the Company's social and environmental responsibility and performance related thereto, see Section 13.0 of our Management's Discussion and Analysis for the year ended December 31, 2011 which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Please see *Appendix G* on page G1 for a copy of the Social Responsibility Committee's Mandate, which has been approved by the Board.

The Social Responsibility Committee met twice in 2011.

This report has been approved by the members of the Social Responsibility Committee: Timothy R. Price, *Chairman*, Owen G. Billes, John A.F. Furlong, James L. Goodfellow, Claude L'Heureux and George A. Vallance.



# Director Compensation

## Introduction

Canadian Tire's director compensation program is designed to attract and retain qualified and committed directors, appropriately reward them for their time commitment and contributions and align their interests with the objectives of the Company and its shareholders.

The Governance Committee is responsible for monitoring, reviewing annually and recommending to the Board of Directors for approval the form and amount of directors' remuneration to ensure that it is both commensurate with the responsibilities and risks assumed and competitive with other companies which are comparable in terms of size and complexity to the Company's business.

At the end of 2010, the Governance Committee conducted its annual review of director compensation to determine whether the current program remained competitive and continued to reflect the Company's objectives. In assessing director compensation, the Governance Committee examined publicly available director compensation data of the top 85 reporting issuers on the TSX based on revenues, which also included those companies against which Canadian Tire benchmarks its executive compensation program as described on page 35 under *Competitive Benchmarking*. Consistent with the Company's policy for determining executive compensation, the median of director compensation levels of the comparator companies was used as the benchmark.

The results of the Governance Committee's review indicated that the Company's director compensation was competitive and aligned to the market and that directors' share ownership guidelines continued to be consistent with market practices. However, the analysis also showed an increase in the retainers paid to the chairs of other companies' compensation and governance committees. Based on the market data as well as other considerations, the Board approved, upon the recommendation of the Governance Committee, an increase in the retainers for the Chairmen of the MRC Committee and Governance Committee to \$17,500, effective January 1, 2011. The Board acknowledged that the increased workload of the Chairmen of both of these Committees as well as the complexity of governance and compensation matters merited such an increase. There were no other changes made to director compensation in 2011.

## Fees and Expenses

In 2011, our non-employee directors received:

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

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

The table below lists the fees our directors (including the Chairman of the Board) were entitled to receive during 2011. The President and CEO does not receive any of these fees.

Fees	Amount
<b>Annual Retainer</b>	
Chairman of the Board	\$320,000
• Cash, Class A Non-Voting Share Purchases or DSUs <sup>(1)</sup>	\$24,000
Other Board Members	\$120,000
Audit Committee Chairman	\$30,000
MRC Committee and Governance Committee Chairmen	\$17,500
Social Responsibility Committee Chairman	\$11,000
<b>Meeting Fees</b>	
Board Meeting	\$2,000
• Held via conference call	\$1,000
Committee Meeting <sup>(2)(3)</sup> (other than Audit Committee Meeting)	\$2,000
• Held via conference call	\$1,000
Audit Committee Meeting <sup>(2)(3)</sup>	\$2,750
• Held via conference call	\$1,375
<b>Travel Fee</b>	
When travel time for a round trip to attend meetings was more than four hours <sup>(2)</sup>	\$1,500

### Notes

- (1) The Chairman of the Board is entitled to an additional retainer of \$24,000 that she can elect to receive in cash, Class A Non-Voting Shares or DSUs.
- (2) Not applicable to the Chairman of the Board.
- (3) Applicable also to directors who attended meetings of Committees of which they were not members as invited guests.

## DSU Plan for Directors

The Chairman of the Board and every other director who is neither a full nor a part-time employee or officer of the Company or any of its subsidiaries is eligible to participate in the DSU Plan for Directors pursuant to which the director may elect to receive all or part of his or her cash retainer, meeting fees and additional compensation (including travel fees), which are paid quarterly, in DSUs. A director may revoke his or her election to participate in the DSU Plan for Directors upon written notice to the Company.

DSUs are credited quarterly to each participating director's account. The number of DSUs is calculated by dividing the amount the director elects to receive in DSUs by the weighted average price at which Class A Non-Voting Shares trade on the TSX during the ten day period prior to and including the last business day (*the Fair Market Value*) before the date on which the DSUs are credited. DSUs are also credited to a director's DSU account when the Company pays a dividend or other distribution on its Class A Non-Voting Shares, which is calculated by multiplying the number of DSUs in the director's account at the time such dividend or other distribution is paid by the amount of the dividend or other distribution, and dividing that amount by the Fair Market Value on the day the dividend or other distribution is paid.

When a director resigns from the Board, he or she must elect to receive payment of his or her DSU account by no later than the last business day in December of the first calendar year



following the calendar year in which the resignation occurs on a business day (*the Settlement Date*) within such period to be determined by the director upon at least 10 days prior written notice to the Company. The director will receive an amount that is equal to the number of DSUs credited to his or her account, including any dividends or other distribution paid by the Company on the Class A Non-Voting Shares that have accrued in the form of DSUs, multiplied by the Fair Market Value on the Settlement Date. The retiring director receives such payment in cash, net of any applicable statutory source deductions. Subject to certain limitations, a director may elect to receive, following his or her resignation from the Board, partial payments of his or her DSU account prior to the Settlement Date instead of one lump sum payment. The DSUs may not be assigned by a participating director (see *About the Nominated Directors* on pages 7 to 15 for information concerning the individual DSU holdings of the nominated directors).

In the event a director ceases to be eligible to participate in the DSU Plan for Directors (for example, by becoming an executive of the Company) but remains a director, such director will continue to hold DSUs granted prior to the date the director ceases to participate in the DSU Plan for Directors and to receive additional DSUs in respect of dividends or other distributions paid by the Company on its Class A Non Voting Shares, but will not be entitled to acquire further DSUs.

### Director Share Ownership Guidelines

To ensure that directors' interests are aligned with those of the Company's shareholders, demonstrate that directors are financially committed to the Company through personal share ownership and promote the Company's long-standing commitment to sound corporate governance, under our Director Share Ownership Guidelines, each director (other than the President and CEO who is subject to our Executive Share Ownership Guidelines set out on page 40) is required to accumulate at least three times the value of the annual director retainer for directors, which currently equates to \$360,000, in Common Shares, Class A Non-Voting Shares or DSUs by the fifth anniversary of becoming a director (see *About the Nominated Directors* on pages 7 to 15 for information concerning the number of Common Shares, Class A Non-Voting Shares and DSUs held by each of the nominated directors, and the market value thereof). When the annual director retainer is increased, directors who met the guideline as at their guideline achievement date but would not meet the guideline on the effective date of the increase in the retainer are required to increase their investment. The amount of the required increase in investment is the amount that is the difference between three times the new annual director retainer and the value of the director's holdings as at their guideline achievement date, which amount must be invested by the date that is two years after the effective date of the increase.

During 2011, each director, other than the Chairman of the Board and the President and CEO (see *Summary Compensation Table* on page 44 for the President and CEO's compensation), was entitled to receive an annual retainer of \$120,000. If a director met the required share ownership guideline of Common Shares, Class A Non-Voting Shares or DSUs, or any combination thereof, he or she received:

- the entire annual retainer of \$120,000 in cash, Common Shares, Class A Non-Voting Shares or DSUs, or any combination thereof, as specified by the director.

If a director had not reached the required share ownership guideline amount and had not provided an undertaking to meet the share ownership guideline amount within one year of joining the Board by purchasing shares in the open market, he or she received:

- up to \$60,000 (or 50% of the annual retainer) in cash, if elected by the director; and
- at least \$60,000 (or 50% of the annual retainer) in Common Shares, Class A Non-Voting Shares or DSUs, or any combination thereof, at his or her election.

### Directors' Hedging Policy

The Company's directors are prohibited from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by such directors.

### Compensation of Directors of Canadian Tire Bank

During 2011, the following directors of the Company also served as directors of the Bank: Owen G. Billes, Robert M. Franklin (until May 2011), Frank Potter, Maureen J. Sabia and Graham W. Savage. Mr. Potter served as Chairman of the Bank Board throughout 2011. For their service as directors of the Bank, in addition to their compensation for serving as directors of the Company, these directors received:

- an annual retainer
- a meeting fee for each Board and Committee meeting they attended
- a travel fee to cover travel time relating to meetings they attended in certain circumstances.

These directors were also reimbursed for travel and other expenses incurred to attend Board and Committee meetings or to perform other duties in their role as a director. Retainer and meeting fees earned by the Company's directors for serving as a director of the Bank cannot be received in the form of DSUs.



The table below lists the fees that the Bank's directors were entitled to receive in cash during 2011:

<b>Fees</b>	<b>Amount</b>
<b>Annual Retainer</b>	
Chairman of the Board (includes annual Board retainer and Chairman's retainer of \$29,000)	\$65,000
Other Board Members	\$36,000
Audit and Risk Management Committee Chairman	\$15,000
Governance and Conduct Review Committee Chairman	\$10,000
<b>Meeting Fees</b>	
Board Meeting	\$2,000
• Including meeting held via conference call	
Audit and Risk Management Committee Meeting	\$2,500
• Including meeting held via conference call	
Governance and Conduct Review Committee Meeting	\$2,000
• Including meeting held via conference call	
Meetings of less than 60 minutes held via conference call	\$800
<b>Travel Fee</b>	
When travel time for a round trip to attend meetings is more than four hours	\$1,500

### Director Compensation Table

The following table sets out the compensation that was paid by the Company (including its subsidiary, the Bank) to its non-employee directors during the year ended December 31, 2011 under the compensation arrangements described above (as applicable). Some directors elected to receive all or a portion of their cash compensation in Class A Non-Voting Shares or DSUs. Mr. Wetmore does not receive any compensation for serving as a director of the Company. His compensation for serving as President and CEO is included under the *Summary Compensation Table* on page 44.

<b>Name</b>	<b>Fees Earned<sup>(1)</sup> (\$)</b>	<b>All Other Compensation<sup>(2)</sup> (\$)</b>	<b>Total (\$)</b>
Iain C. Aitchison	169,500	–	169,500
Martha G. Billes	199,000	5,000	204,000
Owen G. Billes	149,000	56,000	205,000
Peter W. Currie <sup>(3)</sup>	64,096	–	64,096
Brian G. Domelle <sup>(3)</sup>	57,846	–	57,846
H. Garfield Emerson	158,250	–	158,250
Robert M. Franklin <sup>(3)</sup>	72,115	34,000	106,115
John A. Furlong <sup>(4)</sup>	98,984	–	98,984
James L. Goodfellow	153,250	–	153,250
Keith E. Gostlin <sup>(3)</sup>	58,846	–	58,846
Claude L'Heureux <sup>(4)</sup>	91,484	–	91,484
Frank Potter	182,500	86,500	269,000
Timothy R. Price	160,750	5,000	165,750
James A. Riley	178,500	–	178,500
Alan P. Rossy <sup>(4)</sup>	88,234	–	88,234
Maureen J. Sabia (Chairman)	386,965	46,000	432,965
Peter B. Saunders	174,500	–	174,500
Graham W. Savage	195,500	56,000	251,500
George A. Vallance <sup>(4)</sup>	98,984	–	98,984
		<b>Total</b>	<b>3,026,804</b>

#### Notes

- (1) Includes annual retainer, meeting fees and travel fees which directors elected to receive in cash, DSUs or Class A Non-Voting Shares, or any combination thereof.
- (2) Includes fees paid to Miss Sabia and Messrs. Billes, Franklin, Potter and Savage in 2011 for serving as directors of the Bank. Mr. Franklin ceased to be a director of the Bank effective May 2011 and his fees were pro-rated accordingly. This column also includes amounts donated by the Company to various charities and charitable foundations in 2011 to match donations made by Ms. Billes, Miss Sabia and Messrs. Billes, Franklin, Potter and Price under the Company's policy relating to the matching of donations by directors.
- (3) Messrs. Currie, Domelle, Franklin and Gostlin did not stand for re-election in 2011 and their retainers were pro-rated accordingly.
- (4) Messrs. Furlong, L'Heureux, Rossy and Vallance were elected as directors of the Company on May 12, 2011 and their retainers were pro-rated accordingly.



## Allocation of Directors' Total Fees Earned

The table below shows a breakdown of the total fees earned by directors in 2011 for serving as directors of the Company (as shown in the foregoing Director Compensation Table) as between amounts paid in cash, DSUs or used to acquire Class A Non-Voting Shares at the election of each director and subject to the requirement, to the extent applicable, to receive at least 50% of their annual retainer in Common Shares, Class A Non-Voting Shares and/or DSUs if the Director Share Ownership Guidelines were not met.

Name	Total Fees Earned	Amount of Fees paid in Cash	Amount of Fees received in DSUs	Amount of Fees used to Acquire Class A Non-Voting Shares
Iain C. Aitchison	169,500	84,750	84,750	—
Martha G. Billes	199,000	199,000	—	—
Owen G. Billes	149,000	149,000	—	—
Peter W. Currie	64,096	44,346	19,750	—
Brian G. Domelle	57,846	27,846	30,000	—
H. Garfield Emerson	158,250	158,250	—	—
Robert M. Franklin	72,115	57,115	15,000	—
John A. F. Furlong	98,984	55,117	43,867	—
James L. Goodfellow	153,250	153,250	—	—
Keith E. Gostlin	58,846	19,846	39,000	—
Claude L'Heureux	91,484	—	91,484	—
Frank Potter	182,500	122,500	60,000	—
Timothy R. Price	160,750	40,750	120,000	—
James A. Riley	178,500	—	178,500	—
Alan P. Rossy	88,234	44,117	44,117	—
Maureen J. Sabia (Chairman)	386,965	363,000	—	23,965
Peter B. Saunders	174,500	87,250	87,250	—
Graham W. Savage	195,500	135,500	60,000	—
George A. Vallance	98,984	—	98,984	—



# Executive Compensation

## Table of Contents

Letter to Our Shareholders

Compensation Discussion and Analysis (page 30)

- Introduction (page 30)
- Executive Compensation Philosophy (page 31)
- Role and Composition of the MRC Committee and Role of Management and Independent Advisors (page 32)
- Components of Canadian Tire's Executive Compensation Program (page 34)
- Competitive Benchmarking (page 35)
- How Canadian Tire Makes Executive Compensation Decisions (page 35)
- 2011 Executive Compensation Decisions (page 40)

Statement of the MRC Committee (page 42)

How Our Shares Have Performed and Relationship with Executive Compensation (page 43)

2011 Compensation Tables (page 44)

- Summary Compensation Table (page 44)
- Outstanding Share-Based Awards and Option-Based Awards (page 45)
- Incentive Plan Awards (page 46)

Employment Agreements and Post-Employment Benefits (page 47)

- President and CEO Employment Agreement (page 47)
- Post-Employment Benefits (page 47)

## Letter to Our Shareholders

We believe that it is important for our shareholders to properly understand our compensation plans and programs, as well as the philosophies that underlie them, in order to appreciate the value we, as a company, place in practices that attract, motivate and retain outstanding talent; link compensation of executives to business results and individual performance; and promote decision making that, without exposing the Company to undue or excessive risk, creates long-term sustainable growth and shareholder value. As such, we encourage you to review the section in this management information circular on Executive Compensation, including the Compensation Discussion and Analysis that follows and the Report of the Management Resources and Compensation Committee on page 21.

As described in more detail on subsequent pages, some of the key actions taken to bolster our Company's commitment to a best in class compensation regime include:

- the incorporation of a greater emphasis on individual performance objectives as part of our short-term incentive plan;
- the completion of a formal risk assessment of our executive compensation practices and programs;
- the implementation of an incentive clawback provision relating to any restatement of our financial statements;
- a deeper focus on executive succession planning; and
- the implementation of a policy covering circumstances where an executive's shareholdings do not meet his or her share ownership guideline target.

Given our Company's principles that seek to, among other things, align each Executive with the organization's priorities,

foster cross-functional collaboration and drive business results, we wanted to highlight Canadian Tire's successful acquisition of The Forzani Group Ltd. (now, FGL Sports) that was completed this past year. When we announced the transaction we indicated that we expected it to be accretive to earnings and that approximately \$25 million of annualized savings were expected to be achieved in 2012. Work is well underway to realize the synergies identified during the acquisition and, on the financial side, we were pleased to report that the acquisition was in fact accretive to earnings, with FGL Sports' net income contributing \$0.36 to Canadian Tire's earnings per share in fiscal 2011. In addition, FGL Sports added \$645.6 million in revenue and \$29.4 million in net income in 2011, in each case a 6% lift to Canadian Tire's results. In the Board's view, the acquisition was planned and executed extremely well and has started to yield the intended positive results.

We commend our executive management team for their hard work and dedication throughout 2011 and look forward to another successful year as we mark Canadian Tire's 90th anniversary.

"Frank Potter"

Chairman of the Management  
Resources and  
Compensation Committee

"Maureen J. Sabia"

Chairman of the Board

## Compensation Discussion and Analysis

### Introduction

The following Compensation Discussion and Analysis (CD&A) is intended to provide Canadian Tire's shareholders with a description of the processes and decisions involved in the design, oversight and payout of its compensation programs for the Named Executive Officers (NEOs) for the 2011 financial year. While the focus of the CD&A is on NEO participation in the compensation programs, all of the programs apply to the Company's entire executive team.

The NEOs during fiscal 2011 were as follows:

- Stephen G. Wetmore, President and CEO
- Marco Marrone, Chief Financial Officer and Executive Vice-President, Finance<sup>(1)</sup>
- G. Michael Arnett, Executive Vice-President, Canadian Tire Corporation and President, Canadian Tire Retail<sup>(2)</sup>
- Glenn Butt, Executive Vice-President, Customer Experience and Automotive
- Patrick Sinnott, Executive Vice-President, Technology and Supply Chain<sup>(3)</sup>

### Notes

- (1) Effective March 5, 2012, Mr. Marrone assumed the position of Chief Operating Officer, Canadian Tire Retail and Executive Vice-President, Canadian Tire Corporation.
- (2) Effective March 5, 2012, Mr. Arnett assumed the position of Executive Vice-President, Corporate Development, Canadian Tire Corporation.
- (3) Effective March 5, 2012, Mr. Sinnott ceased to be an Executive Vice-President of Canadian Tire Corporation and became a Senior Advisor to the Company.



## Executive Compensation Philosophy

### A. Principles

Canadian Tire's executive compensation practices are designed to attract, motivate and retain an outstanding leadership team, as well as to align rewards with business results and individual performance. The Company's approach is to encourage management to make decisions and take actions that will create long-term sustainable growth and result in long-term shareholder value.

The Company's executive compensation program is based on the following principles:

- compensation must be guided by a pay for performance philosophy;
- compensation must be market competitive to attract and retain the leadership talent required to drive business results;
- compensation must incorporate an appropriate balance of short and long-term rewards;
- compensation must foster an environment of accountability, teamwork, and cross-functional collaboration;
- incentive programs must align leaders with the goals and objectives of the Company and its shareholders;
- compensation programs must not encourage leaders to take undue or excessive risks or permit inappropriate rewards; and
- all executives at the level of Senior Vice-President (SVP) and above must have a significant personal stake in the Company's success through share ownership.

### B. Fixed versus Variable Compensation

The determination of total compensation for each NEO is based on their level of job responsibility, Company performance, individual performance and market practice. Total compensation is comprised of both fixed and variable elements. The fixed elements include base salary, benefits, perquisites and a share purchase plan. The Company does not have a pension plan for any of its employees, including the NEOs.

NEO salaries are reviewed on an annual basis to ensure alignment within the market competitive range. Adjustments are only made to increase a NEO's base salary within the market competitive range as their skills and experience broaden, or if the market value of the role increases.

The variable elements of total compensation consist of an annual short-term incentive plan, a long-term incentive plan comprised of performance share units and stock options and a deferred profit sharing plan. A significant portion (i.e. between 63% and 80%) of the total compensation paid to NEOs at target is contingent upon financial and share price performance and tied to these incentive plans. This percentage of performance-contingent compensation is consistent with that used by the Company's benchmarking peer group which is described on page 35.

In order to further strengthen the relationship between pay and performance, in 2011 the Company introduced changes to its short-term incentive plan (STIP) that incorporate a greater emphasis on individual performance. The determination of each NEO's annual incentive award is based on performance

against established individual objectives and the Company's net earnings after income taxes as calculated for STIP purposes (*Actual STIP Earnings*) versus its targeted net earnings after income taxes for such purposes (*Target STIP Earnings*).

### C. Relationship of Executive Compensation to Risk

As part of the MRC Committee's oversight of the design and administration of the Company's executive compensation programs, the MRC Committee reviews, identifies and considers design features, policies and processes that may potentially induce unnecessary or excessive risk-taking by executives or permit inappropriate rewards. The MRC Committee's review also includes an annual evaluation of the amount of total incentives relative to base salaries, the mix of short and long-term incentives, performance metrics and whether the goals are realistic or encourage excessive risk taking, and the use of other policies designed to mitigate risk such as vesting requirements, deferral periods and share ownership guidelines. The MRC Committee also satisfies itself as to the adequacy of the information it receives and the independence of the review and reporting of financial results on which certain important compensation decisions (for example, the amount of annual incentive to be paid) are based.

In 2011, Canadian Tire's Internal Audit Services and Enterprise Risk Management teams conducted a formal review of the Company's executive compensation practices and programs to assess the nature and extent of the risks associated with those programs. The key conclusions of this review were: (1) the extent and nature of the Board and MRC Committee's role in the risk oversight of the Company's compensation policies and practices is satisfactory; (2) the methods used to identify and mitigate compensation policies and practices that could potentially encourage executives to take excessive risks are satisfactory; and (3) there were no risks identified in the Company's compensation policies and practices that would be likely to have a material adverse effect on the Company.

In addition, the Company implemented an incentive clawback provision applicable to SVPs and above, including NEOs, whereby if there is a restatement of the Company's financial statements for any reason, the Board has the discretion to recalculate the incentive amount using the correct or restated financial statements. This policy would apply to any short-term incentive or performance share unit payments impacted by the restatement in circumstances where the restatement occurred within three years of the payout.

As well, in 2011, the Company introduced a prohibition against hedging changes in the value of the Company's equity securities in its Share Ownership Guidelines. Further information on this prohibition can be found in the *Executive Share Ownership Guidelines* on page 40 of this management information circular.

The MRC Committee will annually review the relationship between enterprise risk and the Company's executive compensation plans and policies as part of its annual work plan to confirm that the level of risk exposure continues to be acceptable.



## **Role and Composition of the MRC Committee and Role of Management and Independent Advisors**

### **A. Role and Composition of the MRC Committee**

The MRC Committee oversees the Company's executive compensation program on behalf of the Board of Directors, including the appointment and compensation of its NEOs and other executives at the level of SVP and above. In this CD&A we refer to NEOs and SVPs in the collective as *Executives*.

The MRC Committee reviews the Company's executive compensation program every year. As part of this review, the MRC Committee evaluates individual Executive compensation, including annual base salary, short and long-term incentives, and perquisites. The MRC Committee believes that this review process allows for a thorough assessment of the Company's executive compensation program's alignment with plan objectives and market practices.

In addition, the MRC Committee is responsible for Executive succession planning. Canadian Tire has an ongoing commitment to identify and develop current and future leaders of the organization. Accordingly, the MRC Committee oversees the management of a succession planning process whereby leaders are identified for future roles in the organization and development plans are prepared and implemented to ensure key roles have appropriate back-up. As part of this process, Canadian Tire makes use of a professional assessment centre intended to provide members of the Executive team with specific and actionable development plans.

As part of the MRC Committee's mandate for Executive succession planning, the Committee annually reviews its emergency succession plan and identifies individuals who would be called upon on an interim basis to fill key roles, such as the President and CEO position, in the event of an unplanned vacancy.

The Company's corporate governance practices require that all members of the MRC Committee be independent and that no more than one-third of the MRC Committee's members be chief executive officers of any publicly traded entity. The MRC Committee's composition meets both of these requirements. The Board of Directors believes that the MRC Committee collectively has the knowledge, experience and background required to fulfill its Mandate.

The current members of the MRC Committee are set out below together with a description of the education and experience of each member that are relevant to the performance of his or her responsibilities:

#### **Frank Potter**

Mr. Potter's business experience that is relevant to his responsibilities in compensation matters includes his roles as former Chairman of the Steering Committee of The World Bank and resident director on the faculty of The Directors College at McMaster University where he lectures on the governance of executive compensation. He has also been a member of the compensation committees of other public companies, including C.A. Bancorp Inc. and Softchoice Corporation. He was formerly the Chairman of the Royal Ontario Museum Board of Governors where he oversaw the compensation of management. As evidenced by the above description of his relevant experience, Mr. Potter has a broad background in

corporate governance. He has engaged in compensation studies through The Directors College at McMaster University, remains current with compensation trends and regulation through self-study, and in his role as Chairman of the MRC Committee engages in regular consultation, both within and outside of MRC Committee meetings, with the Company's independent compensation consultants.

#### **Iain Aitchison**

Mr. Aitchison's business experience that is relevant to his responsibilities in compensation matters includes his roles as President of "K" Line Total Logistics, LLC and President and CEO, Century Distribution Systems, Inc. During his 24 years as President and CEO of Century, he oversaw the development of compensation plans for that business and determined the application of those plans to executives and other employees. He remains current with compensation trends and regulation through self-study.

#### **Martha Billes**

Ms. Billes has extensive experience on the Board of Directors of Canadian Tire, having served on the Board and its Committees for some 30 years and on the MRC Committee since 2009 and for a period of time prior to 2003. She is also a member of the Human Resources Committee of the Board of Directors of the Toronto Organizing Committee for the 2015 Pan American and Parapan American Games. This experience has provided Ms. Billes with a comprehensive knowledge of the design and effect of compensation policies and has resulted in a disciplined approach to compensation decisions. A major shareholder who is not an employee, Ms. Billes is independent from management and her interests in management compensation decisions are aligned with those of the shareholders at large. Her full participation and engagement in Board meetings and educational opportunities has allowed her to maintain a continuous understanding of compensation issues, the Company's culture, its practices, and the regulatory environment. In addition, Ms. Billes' interaction with the Company in her role as Chairman of Canadian Tire JumpStart Charities facilitates her understanding of the Company and its people.

#### **James Riley**

Mr. Riley is a lawyer with extensive experience in governance matters, including the governance of compensation. While serving as a partner in several prominent Canadian law firms, including most recently at Goodmans LLP, he gained exposure to the assessment of compensation practices both in relation to law firms and in connection with the legal advice provided to his clients. Mr. Riley has been a member of the MRC Committee since joining the Board in 2006 and Chair of the Governance Committee since March, 2007. Mr. Riley has remained current on compensation governance issues through self-study as well as through engagement with external stakeholders.

#### **Peter Saunders**

Mr. Saunders' business experience that is relevant to his responsibilities in compensation matters includes his roles as Chairman and Chief Executive Officer of The Body Shop International PLC, Chairman of Jack Wills Ltd., Lead Director of Godiva Chocolatier, and director of The Second Cup Ltd. He



has been Chairman or served as a member of compensation committees since 1998. His ongoing involvement across various companies has provided him with international scope and experience in relation to changes and best practices in compensation policies and practices. He remains current with compensation trends and regulation through self-study.

All members of the MRC Committee receive advice from the Board's independent compensation consultants during MRC Committee meetings and rigorously probe that advice before proceeding with compensation decisions. For further information about the MRC Committee, including its activities in 2011, see the *Report of the Management Resources and Compensation Committee* on page 21 of this management information circular.

#### **B. Role of Management in Compensation Decisions**

The Senior Vice-President, Human Resources assists the President and CEO in developing and presenting to the MRC Committee management's recommendations and supporting material pertaining to the compensation of Executives. In addition, the Senior Vice-President, Human Resources works with the Chairman of the MRC Committee to plan the MRC Committee meeting agendas and prepare presentations for each meeting of the MRC Committee. From time to time, management retains external consultants to provide advice on executive compensation. The President and CEO is invited to attend all regular meetings of the MRC Committee. At least one "in-camera" session during which management is not in attendance is held during each regular MRC Committee meeting.

#### **C. Role of Independent Advisor in Compensation Decisions**

The MRC Committee, as set out in its mandate, may retain an advisor as they see fit. Hugessen Consulting Inc. (*Hugessen*)

has been retained directly by the MRC Committee since August of 2006 to provide independent advice, compensation analysis and other information to support the MRC Committee in evaluating compensation recommendations and making effective decisions pertaining to executive compensation. Hugessen attends and contributes to MRC Committee meetings and reports directly to the MRC Committee. All work performed by Hugessen is at the direction of, and must be pre-approved by, the MRC Committee, including occasional work performed on behalf of the MRC Committee in conjunction with management. Services provided by Hugessen in 2011 included review and input on compensation program changes such as salary increases, incentive program design, share ownership guidelines and compensation clawback provisions, as well as review and commentary related to the Company's 2011 proxy disclosure. Hugessen has no other mandates with Canadian Tire.

Compensation consultant fees paid to Hugessen in 2010 and 2011 are provided in the table below:

MRC Committee Advisor	Year	Executive Compensation-Related Fees	All Other Fees
<b>Hugessen Consulting Inc</b>	2011	\$195,404	n/a
	2010	\$189,454	n/a

Hugessen, based on its experience and expertise, has confirmed to the MRC Committee that, to the best of its knowledge, the MRC Committee has undertaken appropriate analysis to properly inform itself of relevant information to assist in its decisions. The decisions taken by the MRC Committee remain its responsibility and may reflect factors and considerations in addition to the information and recommendations provided by Hugessen.



**Components of Canadian Tire's Executive Compensation Program**

The components of the executive compensation program are described in the table below. Each of these programs is described in more detail starting on page 35 of this management information circular.

Compensation Component	Objectives	Form
<b>Base Salary</b>	<ul style="list-style-type: none"> <li>Provide fixed compensation that reflects the market value of the role and the skills and experience of the Executive.</li> </ul>	Cash
<b>Annual Short-term Incentive Plan</b>	<ul style="list-style-type: none"> <li>Reward Executives for their contribution to the achievement of annual business objectives and financial goals.</li> </ul>	Cash <sup>(1)</sup>
<b>Long-term Incentive Plans</b>	<ul style="list-style-type: none"> <li>Align the interests of Executives with achievement of the Company's long-term business objectives as well as with the interests of shareholders.</li> </ul>	
<ul style="list-style-type: none"> <li>Performance Share Unit Plan</li> </ul>	<ul style="list-style-type: none"> <li>Reward Executives for achieving consolidated operating earnings targets over a three-year period.</li> </ul>	Performance Share Units
<ul style="list-style-type: none"> <li>Stock Option Plan</li> </ul>	<ul style="list-style-type: none"> <li>Align the interests of Executives and shareholders by rewarding Executives for share price appreciation over a seven-year period.</li> </ul>	Stock Options with a Tandem Share Appreciation Rights feature
<b>Benefits</b>	<ul style="list-style-type: none"> <li>Promote general wellness and preventative care</li> </ul>	Medical and dental insurance; group life and accidental death and dismemberment insurance; short-term disability insurance; and employee-paid long-term disability insurance
	<ul style="list-style-type: none"> <li>Reinforce Company affiliation</li> </ul>	Employee Store Discount
<b>Savings Plans</b>	<ul style="list-style-type: none"> <li>Assist NEOs and other employees in achieving long-term retirement savings in the absence of Company retirement and pension plans.</li> </ul>	Deferred Profit Sharing Plan Share Purchase Plan
<b>Perquisites</b>	<ul style="list-style-type: none"> <li>The Company takes a conservative approach to perquisites and determines such programs by reviewing competitive market practices.</li> </ul>	Annual car allowance and Company-paid parking; annual medical assessment; and annual financial planning allowance that is intended to reinforce individual accountability for personal financial planning as the Company does not offer retirement and pension plans.

**Note**

(1) The Company maintains Deferred Share Unit Plans for its Executives pursuant to which they may elect to receive deferred share units (*DSUs*) for all or part of their respective short-term incentive plan awards. For more information see *Deferred Share Unit Plans for Executives* on page 39.

The compensation mix varies by executive level to reflect both market practice and the impact of more senior roles on overall Company performance. The base salary and Share Purchase Plan portions of executive compensation are fixed, while the Deferred Profit Sharing Plan and annual short-term and long-term incentive portions are performance-based. The Company sets its compensation mix to reflect, generally, that of companies in its peer group.

The target pay mix of the primary compensation components for the NEOs for fiscal 2011 is shown in the following table. This percentage of pay at risk compensation is consistent with the Company's benchmarking peer group:

NEO	Percentage of Target Total Direct Compensation <sup>(1)</sup>				Percentage of pay at risk <sup>(1)</sup>
	Base salary	Short-term incentive	Long-term incentives		
			Performance Share Units	Stock Options	
	Fixed		Variable		
Stephen G. Wetmore	20%	20%	20%	40%	80%
Marco Marrone	34%	22%	15%	29%	66%
G. Michael Arnett	34%	22%	22%	22%	66%
Glenn Butt	34%	22%	44%	0%	66%
Patrick Sinnott	37%	22%	21%	21%	63%

**Note**

(1) Percentages have been rounded to the nearest whole number.



The overall design framework of the Company's 2011 NEO compensation program is summarized in the following table:

NEO	Salary Range (\$000's)	Actual Salary <sup>(1)</sup> (\$000's)	STIP Target (as % of salary)	LTIP Target (as % of salary)
Stephen G. Wetmore	\$1,250 <sup>(2)</sup>	\$1,250	100.00%	300.00%
Marco Marrone	\$420 – \$630	\$550	65.00%	127.50%
G. Michael Arnett	\$420 – \$630	\$550	65.00%	127.50%
Glenn Butt	\$420 – \$630	\$500	65.00%	127.50%
Patrick Sinnott	\$350 – \$530	\$500	60.00%	112.50%

#### Notes

(1) This column contains the NEO's actual salary as at December 31, 2011.

(2) Mr. Wetmore's salary is established in his employment agreement.

#### Competitive Benchmarking

In order to attract and retain the leadership talent required to achieve its goals, the Company needs to ensure that its executive compensation programs remain market competitive. Market practices help to define the total compensation mix, as well as the range of pay opportunity for our Executives based on information from the companies in the benchmarking peer group with which Canadian Tire competes for talent.

The group of companies against which Canadian Tire benchmarks its NEOs is listed in the table below. The list includes Canadian companies that are generally not subsidiaries of a foreign parent and are similar to us in terms of revenue and industry. The benchmarking group is comprised of companies from the consumer discretionary and consumer staples industries. The companies within this peer group have annual revenues generally between one-half to two times the revenues of Canadian Tire. By ensuring comparable executive compensation programs and compensation levels to these companies, Canadian Tire is well positioned to attract and retain the leadership talent required to achieve its goals.

Benchmarking Peer Group	
Air Canada	Molson Coors Canada
Alimentation Couche-Tard	Rogers Communications Inc.
Empire Company	RONA Inc.
Gildan Activewear Inc.	Saputo Inc.
Groupe Aeroplan Inc.	Sears Canada Inc.
Jean Coutu Group	Shoppers Drug Mart Corp.
Loblaw Companies Ltd.	Telus Corp.
Maple Leaf Foods Inc.	Tim Hortons Inc.
Metro Inc.	

To ensure that we have sufficient data against which to benchmark our broader group of executive roles (i.e., Associate Vice-President level and above), we supplement the benchmarking comparator group with an additional 11 companies selected from a cross-section of industries (including energy, financials, industrials, materials, etc.). These companies are also autonomous Canadian companies with revenues generally between approximately one-half to two times those of Canadian Tire.

#### Additional Companies in Broader Comparator Group

Agrium Inc.	Industrial Alliance Insurance and Financial Services Inc.
Brookfield Asset Management	
Canadian Pacific Railway Ltd.	SNC-Lavalin Group
Celestica Inc.	Talisman Energy Inc.
Enbridge Inc.	Teck Resources Ltd.
Finning International Inc.	TransCanada Corp.

The following table summarizes the positioning of Canadian Tire's revenue against the comparator groups:

	Revenue (\$ millions)		CTC Rank
	Comparator Group (Median)	Canadian Tire (2010)	
<b>Benchmarking Peer Group</b> (17 comparator companies)	\$6,026		9 <sup>th</sup> (out of 18)
<b>All Comparator Companies</b> (28 comparator companies)	\$7,295	\$8,981	13 <sup>th</sup> (out of 29)

Source: Information is sourced from the companies' published management information circular for the 2010 fiscal year.

Every two years, a comprehensive market review of compensation practices is undertaken. This review involves analysis of the compensation elements, levels and practices of this peer group of organizations. The Company selects the elements of its compensation programs to ensure a competitive compensation package for its Executives. It then targets its base salary, short-term incentive and long-term incentive compensation levels at the median of compensation levels for executives in comparable roles in the peer group. The last review, conducted in August of 2010, indicated that total remuneration (base salary, short and long term incentives, savings plans, benefits and perquisites) of Canadian Tire's NEOs is positioned competitively relative to the defined comparator group. Canadian Tire will undertake its next review of compensation levels in 2012.

#### How Canadian Tire Makes Executive Compensation Decisions

##### A. Base Salary

The overall objective of the base salary paid to Canadian Tire's Executives is to provide fixed compensation that reflects the market value of the role and the skills and experience an Executive must possess to make meaningful contributions to the organization. The Company's salary structure includes market competitive ranges for the Executives.



The MRC Committee takes the following into consideration when reviewing Executive salaries:

- the position of the Executive's salary within the salary range;
- the Executive's experience, knowledge, performance and potential;
- total compensation for each Executive; and
- the overall strategic importance of the role.

When applicable, the MRC Committee recommends to the Board any annual salary changes for the President and CEO and his direct reports and approves any salary adjustments for the remaining Executives.

The Company does not make annual adjustments to Executive base salaries to reflect merit or inflation after they have

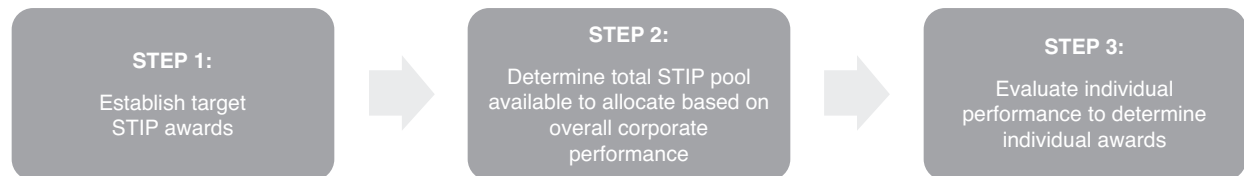
reached a market-competitive base salary. Executive salaries are reviewed on an annual basis to ensure alignment within the market competitive range. Adjustments will only be made to increase an Executive's base salary within the market competitive range as their skills and experience broaden, or realign salary levels if the market value of the role increases.

#### B. Annual Short-term Incentive Plan

The objective of the annual STIP is to motivate and reward Executives and other Canadian Tire senior managers to achieve annual objectives and financial goals. Each year, the MRC Committee recommends for approval by the Board the STIP design and any related performance measures and targets.

#### 2011 STIP Design

In order to further strengthen the relationship between pay and performance, in fiscal 2011 the Company modified the STIP design for Executives to increase the focus on individual performance achievement. There are three key steps in determining Executive annual STIP awards:



##### Step 1 – Establish target STIP awards

STIP targets, expressed as a percentage of base salary, are determined for each Executive based on competitive market practice for comparable roles and are reviewed as part of the biannual executive compensation review. The STIP target is the award that is earned for achieving target levels of performance. The maximum award that can be received is 200% of the target award.

2011 STIP awards payable to the NEOs at minimum, threshold, target and maximum levels of performance are shown in the table below:

NEO	STIP Award (% of base salary)			
	Minimum	Threshold	Target	Maximum
Stephen G. Wetmore	0%	35.00%	100.00%	200.00%
Marco Marrone	0%	22.75%	65.00%	130.00%
G. Michael Arnett	0%	22.75%	65.00%	130.00%
Glenn Butt	0%	22.75%	65.00%	130.00%
Patrick Sinnott	0%	21.00%	60.00%	120.00%

##### Step 2 – Determine total STIP pool available to allocate based on overall corporate performance

The Company's Target STIP Earnings are established based on the Company's business plan, which is approved by the Board. At the end of the fiscal year, management reviews the Company's financial results and presents all matters affecting earnings that were not part of the Business Plan and that require interpretation or adjudication to the MRC Committee for review. After the MRC Committee decides on the appropriate

treatment of those matters, the resulting Actual STIP Earnings are compared to the Target STIP Earnings and the Corporate Funding Percentage is calculated as set out below.

At the end of the year, the pool available for allocation to individual STIP awards is determined by multiplying the sum of the target STIP awards for all eligible Executives by a percentage (*the Corporate Funding Percentage*). This funding percentage is based on the degree of achievement of Target STIP Earnings and is calculated as follows:

- The target is set at 100% of Target STIP Earnings. If the target is achieved, 100% of the pool is funded.
- The lower shoulder is the minimum level of earnings for which a threshold STIP pool is funded. The lower shoulder is 92% of Target STIP Earnings. If this lower shoulder is achieved, a threshold STIP pool of 35% of the target pool is funded. No STIP award is payable to any Executive if earnings are below this lower shoulder.
- The upper shoulder is the level of earnings for which a maximum STIP pool is funded. The upper shoulder is 108% of Target STIP Earnings. If the upper shoulder is achieved, or better, a maximum STIP pool of 175% of the target pool is funded.

For earnings that fall between minimum and target, or between target and maximum, a linear algebraic calculation is used to determine the Corporate Funding Percentage.

##### Step 3 – Evaluate individual performance to determine individual awards

Evaluation of individual performance is based on the achievement of established individual objectives that are aligned to key areas of strategic focus and are critical to the



achievement of the Company's business strategy. Each objective is weighted such that the aggregate is 100%; and actual performance is assessed based on these objectives. Based on these assessments, each Executive is assigned an individual performance multiplier between 0% and 150%.

Where appropriate, a discretionary adjustment may be made to the final STIP award for that Executive to ensure it accurately reflects his or her performance and contribution. The sum of individual awards cannot exceed the available pool.

While certain measures within individual objectives are quantifiable and a range of outcomes are considered at the beginning of the year, the evaluator (being the MRC Committee for the President and CEO and the President and CEO for the other Executives) does not use a formulaic approach to evaluating individual objectives and does not attach a fixed weighting to each measure used. Rather, the evaluator applies their informed judgment as to the relative importance of these measures at their year-end evaluation in order to complete each individual's assessment. Where qualitative measures are used, they are defined in as detailed a manner as possible so that the evaluator has sufficient information to complete the assessment.

The Company maintains Deferred Share Unit Plans pursuant to which Executives may elect to receive DSUs for all or part of their respective STIP awards. For more information see *Deferred Share Unit Plans for Executives* on page 39.

### C. Long-term Incentive Plan

The primary objective of Canadian Tire's Long-term Incentive Plan (LTIP) is to align the interests of Executives and other senior management with the achievement of the Company's long-term business objectives as well as with the interests of shareholders.

#### (ii) 2008 – 2011 LTIP Design Summary

The 2011 LTIP design, as well as the LTIP designs that were in place for 2008 to 2010, are summarized in the following table:

LTIP Plan	Plan Objectives	Design Summary
<b>Performance Share Unit Plan (2009 – 2011)</b> <ul style="list-style-type: none"> <li>Long-term incentive awarded in 2009 to be paid in 2012</li> <li>Long-term incentive awarded in 2010 to be paid in 2013</li> <li>Long-term incentive awarded in 2011 to be paid in 2014</li> </ul>	<ul style="list-style-type: none"> <li>Reward Executives for achieving consolidated operating earnings targets over a three-year period.</li> </ul>	<ul style="list-style-type: none"> <li>PSUs are paid in cash at the end of the performance period</li> <li>The number of units awarded is based on salary, level, individual capabilities, performance and potential</li> <li>Payment is linked to: <ul style="list-style-type: none"> <li>Three-year average corporate STIP payout percentage result that relates to Canadian Tire's consolidated operating earnings results</li> <li>Value of Class A Non-Voting Shares</li> </ul> </li> </ul>
<b>Performance Share Unit Plan (2008)</b> <ul style="list-style-type: none"> <li>Long-term incentive awarded in 2008</li> </ul>	<ul style="list-style-type: none"> <li>Reward Executives for achieving growth in operating earnings over a three-year period.</li> </ul>	<ul style="list-style-type: none"> <li>PSUs are paid in cash at the end of the performance period</li> <li>The number of units awarded is based on salary, level, individual capabilities, performance and potential</li> <li>Payment is linked to: <ul style="list-style-type: none"> <li>Three-year compound annual growth rate of Canadian Tire's operating earnings</li> <li>Value of Class A Non-Voting Shares</li> </ul> </li> <li>As the threshold compounded annual growth rate was not achieved, there was no payout of these units</li> </ul>
<b>Stock Option Plan (2008 – 2011)</b> <ul style="list-style-type: none"> <li>Long-term incentive awarded annually</li> </ul>	<ul style="list-style-type: none"> <li>Align the interests of Executives and shareholders by rewarding Executives for share price appreciation over a seven-year period.</li> </ul>	<ul style="list-style-type: none"> <li>Options to buy Class A Non-Voting Shares with a tandem stock appreciation rights feature</li> <li>The number of options awarded is based on salary, level, individual capabilities, performance and potential</li> <li>The value of the options is linked to the appreciation in the value of Class A Non-Voting Shares</li> </ul>

#### (i) Annual LTIP Design and Allocation Process

Management makes a recommendation annually to the MRC Committee on the LTIP design for Executives. This recommendation includes the target LTIP award for each Executive (expressed as a percentage of salary), the award composition (for example, stock options and/or performance share units (PSUs), and the proportion of each), and any associated performance conditions (for example, performance levels that must be achieved in order for the LTIP award to result in a payment). The LTIP design proposal is considered by the MRC Committee. The MRC Committee then determines the proposal to be made to the Board and recommends that proposal to the Board for its approval.

Management considers many factors when developing its annual LTIP design recommendations, including:

- current compensation trends, including those of the benchmarking peer group;
- current and new LTIP vehicles and designs;
- aspects of plan design or features that could incent or mitigate risk;
- tax and accounting requirements;
- program costs at payout;
- expected value to be delivered to participants; and
- participant views and contractual commitments.

Once the LTIP design is finalized, management recommends the annual Executive LTIP allocations based on individual performance and potential to the MRC Committee for approval. Previous Executive LTIP allocations are not taken into consideration in determining current year allocations. Management's proposal is considered and, if appropriate, approved by the MRC Committee.



**(iii) 2011 LTIP Design Features**

The 2011 LTIP design for Executives was comprised of PSUs and stock options. The inclusion of stock options is common among the Company's comparator group in that 15 of the 17 proxy comparator companies and 26 of the 28 of the broader comparator companies include stock options as a component of their LTIP design.

The target 2011 LTIP award, expressed as a percentage of base salary, and the proportion of the award allocated in PSUs and stock options for the NEOs as set out in their respective employment agreements, where applicable, is shown in the following table:

NEO	2011 Target LTIP Grant (% of base salary)		
	Total Award	PSUs	Stock Options
Stephen G. Wetmore	300.00%	100.00%	200.00%
Marco Marrone	127.50%	42.50%	85.00%
G. Michael Arnett	127.50%	63.75%	63.75%
Glenn Butt	127.50%	127.50%	0.00%
Patrick Sinnott	112.50%	56.25%	56.25%

**(iv) 2011 Performance Share Unit Plan**

PSUs, which are a form of restricted share unit, are awarded by the MRC Committee to Executives and other designated senior managers based on salary, individual capabilities, potential and performance. They vest at the end of a three-year performance period if performance conditions are met.

Each PSU awarded entitles the Executive to a cash payment equal to the weighted average price of one Class A Non-Voting Share during the 20-trading day period that commences on the day following the last day of the performance period, if performance conditions are met.

PSU awards are generally paid to Executives on the payroll date immediately following 90 days after the end of the performance period, less any applicable source deductions. Prorated awards are paid before the end of the performance period if an Executive is terminated for reasons other than cause or in certain other circumstances. Except to the extent provided in Mr. Wetmore's employment agreement (see page 47), a payment will not be made to an Executive if he or she resigns voluntarily (other than a voluntary retirement after the age of 60) or is terminated for cause during the performance period.

The 2011 PSUs are subject to a back-end multiplier (applied at the end of the three-year performance period) based on the three-year average corporate STIP payout percentage. The multiplier is calculated on a linear basis by reference to the following table:

	Below Threshold	Threshold	Target	Maximum
3-year average corporate STIP payout percentage (2011-2013)	<50%	50%	100%	≥150%
Performance Multiplier	0.0	0.35	1.0	1.75

No 2011 PSU payout will be earned if the average three-year corporate STIP payout percentage is below 50%.

In the event an Executive ceases to be an employee of the Company due to death or disability, the Executive or his or her estate, as applicable, will receive payment in respect of PSUs calculated as if the Executive had been an active employee during the performance period. Except as otherwise provided in an employment agreement, in the event of retirement of an Executive on or after the age of 60 who has less than ten years of service, the amount which the Executive would otherwise have received will be reduced proportionately to the period of "active employment" (as defined in the 2011 Performance Share Unit Plan) within the performance period by multiplying such amount by a fraction, the numerator of which is the number of days of active employment during the performance period and the denominator of which is the number of days in the "expected performance period" (as defined in the 2011 Performance Share Unit Plan). Except as otherwise provided in an employment agreement, in the event of retirement of an Executive after age 60 and who has ten years of service, the Executive will receive payment in respect of his or her PSUs calculated as if the Executive had been an active employee during the performance period. The Board or MRC Committee may elect to classify the departure of an employee who has not achieved age 60 as retirement after age 60 for the purposes of the 2011 Performance Share Unit Plan. Commencing with the 2012 PSU Plan, except as otherwise provided in an employment agreement or in the case of death or disability, no payment will be made under the plan to an Executive who retires before the age of 60 or retires after age 60 with less than ten years of service.

Except as described herein or to the extent otherwise provided in an employment agreement, if payment is made prior to the end of the performance period, including upon termination triggered by a change of control of the Company, the amount payable to an Executive will be reduced to the period of active employment within the performance period and PSUs will be subject to a modified back-end multiplier. In the event the termination of the Executive occurs during the first fiscal year of the performance period, the multiplier will be deemed to be 1.0. If the termination of the Executive occurs during the second fiscal year of the performance period, the multiplier will be calculated based on the corporate STIP payout percentage for the previous fiscal year to a maximum multiplier of 1.0. If the termination of the Executive occurs during the third fiscal year of the performance period, the multiplier will be calculated based on the average corporate STIP payout percentage for the previous two fiscal years to a maximum multiplier of 1.0. If the termination of the Executive occurs subsequent to the third fiscal year but prior to the end of the performance period, the standard multiplier will apply.

The 2011 Performance Share Unit Plan also contains customary provisions in respect of adjustments to or reorganization of the capital structure of the Company. The PSUs are not transferrable or assignable by an Executive other than by testamentary disposition or the laws of descent and distribution.

With the exception of the aforementioned update to retiree benefits, the terms and conditions of the 2012 Performance



Share Unit Plan adopted by the Company are substantially similar to those of the 2011 Performance Share Unit Plan.

#### (v) **Stock Option Plan**

The Company's Stock Option Plan was established to increase the alignment between compensation of Executives and other senior managers and the long-term performance of Canadian Tire's shares. The process for granting stock options is described beginning on page 37.

Each option grant provides the optionee with the right to subscribe for one Class A Non-Voting Share at the weighted average price at which Class A Non-Voting Shares trade on the TSX during the 10-day period ending on the date immediately preceding the date that the option was granted (*the strike price*). All stock option agreements, including the 2011 option agreement, incorporate a Tandem Share Appreciation Rights feature whereby an optionee can elect to surrender his or her options, instead of exercising them, in exchange for a cash payment equal to the difference between the market price on the date of surrender and the strike price.

The change of control provisions in our 2011 stock option agreements are the same for all optionees. The provisions were selected to provide optionees early vesting only if a termination of their employment occurred within a period of time, the length of which was such that the termination could reasonably be linked to the change of control of the Company. For more information on the Company's Stock Option Plan see *Stock Option Plan* on page 50.

#### **D. Perquisites**

The Company takes a conservative approach to perquisites and determines such programs by reviewing competitive market practices. Executives are provided with an annual car allowance and Company-paid parking. Executives are also provided with an annual medical assessment as well an annual financial planning allowance that is intended to reinforce individual accountability for personal financial planning as the Company does not offer retirement and pension plans.

#### **E. Other Benefits**

NEOs participate in the Company's profit sharing and share purchase plans (see *Canadian Tire Corporation, Limited Deferred Profit Sharing Plan* on page 52 and *Canadian Tire Corporation, Limited Share Purchase Plan* on page 53 for descriptions of these plans), which are available to most full time employees. The Canadian Tire Corporation, Limited Deferred Profit Sharing Plan and the Canadian Tire Corporation, Limited Share Purchase Plan serve to assist employees in achieving long-term retirement savings in the absence of Company retirement and pension plans. NEOs are also entitled to receive health benefits available to other employees, generally on the same basis, which are designed to promote general wellness and preventative care. These benefits include medical and dental insurance, group life and accidental death and dismemberment insurance, short-term disability insurance and employee-paid long-term disability insurance. An employee store discount program is also provided.

#### **F. Deferred Share Unit Plan**

The Company has a Deferred Share Unit Plan for Executives (*the Deferred Share Unit Plan for Executives*) whereby an Executive and any employee of an affiliate of the Company designated by the MRC Committee may elect to receive all or a portion of their STIP awards for any fiscal year in the form of DSUs. An Executive who has elected to participate in the Deferred Share Unit Plan for Executives may change or revoke his or her election, provided that such change or revocation will be effective with respect to STIP awards for fiscal years commencing after the change or revocation is filed with the Company.

The number of DSUs granted to an Executive is calculated by dividing the amount of the STIP award which the Executive has elected to receive in DSUs by the weighted average price at which Class A Non-Voting Shares trade on the TSX during the five business days prior to (*the Fair Market Value*) the tenth business day following the release of the Company's financial statements for the year in respect of which the STIP award was earned. DSUs are also credited to an Executive's DSU account when the Company pays a dividend or other distribution on its Class A Non-Voting Shares, the number of which is determined by multiplying the number of DSUs in the Executive's account at the time such dividend or other distribution is paid by the amount of the dividend or other distribution, and dividing that amount by the Fair Market Value on the day the dividend or other distribution is paid.

Pursuant to the terms of the Deferred Share Unit Plan for Executives, when an Executive ceases to hold any position with the Company or an affiliate of the Company as a director, officer or employee, he or she must elect to receive payment of his or her DSU account on a date that is no later than the last business day in December of the first calendar year following the calendar year in which the resignation or termination occurs (*the Settlement Date*). The Executive will receive an amount that is equal to the number of DSUs credited to his or her account, including any dividends or other distribution paid by the Company on the Class A Non-Voting Shares that have accrued in the form of DSUs, multiplied by the Fair Market Value on the Settlement Date. The amount is paid as a lump sum in cash, after deduction of any applicable taxes and other source deductions required to be withheld.

In the event an Executive ceases to be an employee of the Company but remains an officer of the Company, the Executive will continue to be entitled to his or her existing DSUs and to the benefits of the Deferred Share Unit Plan for Executives in respect of such DSUs but will not be entitled to acquire further DSUs. The DSUs may not be assigned by an Executive.

The Company also maintains a Deferred Share Unit Plan for the President and CEO pursuant to which Mr. Wetmore may elect to receive all or part of his annual STIP award in DSUs. The election is irrevocable for a fiscal year that has already commenced. The terms of the Deferred Share Unit Plan for the President and CEO are generally the same as the Deferred Share Unit Plan for Executives. For the 2011 financial year, Mr. Wetmore did not elect to receive any portion of his 2011 STIP award in DSUs.



**G. Executive Share Ownership Guidelines**

Canadian Tire has established share ownership guidelines (SOGs) that set out minimum levels of share ownership for the Executives. The SOGs are designed to align the interests of the Executives with the interests of shareholders, demonstrate that the Executives are financially committed to the Company through personal share ownership and promote the Company's long-standing commitment to sound corporate governance.

Within five years of appointment, the NEOs are expected to accumulate equity in the Company equal to a multiple of their annual salary, as follows:

NEO	Multiple of Annual Salary
Stephen G. Wetmore	3x
Marco Marrone	2x
G. Michael Arnett	2x
Glenn Butt	2x
Patrick Sinnott	2x

Class A Non-Voting Shares, Common Shares, DSUs, PSUs with a front-end multiplier and units held by the NEOs in the CTC Share Fund of the Deferred Profit Sharing Plan are counted towards the minimum ownership requirement. Achievement of share ownership guidelines is calculated using the greater of the closing share price as reported on the TSX on the last business day of the calendar quarter prior to the Executive's guideline achievement date and the acquisition cost of the Common Shares, Class A Non-Voting Shares or units in the CTC Share Fund of the Company's Deferred Profit Sharing Plan, or, in the case of DSUs, the value of the DSUs at the time the units were credited to the Executive's account.

Each year, management reviews and reports on each Executive's level of share ownership to the Executive and to the MRC Committee. As at January 1, 2012, all Executives were in compliance with their SOGs in that they either had already attained or they still have time left to achieve the required level of share ownership.

For further details on Mr. Wetmore's current equity holdings please see page 15 of this management information circular.

In 2011, the MRC Committee implemented a policy to address circumstances where an Executive's shareholdings fall below

their SOG target and the date by which they are required to achieve the guideline has passed. The MRC Committee may recommend remedial action for such Executive's non-compliance, which remedial action may include converting the after-tax value of the Executive's future short-term incentive plan awards into DSUs or withholding the granting of future long-term incentive plan allocations until such time as the Executive has achieved his or her SOG target.

The Company prohibits Executives from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Executive.

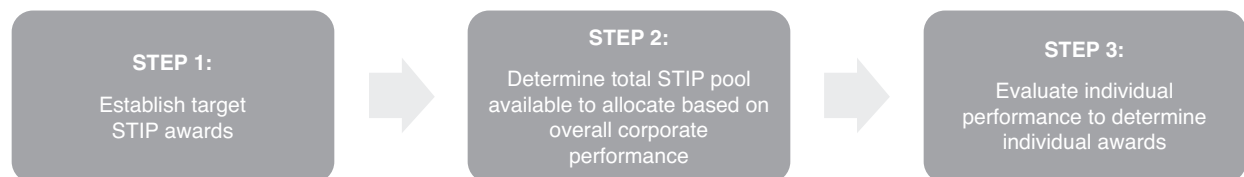
**2011 Executive Compensation Decisions****(1) Impact of Business Performance on 2011 Executive Compensation**

The Company experienced an increase in consolidated revenues, consolidated net earnings and earnings per share versus 2010. These consolidated results were driven by higher retail sales within the Retail Segment, namely Canadian Tire Retail, Mark's, Canadian Tire Petroleum and the inclusion of FGL Sports. The consolidated results were also positively impacted by the strong performance of the Financial Services segment. Despite these positive results, Actual STIP Earnings came in below Target STIP Earnings. As a result, the Corporate Funding Percentage was 77.9% of target. Overall NEO total compensation decreased from 2010 levels.

**(2) 2011 Base Salary Increases**

Consistent with the MRC Committee's approach to salary increases described on page 35, the following base salary increases were approved by the MRC Committee in 2011:

NEO	Base Salary Increase
Stephen G. Wetmore	0%
Marco Marrone	10.00%
G. Michael Arnett	0%
Glenn Butt	0%
Patrick Sinnott	5.26%

**(3) 2011 STIP Payout**

Step 1 was completed in December of 2010.

Steps two and three occur after the end of the fiscal year and are designed to ensure final STIP awards are aligned to overall corporate and individual performance.



Step 2 – Determine the total STIP pool available to allocate based on overall corporate performance

The following table summarizes the calculation of the Corporate Funding Percentage:

Threshold (funds 35% of target STIP pool)	STIP Earnings <sup>(1)</sup>		Actual STIP Earnings <sup>(2)</sup>	Actual STIP Earnings as a % of Target STIP Earnings	2011 Corporate Funding Percentage <sup>(3)</sup>
	Target (funds 100% of target STIP pool)	Maximum (funds 175% of target STIP pool)			
\$411,866,988	\$447,681,509	\$483,496,030	\$435,487,041	97.3%	77.9%

**Notes**

(1) Canadian Tire net earnings after income taxes as calculated for STIP purposes.

(2) Actual Canadian Tire net earnings after income taxes as calculated for STIP purposes, including earnings resulting from the acquisition of FGL Sports.

(3) The Corporate Funding Percentage of 77.9% is established using a linear algebraic formula based on Actual STIP Earnings as a percentage of Target STIP Earnings (97.3%) and the payout shoulders of 35% and 175%. Please see the 2011 STIP Design section on page 36 for more information.

Step 3 – Evaluate individual performance to determine individual awards

The table below provides details on each NEO's individual objectives and actual performance.

NEO	Individual Performance Objectives	Individual Performance Multiplier
<b>Stephen G. Wetmore</b> President and CEO	<ul style="list-style-type: none"> <li>• Achieve retail revenue targets for Canadian Tire Retail (CTR) and Mark's</li> <li>• Achieve operating earnings per share target</li> <li>• Achieve CTR Return on Invested Capital target</li> <li>• Advance operational and strategic initiatives</li> <li>• Build new strategic capabilities to strengthen CTC and each brand's market position</li> </ul>	135%
<b>Marco Marrone</b> Chief Financial Officer and Executive Vice-President, Finance	<ul style="list-style-type: none"> <li>• Implement the various reporting initiatives (International Financial Reporting Standards, external reporting, segment reporting, sustainability reporting)</li> <li>• Improve financial flexibility</li> <li>• Improve financial systems</li> <li>• Improve the Finance Division's effectiveness and efficiency</li> <li>• Improve internal financial reporting and forecasting</li> </ul>	125%
<b>G. Michael Arnett</b> Executive Vice-President, Canadian Tire Corporation and President, Canadian Tire Retail	<ul style="list-style-type: none"> <li>• Grow top line sales through development and implementation of Living, Fixing, Playing and Seasonal strategic plans</li> <li>• Improve the customer experience everyday through improvements in In-stock position and everyday pricing</li> <li>• Deepen understanding of customers</li> <li>• Grow earnings through disciplined delivery of merchandising net product margin</li> <li>• Establish sustainable merchandise procurement capabilities across CTR</li> </ul>	80%
<b>Glenn Butt</b> Executive Vice-President, Customer Experience and Automotive	<ul style="list-style-type: none"> <li>• Improve the quality and consistency of the customer experience</li> <li>• Improve top line sales performance by delivering successful concept renewal projects</li> <li>• Improve operating efficiencies in the division</li> <li>• Improve Customer Service Index results</li> <li>• Improve In-stock position</li> </ul>	90%
<b>Patrick Sinnott</b> Executive Vice-President, Technology and Supply Chain	<ul style="list-style-type: none"> <li>• Achieve information technology operating service level and cost targets</li> <li>• Enable the safe and secure flow of product through the supply chain while achieving cost targets</li> <li>• Achieve supply chain order management service level targets</li> <li>• Establish and execute a corporate-wide productivity program</li> <li>• Create a best in class non-merchandise procurement process</li> <li>• Within the Automotive Infrastructure Program, pilot and implement a new Customer Experience Process supported by an integrated technology solution</li> </ul>	100%



The table below provides details on each NEO's actual STIP award as a percentage of salary and as a percentage of target.

2011 STIP Award Paid in 2012					
NEOs	Target Award as a % of Salary	Components of STIP		Actual Award as a % of Salary	Actual Award as a % of Target
		Corporate Funding Percentage	Individual Performance Multiplier		
Stephen G. Wetmore	100%	77.90%	135%	105.2%	105.2%
Marco Marrone	65%	77.90%	125%	63.3%	97.4%
G. Michael Arnett	65%	77.90%	80%	40.5%	62.3%
Glenn Butt	65%	77.90%	90%	45.6%	70.1%
Patrick Sinnott	60%	77.90%	100%	46.7%	77.9%

No discretionary adjustment was used in determining individual NEO awards.

#### (4) 2011 LTIP Grant

The MRC Committee determined that the LTIP design for the Chief Financial Officer and Executive Vice-President, Finance in 2011 would be the same as that for the President and CEO. The President and CEO and the Chief Financial Officer and Executive Vice-President, Finance LTIP awards are more heavily weighted to longer term (stock options with three-year vesting and a seven-year expiry period) than medium term (performance share units that pay out in three years, the longest performance period permitted under tax laws) incentives. The 2011 LTIP grants awarded to the NEOs are shown in the table below.

NEO	2011 Actual LTIP Grant (% of base salary) <sup>(1)</sup>		
	Total Award	PSUs	Stock Options
Stephen G. Wetmore	300.00%	100.00%	200.00%
Marco Marrone	127.50%	42.50%	85.00%
G. Michael Arnett	127.50%	63.75%	63.75%
Glenn Butt	127.50%	127.50%	0.00%
Patrick Sinnott	112.50%	56.25%	56.25%

#### Note

(1) Actual LTIP grant as a percentage of salary is calculated using the base salary at time of allocation.

#### (5) 2011 LTIP Payout (vested value of 2008 PSU Grant)

The 2008 PSU grant contained a performance condition related to the three-year compound annual growth rate of Canadian Tire's operating earnings and the value of Class A Non-Voting Shares. The threshold performance level of the compound annual growth rate was not achieved and, therefore, no award was paid under this plan as shown in the table below.

NEO <sup>(1)</sup>	2011 Actual LTIP Payout		
	2008 PSU Award (\$) <sup>(2)</sup>	Payout (\$)	Percentage of 2008 Award %
Stephen G. Wetmore	n/a	n/a	n/a
Marco Marrone	\$262,472	\$0	0%
Glenn Butt	\$64,950	\$0	0%
G. Michael Arnett	\$262,472	\$0	0%
Patrick Sinnott	\$162,468	\$0	0%

#### Notes

- (1) Mr. Wetmore was not an employee of Canadian Tire at the time of the 2008 LTIP allocation.
- (2) The composition of the 2008 LTIP award was 50% PSUs and 50% stock options. Values reflect the number of PSUs granted multiplied by the weighted average share price of a Class A Non-Voting Share for the 10-calendar days beginning on the day the 2007 financial results were released.

#### (6) Perquisite and Benefit Programs

There were no changes made in fiscal 2011 to any of the perquisite and benefit programs in which the NEOs participated.

### Statement of the MRC Committee

The MRC Committee is satisfied that Canadian Tire's executive compensation policies and practices support the Company in achieving its strategic objectives, and that the programs are effective in attracting, retaining and motivating a skilled team of NEOs to maximize shareholder value. The Chairman of the MRC Committee, Frank Potter, will be available to answer questions relating to Canadian Tire's executive compensation practices at the Annual Meeting of Shareholders to be held on May 10, 2012.

#### Members of the MRC Committee:

Frank Potter, *Chairman*  
Iain C. Aitchison  
Martha G. Billes

James A. Riley  
Peter B. Saunders

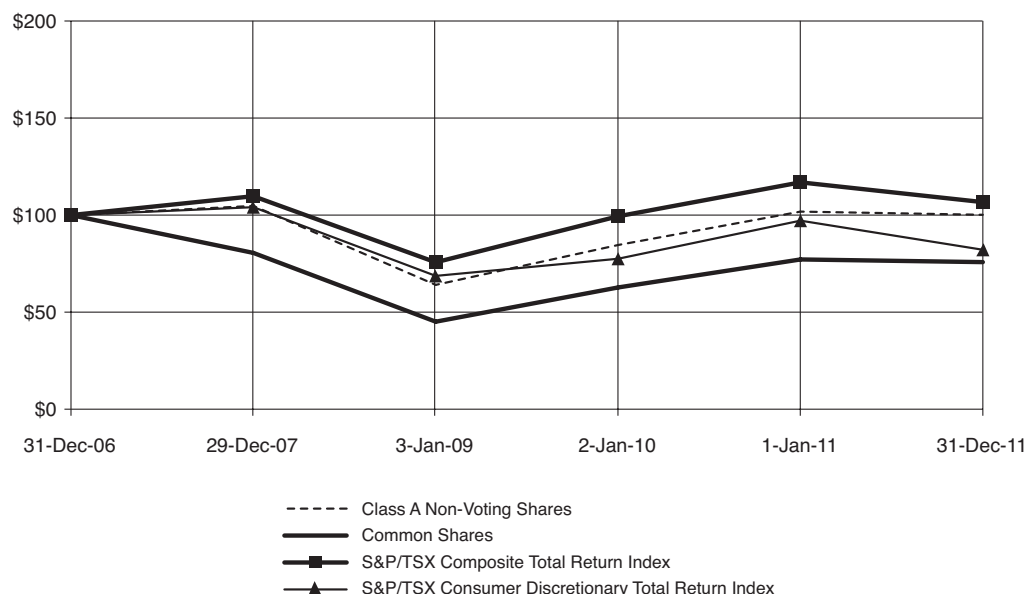


## How Our Shares Have Performed and Relationship with Executive Compensation

The following chart compares the cumulative shareholder return on the Company's Class A Non-Voting Shares and Common Shares to the S&P TSX Composite Total Return Index and the S&P TSX Consumer Discretionary Total Return Index assuming \$100 was invested on December 31, 2006 (assuming reinvestment of dividends). Over this five-year fiscal period, Canadian Tire's total NEO Compensation (as defined below) has generally reflected the trend in cumulative shareholder return on the Class A Non-Voting Shares. During 2008, shareholder return was –39%, while total NEO Compensation declined commensurately by 37%. In 2009 and 2010, the Company's cumulative total shareholder return was 32% and 20%, respectively, while total NEO Compensation increased by 50% and 6%, respectively. In 2011, the Company's cumulative total shareholder return was –2% while total NEO Compensation declined commensurately by 7%.

For the purpose of the above discussion, NEO Compensation is defined as aggregate annual compensation (i.e. the sum of base salary, annual incentive payouts and grant date fair value of share-based and option-based awards, but excluding all other compensation). The executive compensation values have been calculated for the NEOs based on the same methodology as disclosed in the *Summary Compensation Table* on page 44. This is a methodology adopted by Canadian Tire solely for the purposes of this comparison. It is not a recognized or prescribed methodology for this purpose, and may not be comparable to any methodologies used by other issuers for this purpose.

**Cumulative Total Shareholder Return  
December 31, 2006 through December 31, 2011**



Date <sup>(1)</sup>	Canadian Tire Corporation, Limited		S&P/TSX Composite Total Return Index	S&P/TSX Consumer Discretionary Total Return Index
	Class A Non-Voting Shares	Common Shares		
December 31, 2006	\$100.00	\$100.00	\$100.00	\$100.00
December 29, 2007	\$104.74	\$80.52	\$109.74	\$104.08
January 3, 2009	\$64.05	\$45.08	\$75.68	\$68.68
January 2, 2010	\$84.59	\$62.72	\$99.38	\$77.51
January 1, 2011	\$101.80	\$77.15	\$116.87	\$97.14
December 31, 2011	\$100.16	\$75.77	\$106.69	\$82.14

**Note**

(1) The Company's fiscal year-end is the Saturday that falls closest to December 31 in any given year.



## 2011 Compensation Tables

### Summary Compensation Table

The table below shows the compensation paid to the NEOs in respect of the Company's most recently completed financial year, which ended on December 31, 2011, as well as financial years 2009 and 2010, all in accordance with the Canadian Securities Administrators requirements. Disclosure of compensation for prior years, in accordance with the then applicable requirements, is contained in the Company's previous management information circulars which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Share-based awards <sup>(1)</sup> (\$) (d)	Option-based awards <sup>(2)</sup> (\$) (e)	Non-equity incentive plan compensation (\$) (f)		Pension Value (\$) <sup>(5)</sup> (g)	All other compensation (\$) <sup>(6)</sup> (h)	Total compensation (\$) (i)
					Annual incentive plans <sup>(3)</sup> (f1)	Long-term incentive plans <sup>(4)</sup> (f2)			
<b>Stephen G. Wetmore</b> President and CEO	<b>2011</b>	1,250,000	1,249,989	2,499,989	1,314,562	—	—	306,032	6,620,573
	<b>2010</b>	1,250,000	1,249,971	2,499,986	1,705,165	—	—	254,422	6,959,544
	<b>2009</b>	1,250,000	1,249,956	2,499,181	1,260,094	—	—	173,024	6,432,255
<b>Marco Marrone</b> Chief Financial Officer and Executive Vice-President, Finance	<b>2011</b>	525,000	212,495	424,985	331,075	—	—	187,094	1,680,649
	<b>2010</b>	500,000	212,465	425,000	435,218	—	—	186,371	1,759,054
	<b>2009</b>	461,538	250,304	250,226	310,797	—	—	79,823	1,352,688
<b>G. Michael Arnett</b> Executive Vice-President, Canadian Tire Corporation and President, Canadian Tire Retail	<b>2011</b>	550,000	350,608	350,622	222,794	—	—	107,154	1,581,177
	<b>2010</b>	550,000	350,578	350,612	408,422	—	—	88,787	1,748,398
	<b>2009</b>	525,000	318,718	318,641	364,271	—	—	88,745	1,615,375
<b>Glenn Butt</b> Executive Vice-President, Customer Experience and Automotive <sup>(7)</sup>	<b>2011</b>	500,000	637,485	—	227,858	—	—	421,923	1,787,266
	<b>2010</b>	395,855	121,584	81,081	254,503	—	—	260,000	1,113,024
	<b>2009</b>	267,650	69,976	69,967	141,526	—	—	61,415	610,535
<b>Patrick Sinnott</b> Executive Vice-President, Technology and Supply Chain	<b>2011</b>	487,500	267,130	267,169	227,408	—	—	91,580	1,340,787
	<b>2010</b>	462,500	253,118	253,114	341,637	—	—	76,307	1,386,676
	<b>2009</b>	449,861	253,108	253,034	288,888	—	—	79,051	1,323,943

#### Notes

- (1) The grant date value disclosed in this column for PSUs is based on the weighted average share price of a Class A Non-Voting Share for the 10-calendar days ending on the business day immediately preceding the Board meeting at which the grants are approved.
- (2) The disclosed value in this column is based on the weighted average share price of a Class A Non-Voting Share for the 10-calendar days prior to the date of grant multiplied by a Black-Scholes factor of 29.3%, multiplied by the number of options granted. The Black Scholes value ratio was determined using the following assumptions: an estimated volatility of 34.3% (based on daily historical share price for the three-year period ending on December 31, 2010), estimated dividend yield of 1.40%, interest rate of 2.3%, and an expected life of five years of the seven-year option term. The accounting fair value of the option-based awards under Canadian GAAP at the time of grant was zero as a result of the TSAR feature. The Company has chosen to use Black Scholes as the methodology for determining the number of options granted as it is an appropriate and commonly used methodology to value stock options.
- (3) This column lists the amount earned under the STIP in the reporting financial year and includes any amount the NEO elected to receive in DSUs. For the 2011 financial year, all of the NEOs chose not to receive any portion of their 2011 STIP award in DSUs.
- (4) Canadian Tire does not have any long-term non-equity incentive plans.
- (5) Canadian Tire does not have a defined benefit or defined contribution pension plan.
- (6) This column includes awards for all NEOs under the deferred profit sharing and share purchase plans, signing or discretionary bonuses, as well as perquisites for the President and CEO and the Chief Financial Officer and Executive Vice-President, Finance. Mr. Wetmore received a perquisites allowance in the amount of \$69,996 in 2011. Mr. Marrone received perquisites in the amount of \$85,435. Of this amount, \$54,000 is related to a continuation of a transitional housing benefit which Mr. Marrone received for relocating when he was appointed to the position of Chief Financial Officer and Executive Vice-President, Finance, and a \$21,600 car allowance. The value of perquisites for the other NEOs did not exceed \$50,000 in aggregate, or 10% or more of the NEO's annual salary, and is therefore not included in this column. This column does not include the Company's donation to Jumpstart to match a donation made by Mr. Wetmore in 2011 under the Company's policy relating to the matching of donations by the Company's directors.
- (7) Mr. Butt assumed the position of Executive Vice President, Customer Experience and Automotive in September 2010, having previously been the SVP, Store Support and Operations.



## Outstanding Share-Based Awards and Option-Based awards

The table below shows the total vested and unvested outstanding long-term incentive awards for each NEO as at December 31, 2011.

Name (a)	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#) (b)	Option exercise price (\$) <sup>(2)</sup> (c)	Option expiration date <sup>(3)</sup> (d)	Value of unexercised in-the-money options (\$) <sup>(4)</sup> (e)	Number of shares or units of shares that have not vested (#) <sup>(5)</sup> (f)	Market or payout value of share-based awards that have not vested (\$) <sup>(6)</sup> (g)	Market or payout value of vested share-based awards not paid out or distributed (\$) (h)
<b>Stephen G. Wetmore</b> President and CEO	226,960 169,952 136,963	40.042 53.491 62.297	March 11, 2016 March 8, 2017 March 7, 2018	8,471,144	74,639	4,918,710	–
<b>Marco Marrone</b> Chief Financial Officer and Executive Vice-President, Finance	2,200 2,500 17,379 16,187 16,181 22,724 28,892 23,283	29.626 33.514 64.819 71.903 63.417 40.042 53.491 62.297	March 13, 2013 August 7, 2013 March 8, 2013 March 7, 2014 March 6, 2015 March 11, 2016 March 8, 2017 March 7, 2018	1,249,739	13,632	898,349	–
<b>G. Michael Arnett</b> Executive Vice-President, Canadian Tire Corporation and President, Canadian Tire Retail	7,000 4,000 4,400 4,022 14,000 16,187 16,181 28,937 23,835 19,209	25.420 29.173 29.626 64.819 62.960 71.903 63.417 40.042 53.491 62.297	March 7, 2012 <sup>(7)</sup> July 29, 2012 March 13, 2013 March 8, 2013 May 10, 2013 March 7, 2014 March 6, 2015 March 11, 2016 March 8, 2017 March 7, 2018	1,788,790	20,139	1,327,160	–
<b>Glenn Butt<sup>(1)</sup></b> Executive Vice-President, Customer Experience & Automotive	4,410 4,006 6,354 5,512	71.903 63.417 40.042 53.491	March 7, 2014 March 6, 2015 March 11, 2016 March 8, 2017	242,647	14,253	939,273	–
<b>Pat Sinnott</b> Executive Vice-President, Technology and Supply Chain	16,684 17,987 10,017 22,979 17,207 14,637	64.819 71.903 63.417 40.042 53.491 62.297	March 8, 2013 March 7, 2014 March 6, 2015 March 11, 2016 March 8, 2017 March 7, 2018	903,357	15,339	1,010,840	–

### Notes

- (1) For 2011, Mr. Butt received an LTIP grant comprised of PSUs only.
- (2) Canadian Tire's policy for determining the exercise price for options with a TSAR feature is the 10-calendar day weighted average share price ending on the business day immediately preceding the date on which the grants are approved.
- (3) Options granted prior to 2006 have a 10-year term. Options granted in 2006 and subsequent years have a seven-year term.
- (4) This column contains the aggregate dollar value of in-the-money vested and unvested unexercised options as at December 31, 2011, using the December 30, 2011 closing share price of \$65.90.
- (5) This column contains the number of unvested PSUs held by each NEO on December 31, 2011. The 2009, 2010 and 2011 PSUs are reported assuming a performance multiplier equal to 1.0.
- (6) This column contains the value of unvested PSUs held by each NEO at the end of the financial year using the December 30, 2011 closing share price of \$65.90.
- (7) In March 2012, Mr. Arnett exercised all options with a March 7, 2012 expiry date.



## Incentive Plan Awards

The table below shows the incentive awards that vested or were earned by each NEO during the financial year ended December 31, 2011.

Name (a)	Option-based awards – Value vested during the year (\$) <sup>(1)</sup> (b)	Share-based awards – Value vested during the year (\$) <sup>(2)</sup> (c)	Non-equity incentive plan compensation – Value earned during the year (\$) <sup>(3)</sup> (d)
Stephen G. Wetmore <sup>(4)</sup>	n/a	n/a	\$1,314,562
Marco Marrone	–	–	\$331,075
G. Michael Arnett	–	–	\$222,794
Glenn Butt	–	–	\$227,858
Patrick Sinnott	–	–	\$227,408

### Notes

- (1) This column includes the aggregate dollar value that would have been realized if stock options were exercised on the vesting date. The value of all NEOs' option-based awards vesting in 2011 was zero as these grants were out-of-the money on the vesting date.
- (2) This column includes the value of the 2008 PSU plan payout upon vesting. The minimum performance threshold was not achieved and therefore no award was paid under this plan.
- (3) This column includes the amount of the 2011 STIP plan payout, which is also included in the *Summary Compensation Table* on page 44.
- (4) Mr. Wetmore was not an employee of Canadian Tire at the time of the 2008 LTIP allocation.



## Employment Agreements and Post-Employment Benefits

### President and CEO Employment Agreement

An employment contract was established with Mr. Wetmore effective January 1, 2009. The key terms of the contract (other than with respect to post-employment benefits) are the following:

<b>Base Salary</b>	\$1,250,000
<b>STIP</b>	Mr. Wetmore's annual target STIP award is 100% of base salary if targets established by the Board for the President and CEO are met and up to 200% of base salary if such targets are exceeded by established amounts, subject to the terms of the STIP.
<b>Deferred Share Unit Plan</b>	Mr. Wetmore may elect annually to defer all or a portion of his STIP award into DSUs governed by his Deferred Share Unit Plan.
<b>LTIP</b>	<p>Mr. Wetmore is eligible to receive annual grants under the LTIP with a target value at the date of the grant of 300% of base salary, subject to the same performance factors applicable to the other participants in the LTIP. He is entitled to receive one-third of his annual grant in the form of PSUs or any equivalent plan and two-thirds in the form of stock options.</p> <p>Mr. Wetmore is only entitled to a pro-rata grant for part years of employment. Accordingly, if Mr. Wetmore's termination date is prior to the end of a year, he will forfeit a portion of the award for that year determined as the number of days in the year subsequent to the termination date divided by 365.</p>
<b>Monthly Perquisite Allowance</b>	The Company provides Mr. Wetmore with a monthly perquisite allowance of \$5,833.00 to be spent at his discretion.
<b>Other Benefits</b>	Mr. Wetmore is entitled to benefits that are generally provided to the Company's Executives, such as participation in the Company's Deferred Profit Sharing Plan and Share Purchase Plan (see pages 52 and 53).
<b>Equity Ownership and Disposition Restrictions</b>	Mr. Wetmore is required to achieve the Company's guidelines for equity ownership in the Company as they may be amended from time to time. Currently these guidelines require ownership of equity of the Company with a value equal to three times Mr. Wetmore's base salary, within five years of the effective date of Mr. Wetmore's employment agreement. Mr. Wetmore is given full credit for any shares and DSUs of the Company that he owns in connection with such required equity ownership. During the term of his agreement, Mr. Wetmore has agreed not to sell any shares of the Company which he owns (however acquired, including shares acquired on the exercise of options) and not to exercise any share appreciation rights without the consent of the Board, provided that the Board may not unreasonably withhold its consent.

### Post-Employment Benefits

#### President and CEO

Mr. Wetmore is entitled to the following payments and benefits following a termination of his employment under the circumstances described below:

#### *Involuntary Termination Without Cause or Resignation for Good Reason*

In the event of involuntary termination without cause or resignation for "good reason", as defined in his agreement, Mr. Wetmore is entitled to:

- continuation of base salary for twelve months;
- continued entitlement to STIP for twelve months calculated based on the lesser of (i) the average of the STIP bonus paid to Mr. Wetmore in the two fiscal years immediately preceding the termination/resignation date; and (ii) the target STIP bonus for Mr. Wetmore for the fiscal year in which the termination/resignation date occurs;
- continued participation in the Company's employee benefit plans for 12 months, to the extent permitted by the terms of those plans;
- with respect to LTIP awards:
  - (i) immediate vesting of any unvested stock options and the right to exercise all outstanding stock options until the earlier of the third anniversary of the termination/resignation date and the expiry of the stock options under the applicable option agreements; and
  - (ii) payment of awards under the PSU or any equivalent plan, without acceleration of payment of such PSUs, as if Mr. Wetmore had continued to be employed by the Company during any term or performance period provided for under such plan.



**Resignation without Good Reason on or after March 12, 2012 – LTIP Entitlement**

With respect to unvested LTIP awards, in the event of Mr. Wetmore's resignation without "good reason", as defined in his agreement, on or after March 12, 2012, Mr. Wetmore is entitled to:

- payment of awards under the PSU or any equivalent plan as if he had continued to be employed by the Company during any term or performance period provided for under such plan; and
- the right to exercise stock options granted to Mr. Wetmore until the earlier of the third anniversary of the resignation date and the expiry of the stock options under the applicable option agreements, with the options continuing to vest during such period in accordance with the applicable option agreements.

**Termination for Cause or Death**

The Company may immediately terminate Mr. Wetmore's employment contract at any time for cause. The contract is terminated automatically on death.

In the event of termination for cause, the Company is obligated to pay any base salary and expenses due and owing at the termination date. No STIP payment will be made in respect of the year in which the termination date occurs, and unvested PSUs and stock options will be forfeited.

In the event of death, the Company is obligated to pay any base salary and expenses due and owing at the termination date. The Company will also pay STIP *pro rated* to the termination date. With respect to LTIP awards, Mr. Wetmore's legal personal representatives are entitled to: (i) exercise all outstanding stock options until the earlier of the third anniversary of the termination date and the expiry of the stock options under the applicable option agreements; and (ii) payment of awards under the PSU or any equivalent plan as if Mr. Wetmore had continued to be employed by the Company during any term or performance period provided for under such plan.

**Non-Compete/Non-Solicit**

The foregoing entitlements are conferred on Mr. Wetmore in part on the condition of his fulfillment of the following non-competition and non-solicitation obligations.

Mr. Wetmore may not during his employment and for one year thereafter:

- either alone or in any other capacity, directly or indirectly advise, manage, carry on, establish, control, engage in, invest in, offer financial assistance or services to, or permit his name to be used by any business which is the same as or substantially similar to or which competes with a significant line of business carried on by the Company in Canada or which is in the Company's active contemplation as of the date of his departure; or
- solicit any officer, employee, agent or supplier of the Company or attempt to persuade any officer, employee, agent or supplier of the Company to discontinue their relationship with the Company.

**Other NEOs**

In addition, agreements with Messrs. Arnett, Butt, Marrone and Sinnott provide for the following payments and benefits following a termination of their employment without cause by the Company, in addition to their respective salaries and expenses to the date of termination and the payments and benefits to which they are entitled under various Company compensation plans which apply generally to Executives:

- payment of an amount equal to 24 months' base salary, payable as salary continuance and subject to certain claw backs in the event new employment is secured (*the Claw back Conditions*);
- payment under the STIP at the target payout level during the 24-month notice period, subject to the Claw back Conditions;
- payment of awards under the PSU or any equivalent plan as if they had continued to be employed by the Company during any term or performance period provided for under such plan;
- the right to exercise stock options until the earlier of the third anniversary of the termination date and the expiry of the options under the applicable option agreements, with the options continuing to vest during such period in accordance with the applicable option agreements;
- payment of group insurance benefits during the 24-month notice period;
- payment of the Company automobile allowance during the 24-month notice period, subject to the Claw back Conditions;
- prorated payment in lieu of an award under the Company's Deferred Profit Sharing Plan for the current year and an additional lump sum payment for the 24-month notice period in lieu of an award under the Deferred Profit Sharing Plan; and
- entitlement to the Company financial planning benefit for the 24-month notice period.

These payments and benefits are also payable to Messrs. Arnett and Marrone in the event of their termination of employment for "good reason" as defined in their respective employment agreements. Messrs. Arnett, Butt, Marrone and Sinnott have agreed to mitigation, non-competition and non-solicitation provisions in exchange for the termination payments and benefits referred to above.

In certain circumstances, some or all of the above-noted payments may be made in a reduced lump sum amount.

Mr. Sinnott will receive the above noted payment and benefits if he remains with the Company until December 31, 2012.



**Estimated Incremental Payments**

The following table summarizes the estimated incremental payments to each NEO who is party to a written employment contract with the Company in the event of his termination without cause:

	Compensation Component	Estimated Incremental Payments as at December 31, 2011 – Termination Without Cause or Resignation for Good Reason (\$) <sup>(1)</sup>
Stephen G. Wetmore	Base Salary	\$1,250,000
	STIP <sup>(2)</sup>	\$1,250,000
	Payment in lieu of Deferred Profit Sharing Plan entitlement	\$0
	Continuation of medical benefits and financial planning for 12 months	\$85,860
	Total	\$2,585,860
Marco Marrone	Base Salary	\$1,100,000
	STIP <sup>(2)</sup>	\$715,000
	Payment in lieu of Deferred Profit Sharing Plan entitlement <sup>(3)</sup>	\$110,000
	Continuation of medical benefits, financial planning, and car allowance for 24 months	\$70,920
	Total	\$1,995,920
G. Michael Arnett	Base Salary	\$1,100,000
	STIP <sup>(2)</sup>	\$715,000
	Payment in lieu of Deferred Profit Sharing Plan entitlement <sup>(3)</sup>	\$110,000
	Continuation of medical benefits, financial planning, and car allowance for 24 months	\$70,920
	Total	\$1,995,920
Glenn Butt	Base Salary	\$1,000,000
	STIP <sup>(2)</sup>	\$650,000
	Payment in lieu of Deferred Profit Sharing Plan entitlement <sup>(3)</sup>	\$100,000
	Continuation of medical benefits, financial planning, and car allowance for 24 months	\$69,920
	Total	\$1,819,920
Patrick Sinnott	Base Salary	\$1,000,000
	STIP <sup>(2)</sup>	\$600,000
	Payment in lieu of Deferred Profit Sharing Plan entitlement <sup>(3)</sup>	\$100,000
	Continuation of medical benefits, financial planning, and car allowance for 24 months	\$66,200
	Total	\$1,766,200

**Notes**

(1) As applicable.

(2) Assumes payout at target.

(3) Assumes that Deferred Profit Sharing Plan awards are 10% of salary during the relevant notice periods.

No incremental payments are triggered upon a change in control of the Company. In addition, no incremental amount would be received by Mr. Wetmore in respect of the accelerated vesting of his options if he was terminated without cause or resigned for good reason on or after March 12, 2012 since the discount rate applied to calculate the net present value of the accelerated entitlements is not greater than the rate at which the Class A Non-Voting Shares would otherwise appreciate over the period of acceleration.



## Other Compensation Information

### Securities Authorized for Issue under Equity Compensation Plans as at December 31, 2011

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	2,563,916 <sup>(1)</sup>	\$55.22	832,884
<b>Equity Compensation Plans Not Approved by Securityholders</b>			
• Canadian Tire's Deferred Profit Sharing Plan	N/A	N/A	250,984
• Deferred Profit Sharing Plan for Employees of Participating Associate Dealers			
<b>Total</b>	<b>2,563,916</b>	<b>N/A</b>	<b>1,083,868</b>

#### Note

(1) The weighted average term remaining is 3.97 years.

### Description of our Equity Compensation Plans

#### Stock Option Plan

This plan was established for the purpose of rewarding certain officers and employees of the Company and for the purpose of encouraging such officers and employees to participate in the future growth, development and success of the Company's enterprises through ownership of shares of the Company. Directors (other than the President and CEO) are not eligible to receive options under the Company's Stock Option Plan.

The aggregate maximum number of Class A Non-Voting Shares that were authorized for issuance on May 13, 2010 by the shareholders under the Stock Option Plan was 3,400,000, representing approximately 4.4% of the currently issued and outstanding Class A Non-Voting Shares. As at March 15, 2012, the number of outstanding and unexercised options to purchase Class A Non-Voting Shares is 3,148,768, representing approximately 4.0% of the issued and outstanding Class A Non-Voting Shares. As at March 15, 2012, an aggregate of 248,032 Class A Non-Voting Shares, representing approximately 0.3% of the issued and outstanding Class A Non-Voting Shares, are available for issuance under the Stock Option Plan.

A total of 433,804 stock options were awarded in 2011, which represented approximately 0.6% of the issued and outstanding Class A Non-Voting Shares (commonly referred to as the annual 'burn rate') as at December 31, 2011. The total number and terms of outstanding stock options, stock appreciation rights, shares and units subject to restrictions on resale were taken into account in determining the total options available to be granted to all participants during 2011.

The Stock Option Plan states that no one person can receive options to buy more than 5% of the total number of issued and outstanding Class A Non-Voting Shares, which as of March 15, 2012 is equal to 3,901,940 Class A Non-Voting Shares. The grant of an option provides an optionee with the right to subscribe for a Class A Non-Voting Share at the weighted average price at which the Class A Non-Voting Shares trade on the TSX during the 10 calendar day period ending on the business day immediately preceding the date the option is

granted. The option price for all Class A Non-Voting Shares taken up on the exercise of each option must be paid in full at the time of such exercise. The Stock Option Plan states that no option shall extend for a period of more than 10 years from the date of grant except in circumstances in which the exercise period may be extended in the event of a black out period.

Options to subscribe for Class A Non-Voting Shares under the Stock Option Plan that were granted prior to 2006 generally vested at the rate of 25% per year for the four years following the date the options were granted. Options granted in 2006 and 2007 generally vested at the rate of 33⅓% per year for the three years following the date the options were granted. Options granted from 2008 to 2011 generally vest three years after the date the options were granted. Options granted effective March 13, 2012 (*the 2012 Options*) generally vest at the rate of 33⅓% per year for the first three years following the date the options were granted. Exceptions to the general vesting requirements are included in the Stock Option Plan or option agreements in relation to circumstances involving incapacity, death, resignation, becoming a Canadian Tire Dealer or upon the cessation of employment for any other reason. Unexercised 2012 Options expire immediately on the termination of the employment of an optionee for cause.

In addition to the basic vesting provisions referred to above, since 2007, the stock option agreements contain an early vesting "double trigger" provision which was approved by the Board of Directors on the recommendation of the MRC Committee. Under the "double trigger" mechanism, if: (a) a qualified offer has been completed for all or substantially all of the shares of the Company which includes an offer for the Class A Non-Voting Shares and a change of control has occurred; and (b) within two years of the change of control the employment of the optionee has been terminated without cause, then all of the options held by the optionee shall be deemed to have vested immediately prior to the date of termination.

Option agreements entered into prior to 2006 specify that options can be exercised for a period of up to ten years and outline the circumstances in which option rights will be terminated earlier. In 2006 and thereafter, options have been



granted under agreements which specify that they can be exercised for a period of up to seven years and outline the circumstances in which option rights will be terminated earlier. All outstanding option agreements provide that, at the election of the optionee, options can be exercised or surrendered in exchange for a cash payment equal to the excess of the fair market value of the Class A Non-Voting Shares over the exercise price stipulated in the applicable stock option agreement, multiplied by the number of Class A Non-Voting Shares surrendered. The fair market value is the weighted average price at which the Class A Non-Voting Shares trade on the TSX on the trading day on which the election is made.

Any Class A Non-Voting Shares not taken up and paid for under any option agreement prior to the expiry or earlier termination thereof (including by virtue of the option expiring or being surrendered for cash or cancelled) may again be optioned by the Company pursuant to the Stock Option Plan and will not reduce the aggregate maximum number of Class A Non-Voting Shares that may be reserved for issuance under the Stock Option Plan.

If an employee becomes incapacitated, dies, resigns, has his or her employment terminated with or without cause or ceases to be employed by the Company for any other reason, the employee's options may only be exercised by the employee, or his or her personal representative as the case may be, or may be prohibited from being exercised, as follows:

- in the event of incapacity or death – All options may be exercised until the earlier of the expiration of the options and three years following the date of incapacity or death, or such longer period as is determined by the Board of Directors;
- in the event of resignation after age 60 – For option agreements entered into prior to 2006 and in 2012, options may be exercised until the earlier of the expiration of the option and the date three years following the date of resignation after at least 10 years of continuous service with the Company, with options vesting during such three year period. For option agreements entered into in 2006 and thereafter, other than the 2012 Options, options may be exercised until either: (a) the earlier of the expiry date of the option and the date three years following the date of resignation if the optionee has at least 10 years of continuous service with the Company; or (b) the earlier of the expiry date of the option and the date one year following the date of such retirement in all other cases, with options vesting during such three or one year period, as the case may be;
- in the event of resignation to become a Canadian Tire Dealer – All options vested on the date of resignation may be exercised until the earlier of the expiration of the option and the date one year following the date of resignation or such longer period as is determined by the Board of Directors;
- in the event of termination without cause after age 60 with 10 years continuous service – 2012 Options may be exercised until three years following the termination of employment, with options vesting during such three year period;
- in the event of termination for cause – Unexercised 2012 Options are prohibited from being exercised from and

after the date of termination of employment or on such other terms and for such other period as is determined by the Board of Directors; and

- in the event of cessation of employment for any other reason – All options vested on the date of cessation of employment may be exercised until the earlier of the expiration of the options and the date 30 days following the date on which the optionee ceases to be employed or such longer period as is determined by the Board of Directors.

The Stock Option Plan allows the expiry date of options granted thereunder to be extended to the tenth business day following the end of a black out period imposed by the Company during which trading in securities of the Company is not permitted (*the Black Out Expiration Term*) if such options would otherwise expire during or immediately after such black out period. In the event the time or times during which options may be exercised by optionees expires immediately after the expiration of a black-out period, the Black Out Expiration Term will be reduced by the number of days between the expiration of the exercise time or times and the end of the black out period.

The Stock Option Plan (or an option agreement or entitlement subject to the Stock Option Plan) can be amended by the Board of Directors as recommended by the MRC Committee upon receipt of the requisite approval of the TSX and without the approval of shareholders for purposes of: (a) modifying the fundamental terms of the option agreements as set out in the Stock Option Plan; (b) effecting the early expiration of options; (c) accelerating the vesting of options; (d) modifying the manner of determining the minimum option price of any option; (e) amending the black out period or Black Out Expiration Term; (f) otherwise amending any option agreement or entitlement subject to the Stock Option Plan; (g) amending the amending provision under the Stock Option Plan; (h) making amendments for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or clerical omission or mistake or manifest error contained in the Stock Option Plan; and (i) making any other amendment whatsoever to the Stock Option Plan which is considered appropriate by the Board of Directors.

However, the Board of Directors may not without the approval of shareholders: (a) increase the maximum aggregate number of Class A Non-Voting Shares that may be optioned and issued under the Stock Option Plan; (b) reduce the exercise price for options held by optionees; (c) extend the term of options held by optionees; (d) remove or exceed the Insider Participation Limit (outlined below); (e) amend the amending provisions under the Stock Option Plan; (f) change the definition of “employee” under the Stock Option Plan to include non-employee directors or permit non-employee directors to be granted options under the Stock Option Plan; or (g) change the assignment and transfer restrictions under the Stock Option Plan. Additionally, the Stock Option Plan states that the Board of Directors may not make any amendments which prejudice the rights of optionees under existing option agreements without first obtaining the approval of the optionees who are parties to such option agreements.

The “*Insider Participation Limit*” generally limits the maximum number of Class A Non-Voting Shares: (a) issued to insiders of



the Company, within any one year period; and (b) issuable to insiders of the Company at any time pursuant to the Stock Option Plan, in each case when combined with all other security based compensation arrangements of the Company, to 10% of the number of issued and outstanding Class A Non-Voting Shares. Each option is non-assignable and non-transferable other than for estate settlement purposes, including by will or the laws governing the devolution of property in the event of death of the optionee.

On February 9, 2012, the Board of Directors amended the Stock Option Plan pursuant to its amending provisions. The principal amendment was to provide that stock option agreements may state when options can be exercised by the optionee or his or her legal personal representative in the event of retirement or termination of employment without cause after having attained the age of 60 years with at least 10 years of continuous service with the Company and may prohibit the exercise of options in the event an optionee has his or her employment terminated with cause. The foregoing amendments to the Stock Option Plan were made in accordance with the amending provisions outlined above and did not fall within any of the categories referred to above which require shareholder approval.

Stock option agreements entered into by the Company with certain executive officers, including Stephen Wetmore, generally reflect the same terms as are set out in the standard agreements described above. However, each of these executive agreements has been modified from the standard agreements, in certain cases in a substantive manner, to reflect the terms of their respective employment agreements with the Company. See *Employment Agreements and Post-Employment Benefits* on page 47.

#### **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 designated for any one of its participants (including insiders of the Company) or participants as a group.

Every year we make a 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 the amount to be allocated to each of the employees and officers participating in the plan. Currently, a minimum of 10% of a base amount allocated to each employee or officer is invested in a Company share fund, which includes Class A Non-Voting Shares (subject to certain limits), with the balance invested as directed by each employee and officer. The trustees annually subscribe for Class A Non-Voting Shares to facilitate investment in the Company share fund and are allotted and issued these shares from treasury, 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 in connection with the plan (*the plan property*) are transferred on an ongoing basis by the trustees to Sun Life Assurance Company of Canada (*Sun Life*). The plan property 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 plan property consists of units in the Company share fund referred to above, with the balance of the plan property invested in the manner elected by participants from a variety of funds managed by a number of fund managers. 20% of the units held for plan participants vest after one full year of employment, with the remaining units vesting after two full years of employment. Sun Life has issued a group annuity policy to the trustees of the plan which provides plan participants with rights and benefits equivalent to those to which they would otherwise be entitled under the plan.

When participants turn 71, 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 is eliminated in certain circumstances, are entitled to receive an amount equal to the net asset value of all units that have been allocated to them, to direct the transfer of this amount to certain registered plans or to purchase an annuity with this amount, whether or not the units have vested. If, however, they leave their job due to other circumstances, including resignation or termination of their employment with or without cause, they will receive (or can direct payment of) the net asset value of all units which are held for them and have vested. 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 the trustees of the plan 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, whether or not the units have vested. 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, amended and restated as of January 1, 2001 and thereafter further amended. Robyn A. Collver, Hugh Lynar and Dean McCann, each of whom is an employee of the Company, are the current trustees of the plan. Ms. Collver and Mr. McCann hold the positions of Senior Vice-President, Secretary and General Counsel and Chief Financial Officer and Executive Vice-President, Finance, respectively.

Amendments to the plan may be made with the approval of the Board of Directors except where shareholder approval is required by law or by a regulatory organization having jurisdiction over the Company or its securities, including a securities commission or the TSX. In certain other cases, participant approval is also required in order to amend the plan.

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

This plan was created by the Canadian Tire Dealers' Association for use by Canadian Tire Dealers (*Dealers*) to enable participating Dealers to share their success with their employees. The plan was established in 1972 under an agreement between the Canadian Tire Dealers' Association,



the Company and participating Dealers. A formal agreement (*the plan 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 is open to employees of Dealers who are not related to the Dealer and who meet certain other criteria, including working a minimum number of hours at a Canadian Tire Store during the previous calendar year (*the participants*). None of our employees or those of our subsidiaries (including officers or other insiders) are eligible to participate in the plan. There is no fixed maximum number or percentage of Class A Non-Voting Shares which may be designated for any one of the participants or the participants as a group.

Under the plan, Dealers grant awards to participants on an annual basis. The Dealer contribution to the plan must meet minimum contribution levels based on profits or sales of the Canadian Tire Store operated by the Dealer. If a Dealer has contributed to the plan (and otherwise complied with the plan requirements), we will pay a bonus to the Dealer, and the 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) on behalf of the participants. These contributions vest immediately and are primarily invested in BlackRock balanced index funds, a share fund holding Class A Non-Voting Shares of the Company and a money market fund. The funds are 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. Under the plan agreement, we have agreed to allot and issue to the trustee Class A Non-Voting Shares from treasury, 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 proceeds for the shares.

If a participant's employment with a Dealer is terminated with or without cause or a participant resigns (other than as a result of a change in the Dealer at a particular store location) or if a participant dies or terminates his or her employment as a result of disability, the participant or his or her legal representative is paid the value of the units held, except where the participant returns to the same Dealer's store location, or joins another Dealer store, within 30 days of termination of employment. If the participant returns to the same store location, the plan continues for such participant. If the participant moves to another store, the participant's holdings are transferred to the new store's plan (if such store participates in the plan) or are paid out to the participant (if such store does not participate in the plan). Upon the termination of a participant's continuous service, and at the election of the participant, his or her entitlement under the plan may be paid: (a) through the transfer of the balance and/or of Class A Non-Voting Shares to the participant or to a registered retirement savings plan; or (b) by the purchase of 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 the breakdown of a participant's marriage or common law relationship.

The plan may be amended with the approval of the Company and the Canadian Tire Dealers' Association except where: (a) the proposed provisions impede the operation of the plan; (b) there is a proposed increase in the number of Class A Non-Voting Shares which may be issued under the plan (which also requires the approval of a simple majority of the votes cast by the holders of Common Shares represented and voted at a special meeting of shareholders of the Company); or (c) regulatory and/or shareholder approval is required by law or a competent authority.

Amendments to the plan which became effective January 1, 2012 expanded the list of permitted fund transfers from the plan and revised the allocation and timing of the payment of awards to participants. Shareholder approval was not requested for these amendments since this was not required under the amending provisions referred to above.

#### ***Reserve under Deferred Profit Sharing Plan and Deferred Profit Sharing Plan for Employees of Participating Dealers***

On May 12, 2005, the holders of Common Shares approved the issuance of an aggregate of 4,900,000 Class A Non-Voting Shares under the Company's Deferred Profit Sharing Plan, the Deferred Profit Sharing Plan for Employees of Participating Dealers and the Canadian Tire Corporation, Limited Share Purchase Plan (*the SPP*), representing approximately 6.3% of the currently issued and outstanding Class A Non-Voting Shares. On March 11, 2010, the Board of Directors reduced the number of Class A Non-Voting Shares reserved for issuance under all three plans from 735,267 to 500,000 Class A Non-Voting Shares. These shares are now allocated at the Board's discretion between the Deferred Profit Sharing Plan and the Deferred Profit Sharing Plan for Employees of Participating Dealers. As noted under *Share Purchase Plan* below, the SPP trustees no longer subscribe for treasury shares of the Company and accordingly the SPP does not require an allocation of Class A Non-Voting Shares to be reserved for issuance.

During 2011, 59,491 Class A Non-Voting Shares of the Company were issued from treasury under the Deferred Profit Sharing Plan and 59,302 Class A Non-Voting Shares were issued from treasury under the Deferred Profit Sharing Plan for Employees of Participating Dealers, representing approximately 0.1% and 0.1%, respectively, of the Class A Non-Voting Shares. As at March 15, 2012, there are 250,984 Class A Non-Voting Shares remaining available for issuance under the Deferred Profit Sharing Plan and the Deferred Profit Sharing Plan for Employees of Participating Dealers (representing approximately 0.3% of the issued and outstanding Class A Non-Voting Shares).

#### ***Share Purchase Plan***

The SPP is designed to encourage 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 SPP, including officers of the Company and participating subsidiaries (*the Eligible Employees*). There is no fixed maximum number or percentage of Class A Non-Voting Shares which may be acquired by any Eligible Employee, including insiders of the Company. The SPP includes an employee share purchase component and a Company contribution component.



Eligible Employees can contribute up to 10% of their annual base salary before deductions to the SPP through payroll deduction (*the Participant Contributions*). Participant Contributions are used to purchase Class A Non-Voting Shares from time to time on the open market at the prevailing market prices.

We also contribute a taxable bonus from our profits of up to 50% of the amount each Eligible Employee contributes to the SPP (*the Company Contribution*), subject to approval by the Board. Company Contributions are made to a trust established by the Company as of December 16, 1993, as amended on a number of occasions (*the EPSP*). Sun Life and Sun Life Financial Trust Inc. are the administrator of the SPP and the trustee of the EPSP, respectively, and are responsible for the purchase of Class A Non-Voting Shares in these capacities.

The Company Contribution is made on behalf of each Eligible Employee participating in the SPP (*a Participant*) and on behalf of former Participants in limited circumstances, on or before the last working day of the calendar year, generally on the condition that the Participant is still an Eligible Employee at that time. The Company Contribution is used by Sun Life to purchase Class A Non-Voting Shares on the open market in accordance with the terms of the SPP, which are then allocated to the Participants. We may, at our discretion, compensate Participants and former Participants for income tax they pay on the Company Contribution for the current year and previous year, and did so in 2011.

The Class A Non-Voting Shares purchased for by Participants with Participant Contributions vest immediately. The Class A Non-Voting Shares purchased for Participants using Company Contributions will begin to vest for each Participant after the first full year of employment and will continue to vest over the following nine years until all of the Class A Non-Voting Shares purchased with Company Contributions have become fully vested. Participants are not entitled to transfer their rights under the SPP, except pursuant to a will, the laws of descent and distribution or a court order.

Dividends paid on Class A Non-Voting Shares are reinvested in Class A Non-Voting Shares for each Participant under the Company's Dividend Reinvestment Plan and vest immediately. If the employment of a Participant is terminated, he or she can no longer participate in the SPP, is entitled to receive all vested Class A Non-Voting Shares and may request that they be sold, transferred or withdrawn by share certificate. In these circumstances, the Participant also loses any entitlement to unvested Class A Non-Voting Shares that have been allocated to him or her under the SPP except where the employee has died, in which case his or her estate will also be entitled to receive unvested Class A Non-Voting Shares in the SPP.

As the SPP can only acquire Class A Non-Voting Shares on the open market, it is not a securities based compensation arrangement under the TSX rules and can be amended with the approval of the Board of Directors.



## Other Information

### Liability Insurance for Directors and Officers

During the year ended December 31, 2011, the Company purchased liability insurance coverage of \$125 million for its 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.

Each loss is subject to a deductible of \$250,000 (\$500,000 deductible for securities claims brought by, or on behalf of, a shareholder of Canadian Tire). The directors' and officers' liability insurance does not cover losses arising from illegal conduct, fraud or bad faith.

We paid \$532,924 in policy premiums for the period April 4, 2011 to April 4, 2012, none of which was paid by 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.

### Normal Course Issuer Bid

We have adopted a 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 deferred profit sharing plan, stock option plan and dividend reinvestment plan, as well as the deferred profit sharing plan for employees of Canadian Tire Dealers. We may also purchase Class A Non-Voting Shares if the Board determines, after consideration of market conditions and our financial flexibility and investment opportunities, that a purchase of further Class A Non-Voting Shares is an appropriate means of enhancing the value of the remaining Class A Non-Voting Shares. 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 2.5 million Class A Non-Voting Shares between February 19, 2012 and February 18, 2013. This is less than 10% of the public float of Class A Non-Voting Shares as of February 8, 2012, as required by the TSX. Canadian Tire's Common Shares are not part of this bid.

We purchased 191,396 Class A Non-Voting Shares in 2011 under the notice of intention to make a normal course issuer bid which we filed in February 2011.

### Documents You Can Request

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

- Notice of intention to make the 2012 Normal Course Issuer Bid

- Management's Discussion and Analysis (MD&A) and consolidated financial statements for the financial year ended December 31, 2011. These documents contain financial information and are included in our 2011 Annual Report
- Annual Information Form for the financial year ended December 31, 2011 and the documents incorporated by reference.

To request any of these documents, please write to Robyn A. Collver, Senior Vice-President, Secretary and General Counsel 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 are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

You can also visit our website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" of the "Investors" tab for current and past annual 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 15, 2012  
Toronto, Ontario



Robyn A. Collver  
Secretary



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# Appendix A

## Board of Directors' Mandate

The Board of Directors is responsible for the stewardship of the Company. This stewardship role consists primarily of the duty to manage or supervise the management of the business and affairs of the Company, and includes two key functions: decision making and oversight. The decision making function involves the formulation, in conjunction with management, of fundamental policies and strategic goals and the approval of certain significant actions. The oversight function concerns the duty to supervise management's decisions and to ensure the adequacy of systems and controls and the implementation of appropriate policies.

The Board of Directors is responsible for establishing formal delegations of authority, which define the limits of management's power and authority, and delegating to management certain powers to manage the business of the Company. The Board has delegated to the Chief Executive Officer (CEO) certain powers and authorities to manage the business and affairs of the Company, subject to the limitations under the Company's governing legislation. Any power or authority not so delegated remains with the Board of Directors.

The Board may also delegate certain of its powers to appropriate Board committees, to the extent permitted under the Company's governing legislation. The Board reserves the right to exercise any powers or authorities delegated to a Committee. The Board also has the right to revoke any of its powers or authorities delegated to a Committee, as well as to revoke or vary any decision of a Committee (to the extent that such decision has not been acted upon). Any Committee decision shall be reported to the Board at its meeting following the meeting of the Committee at which such decision was made.

### COMMITTEES OF THE BOARD

The Board has established the following committees to assist in discharging its duties: the Audit Committee, the Governance Committee, the Management Resources and Compensation Committee and the Social Responsibility Committee. Each committee has its own Board approved mandate. The Board may establish additional Board Committees as circumstances require. The Board is responsible for overseeing the duties delegated to each Board Committee.

### THE BOARD'S DUTIES

The Board's duties include:

#### 1. Strategic Planning

- Providing oversight and guidance on the strategic issues facing the Company.
- Requiring the CEO, in collaboration with the Board, to develop and to present to the Board for approval the Company's long term strategic plan.
- Supervising the development of the Company's operating plan.
- Approving the Company's financial objectives and operating plan, including capital allocations, expenditures and transactions which exceed threshold amounts set by the Board.
- Monitoring implementation and effectiveness of the approved strategic and operating plans and their conformity with the Company's Mission Statement.
- Approving major business decisions not specifically delegated to management.

#### 2. Financial Information and Internal Controls

- Overseeing the financial reporting and disclosure obligations imposed on the Board, the Company and senior management by laws, regulations, rules, policies and other applicable requirements.
- Overseeing the integrity of the Company's management information systems and the effectiveness of the Company's internal controls.
- Overseeing the preparation of and processes relating to management's reports and attestations with respect to the Company's internal control and disclosure control procedures.
- Ensuring that due diligence processes and controls in connection with certification of the Company's annual and interim filings are in place, monitoring their continued effectiveness, and ensuring that such filings are in a form that permits their certification.
- Approving the Company's financial statements, management's discussion and analysis (MD&A) and news releases prepared by senior management and overseeing the Company's compliance with applicable audit, accounting and reporting requirements.



**3. Company's Relationship with Dealers**

- Overseeing the state of the Company's relationship with its Dealers through consideration of qualitative and quantitative measures in place from time to time, to ensure that the relationship is operating in support of the long term strategy of the Company, and that its contribution to the success of the Canadian Tire enterprise is being maximized.

**4. Identification and Management of Risks**

- Ensuring that processes are in place to identify the principal risks inherent in the Company's business and operations.
- Overseeing management's implementation of a comprehensive enterprise risk management program and compliance management program.
- Monitoring the Company's systems and controls for assessing, managing and monitoring principal risks and management's reports relating to the operation and effectiveness of these systems and controls.
- Approving and monitoring the processes that provide reasonable assurance of compliance with applicable legal and regulatory requirements.

**5. Human Resource Management and Executive Compensation**

- Ensuring that there are policies and practices in place to enable the Company to attract, develop and retain the human resources required by the Company to meet its business objectives.
- Overseeing the Company's executive compensation program and overall compensation philosophy for all other employees.
- Monitoring the Company's approach to human resource management.
- Supervising the succession planning processes of the Company and approving the selection, appointment, development, evaluation and compensation of the Chairman of the Board, the CEO and other officers.

**6. Integrity, Ethics and Social Responsibility**

- Obtaining reasonable assurance as to the integrity of the CEO and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Company.
- Approving the Company's Code of Business Conduct for Employees and Directors and Code of Business Conduct for Suppliers (the Codes), monitoring compliance with the Codes and receiving reports on adherence to the Codes.
- Approving other policies and practices for dealing with matters related to integrity, ethics and social responsibility.

**7. Corporate Communications and Public Disclosure**

- Approving the Company's corporate communications policies.
- Overseeing the establishment of policies and processes for accurate, timely and appropriate public disclosure.
- Monitoring compliance with a written disclosure policy and applicable corporate, securities and exchange requirements.

**8. Governance**

- Developing, approving and monitoring the Company's approach to corporate governance including a set of corporate governance principles and guidelines.
- Evaluating the structures and procedures established by the Board which allow the Board to function independently of management.
- Establishing Board committees and defining their mandates to assist the Board in carrying out its roles and responsibilities.
- Setting expectations and responsibilities of directors, including attendance at, preparation for, and participation in Board and committee meetings.
- Establishing, maintaining and implementing appropriate formal processes for regularly assessing the effectiveness of the Board, the Chairman of the Board, the committees, each committee chairman and individual directors.
- Monitoring the composition of the Board with a view to the effectiveness and independence of the Board and its members.
- Identifying competencies and skills necessary for the Board as a whole and each individual director.
- Identifying individuals qualified to become new directors.
- Ensuring that each new director engages in a comprehensive orientation process and that all directors are provided with continuing education opportunities.
- Reviewing the Board's mandate at least once every three years (or more frequently if necessary, or at the request of the Secretary or Assistant Secretary as a result of legislative or regulatory changes) to ensure it appropriately reflects the Board's stewardship responsibilities.



## Appendix B

### Statement of Principles

The Board has developed a policy on how the Company will respond to suggested new initiatives with respect to shareholder involvement in decision-making that is both responsive to shareholder concerns and is appropriate in the circumstances of the Company.

The following are the principles that will guide the Company in its responses.

- Canadian Tire believes that maintaining open lines of communication with our shareholders on key matters is of critical importance. Our Board and management are always interested in the views of shareholders and we have worked to develop a trusted relationship with the investment community, including through comprehensive reporting on matters of importance, such as strategy and risk mitigation.
- Canadian Tire also believes that a transparent process for considering shareholder inquiries, proposals and initiatives should foster a trusted relationship with the investment community. Accordingly, all such matters will be considered in accordance with the procedures established by the Board of Directors and will be responded to appropriately. We believe that following these procedures will ensure that our directors will consider all shareholder concerns in a disciplined manner that is consistent with Canadian Tire's governance and share ownership structure and this Statement of Principles.
- On all matters, including the manner with which we deal with our shareholders, Canadian Tire believes in developing and adhering to strong corporate governance practices and is committed to continually enhancing those practices. However, we are mindful that a "one size fits all" approach to corporate governance is often inappropriate for the unique circumstances of individual corporations. In addition, we are of the view that good governance alone is not sufficient to enhance Canadian Tire's performance. Rather, talented management, with the oversight of capable and dedicated directors, are the drivers of performance.
- The governance of a large public corporation is a complicated task, requiring a grasp of complex information about the corporation and its businesses. Canadian Tire believes that this task is best understood and managed by our Board of Directors, the members of which have been given the legal responsibility for Canadian Tire's stewardship and best interests. In this regard, Canadian Tire is committed to maintaining rigorous selection and assessment criteria that require directors to be knowledgeable about our businesses and employ a disciplined approach to compensation, succession, risk management and the many other factors that affect long-term performance.
- We believe that it is difficult for shareholders and other external constituents to be effectively involved in the day-to-day structural and governance decisions affecting corporations. In order to perform this decision-making function properly, one needs to be continually involved with a corporation, its inner workings, its personnel and its corporate strategy – all matters which fall to the directors and management. Our directors are committed to employing their time, energy, experience and expertise to understand shareholder views in the context of the complexities of Canadian Tire, to maintaining transparency about our processes and decisions in order to foster a trusted relationship with the investment community and to protecting and advancing in good faith the best interests of Canadian Tire.



# Appendix C

## The Chairman's Job Description

### Section 1. General Statement of Responsibilities

The Chairman of the Board ("Chairman") of Canadian Tire Corporation, Limited ("Corporation") is responsible for leading highly effective performance by the Board of Directors ("Board") of the Corporation. The Chairman is a non-executive Chairman and as such is not responsible for the management of any aspect of the Corporation's business. The Chairman is an officer of the Corporation.

The primary focus of the Chairman is on governance, maintaining ethical standards and building the Board into an effective, high performing team capable of fulfilling the broad range of its responsibilities, including strategic planning and succession planning. The Chairman should strive to create and maintain an effective Board culture at all times and in all situations.

The Chairman will (i) provide leadership to the Board on specific issues, (ii) assist the Board in performing its duties and meeting its obligations, including those specified in the mandate of the Board, (iii) in accordance with the policy of the Board, act as the spokesperson for the Board, (iv) at the request of the Board and/or the Chief Executive Officer of the Corporation ("CEO"), act as an intermediary between the Board and the CEO, and (v) at the request of the Board and/or the CEO, provide advice and counsel to the CEO.

To be effective, the Chairman must strive to forge a strong relationship with the CEO. The Chairman and the CEO should develop a shared context, agree on fundamental values and ethical standards, and understand the accountabilities and boundaries of their respective roles.

In order to fulfill his or her responsibilities, the Chairman must devote considerable time to developing, in some detail, knowledge of the Corporation's business and to understanding the issues and challenges (both internal and external) confronting both the Board and management. He or she must also get to know and understand the perspectives of the senior management.

### Section 2. Specific Responsibilities of the Chairman

Without limiting the generality of the responsibility of the Chairman as described in Section 1 above, the Chairman shall:

#### Pre-Board Meeting Mechanics

- a) schedule the number, timing and location of Board meetings each calendar year so as to enable the Board to deal on a timely basis with all matters for which the Board is responsible and with which the Board as a whole chooses or is obliged to deal;
- b) in consultation with the chairmen of the Board committees, the CEO and other members of management (as appropriate), establish the agenda for each Board meeting with a view to bringing before the Board (i) matters in respect of which the chairmen of the Board committees, the CEO or other members of management require or want Board direction or approval, (ii) matters with which the Board wishes or is obliged to deal, and (iii) matters on which the Board or any director wishes information;
- c) use his or her best efforts to provide or to cause to be provided to the Board in a reasonable time in advance of each Board meeting, all reasonably required and available information relating to each matter to be dealt with by the Board at that meeting;
- d) where, in the Chairman's opinion, the subject matter and expected duration of a Board meeting or the particular circumstances of a member of the Board (a "Director") would so warrant, provide a Director or Directors with the opportunity and the means to participate in the meeting by means of telephone, teleconference, videoconference or other methodology by which Directors participating in the meeting are able to speak to and be heard by each other;
- e) review the general nature and length of all presentations to be made at each Board meeting and review every written presentation to be made to the Board or to any committee of the Board before such written presentation is provided to Directors;
- f) prior to any Board meeting, confer with one or more Directors on any matter to be discussed at the Board meeting if, in the Chairman's opinion, the discussion of that matter at the Board meeting would be thereby enhanced;

#### Conduct of Board Meetings

- g) act as the chairman of each Board meeting;
- h) conduct the business of each Board meeting in a manner which will normally result in all matters on the meeting's agenda being dealt with effectively;



- i) propose the termination of discussion on any matter at a Board meeting when he or she is of the opinion that the matter has been thoroughly canvassed and that no new points of view or information are being presented (with the understanding that the Chairman's discretion in such cases will be exercised so as to err on the side of allowing excessive discussion rather than insufficient discussion);
- j) attempt to achieve a consensus among Directors on any matter discussed at a Board meeting in respect of which (i) the Board's decision, views or advice have been requested or are required, and (ii) Directors have expressed conflicting positions, views or advice; all of the foregoing on the understanding that contrary views are to be respected and recorded if the contrary-minded Director or Directors so requests;
- k) ensure that all Directors who wish to address a matter at a Board meeting are afforded a reasonable opportunity to do so;
- l) in circumstances where a Director has an interest in or potential conflict with respect to a matter to be discussed at a Board Meeting ("Conflicted Director"), in consultation with the General Counsel of the Corporation (and, if thought necessary, with external counsel), and with the Chairman of the Governance Committee, determine whether an actual conflict of interest, or potential conflict of interest exists;
- m) in any case where such a determination is made, request the Conflicted Director to excuse himself or herself from all or a portion of the Board discussion of that matter;
- n) in consultation with the persons names in paragraph (l) above, determine whether a Director is in a position of such sensitivity that if he or she had access to confidential corporate information that, if it were disseminated by him or her, could adversely affect the Corporation or affect solicitor-client privilege;
- o) if a determination referred to in (n) above is made, request the Director in question to excuse himself or herself from all or a portion of the Board discussion of that matter;

Board Culture

- p) use reasonable efforts to promote, encourage and support a Board culture characterized by
  - (i) high performance and commitment;
  - (ii) direct, and candid communication among its members;
  - (iii) the Board's acceptance of, and commitment to, its accountability for the performance of the Corporation;
  - (iv) the acceptance by each Director of his or her responsibility to use his/her best efforts in carrying out his /her duties as a Director;
  - (v) the Board's insistence on the highest level of integrity and honesty in the actions of the Board and management;
  - (vi) respect and trust among Directors;
  - (vii) subject to the principles expressed in (l), (m), (n), (o) above, the open and timely sharing of all relevant information among all Directors in order to eliminate selective disclosure among directors;
  - (viii) acceptance by all Directors of the right of every Director to hold and express dissenting opinions;
  - (ix) a genuine commitment by Directors to good governance practices; and
  - (x) a willingness on the part of Directors to function in a collaborative manner;

Board Composition, Education and Compensation

- q) in co-operation with the Governance Committee of the Board,
  - (i) assist in the identification of appropriate Board candidates to be nominated for election to the Board;
  - (ii) communicate on behalf of the Board with all proposed nominees for election to the Board;
  - (iii) arrange for management of the Corporation to provide new Directors with a comprehensive orientation and education program with respect to the Corporation and its businesses;
  - (iv) design and implement processes for evaluating the performances of the Board and individual Directors;
  - (v) use reasonable efforts to cause the Board to be made aware on a timely basis of changes in the law and/or best practices respecting the duties of the Board and Directors; and
  - (vi) work with the Governance Committee to provide the Board with information and recommendations regarding the amount and nature of Directors' compensation;



Board Committee Matters

- r) maintain communication with the chairmen of the Board committees;
- s) assist the Governance Committee in developing recommendations to the Board with respect to the composition and Chairman of the Governance Committee;
- t) assist the Governance Committee in establishing the composition and designating the chairmen of the other committees of the Board;
- u) assist the Governance Committee and the other committees of the Board in regularly reviewing the mandates of all committees of the Board with a view to recommending to the Board appropriate amendments to the committees' mandates;
- v) assist the Governance Committee in regularly reviewing the mandate of the Board with a view to recommending to the Board appropriate amendments to the Board's mandate;
- w) attend all meetings of all committees of the Board as an observer for the purpose of (i) assisting the committees to meet their obligations under their mandates, and (ii) gaining a better understanding of the issues that are discussed by the committees in order to facilitate the effective and efficient presentation and discussion of these issues at meetings of the Board, and to facilitate the creation and prioritization of the Board meeting agendas.

Miscellaneous Matters

- x) assist the Board, each committee of the Board and management in understanding and respecting the boundaries between the responsibilities of the Board and Board committees and the responsibilities of management;
- y) at the request of any Director, meet or be available for discussion with that Director between meetings of the Board;
- z) following each meeting of the Board, settle with the secretary of the meeting draft minutes of the meeting for approval by the Directors;
- aa) advise management of each decision made by the Board which requires implementation by management and monitor management's implementation of that decision;
- bb) act as chairman at all meetings of shareholders of the Corporation;
- cc) oversee the corporate secretarial activities of the person who from time to time performs the function of the Corporate Secretary of the Corporation;
- dd) in accordance with the Mandate of the Board, authorize any Director to retain legal counsel or other person(s) possessed of relevant expertise to advise the Director in connection with the Director's discharge of his/her duties as a Director of the Corporation; and
- ee) perform such other functions as the Board may reasonably specify from time to time.



## **Appendix D**

### **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 law 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.

The Board has established, and hereby continues the existence of, a committee of the Board known as the Audit Committee (the *Committee*) to assist the Board in its monitoring of the Corporation's:

- (a) financial reporting and disclosure;
- (b) risk management; and
- (c) compliance with applicable laws and regulations.

##### **(a) Financial Reporting and Disclosure Duties of the Board**

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:

- (i) 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;
- (ii) 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;
- (iii) 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, the annual information form and associated officer certifications constitute a fair presentation of the Corporation's financial condition; and
- (iv) 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 *Financial Fundamental Activities*) are conducted effectively:

- (A) 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;
- (B) material information about the Corporation including its consolidated subsidiaries is captured in accordance with a system of disclosure controls and procedures designed to provide reasonable assurance to management that information required to be disclosed by the Corporation in its filings under securities legislation is recorded, processed, summarized and reported in accordance with specified time periods;
- (C) the Corporation's internal financial controls and disclosure controls and procedures are regularly assessed for effectiveness and efficiency;
- (D) the Corporation's quarterly and annual financial statements are properly prepared by management;
- (E) the Corporation's quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Corporation; and
- (F) the financial components of the Corporation's Disclosure Policy are complied with by management and the Board.

##### **(b) Risk Management Duties of the Board**

Risk management is another significant aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's risk management activities (the *Risk Management Reporting Objective*) is to gain reasonable assurance that the strategic, operational, financial, legal and reporting risks of the Corporation's business (*Risks*) are identified in a timely manner and are effectively and appropriately assessed, monitored, managed and responded to.



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

- (i) a policy which accurately sets out the Risk philosophy and appetite of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring, managing and responding to Risks (the *ERM Policy*) is developed, implemented and maintained;
- (ii) the most significant Risks, including those Risks related to or arising from the Corporation's weaknesses, threats to the Corporation's business and the assumptions underlying the Corporation's strategic plan (*Principal Risks*) are identified in a timely manner;
- (iii) a formalized, disciplined and integrated enterprise risk management process (the *ERM Process*) is developed and employed to appropriately identify, assess, monitor, manage and respond to Risks; and
- (iv) the ERM Policy and ERM Process are reviewed and, to the extent required, updated annually.

### **(c) Legislative and Regulatory Compliance Duties of the Board**

Compliance with applicable laws and regulations is also an essential aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's compliance with applicable laws and regulations (the *Compliance Reporting Objective*) is to gain reasonable assurance that the Corporation's business and affairs are conducted in a manner which limits exposure of:

- (i) the Corporation to issues that may negatively impact its reputation; and
- (ii) the Corporation, its employees and directors to financial penalties and civil and criminal liability.

The Board is of the view that the Compliance Reporting Objective cannot be reliably met unless appropriate policies and processes and supporting corporate compliance programs (the *Compliance Fundamental Activities*) exist and are implemented effectively throughout the Corporation, including establishment and maintenance of a written code of business conduct and ethics (the *Code of Business Conduct*) applicable to directors, officers and employees of the Corporation, and monitoring of compliance with the Code of Business Conduct;

### **(d) Activities of 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 each of the Financial Fundamental Activities, the Risk Management Fundamental Activities and the Compliance Fundamental Activities are being conducted effectively and that the Financial Reporting Objective, the Risk Management Objective and the Compliance Reporting Objective are being met.

## **2. Composition of Committee**

- (a) The Committee shall be appointed annually and shall 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 Governance Committee shall designate the Chairman of the Committee.

## **3. Reliance on Management and 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.



"Good faith reliance" means that the Committee member has considered the relevant issues, questioned the information provided and assumptions used, and assessed whether the analysis provided by management or the expert is reasonable. Generally, good faith reliance does not require that the member question the honesty, competency and integrity of management or the expert unless there is a reason to doubt their honesty, competency and integrity.

#### **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 Financial Fundamental Activities, the Risk Management Fundamental Activities and the Compliance Fundamental Activities are being conducted effectively and that the Financial Reporting Objective, the Risk Management Objective and the Compliance Reporting Objective are 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 members will act in accordance with the Corporation's Code of Business Conduct for Employees and Directors. The Committee expects the management of the Corporation to operate in compliance with the Corporation's Code of Business Conduct for Employees and Directors and with 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 and with the head of Risk Management and Compliance 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

- (a) On a bi-annual basis, the Committee shall conduct an evaluation of the Committee's performance including its ability to meet the requirements of this Charter and Mandate in accordance with the evaluation process developed and approved by the Governance Committee, and provide the results of the performance evaluation to the Governance Committee and the Board. In addition, the Committee shall periodically review its role and responsibilities.
- (b) The Committee shall approve criteria for evaluating the financial literacy of its members in accordance with the terms of sections 1.6 and 3.1 of National Instrument 52-110 Audit Committees, as amended or replaced from time to time, and shall conduct an annual assessment of the financial literacy of its members and determine those members to be identified as financially literate in the Corporation's annual continuous disclosure documents in accordance with regulatory requirements.

(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.

(13) Committee Chairman's Job Description

The Committee shall develop and recommend to the Governance Committee a job description for the Chairman of the Committee. The Committee shall review and update the Chairman's job description at least once every three years, or more frequently if required, or at the request of the Secretary or Assistant Secretary as a result of legislative or regulatory changes, and recommend changes to the Governance Committee for its approval.

**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 members of the Committee or at the request of the external auditors, and a majority of the members of the Committee shall form a quorum.
- (2) The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Each Committee member (including the Chairman) is entitled to one vote in Committee proceedings. For greater certainty the Chairman does not have a second or casting vote.



- (3) Any Director is entitled to attend, and the Committee may invite any officer or employee of the Corporation or any other person to attend, any Committee meetings to participate in the discussion and review of the matters considered by the Committee.
- (4) Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as Secretary of all meetings of the Committee.
- (5) In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
- (6) 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, the annual information form and associated officer certifications 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 any additional representations required by the Committee;
- (5) review and, if appropriate, approve 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, approve all public disclosure documents containing material audited or unaudited financial information, except those referred to in paragraph (7) below, including annual information forms, annual and interim management's discussion and analysis, annual and interim CEO/CFO certifications of results, annual and quarterly earnings news releases, dividend declaration news releases, normal course issuer bid news releases, earnings guidance and associated news releases, rights offering circulars and material change reports of a financial nature; in circumstances where events render it impractical for the Board or the Audit Committee to review any such news releases and material change reports with management prior to issuing or filing such news releases and material change reports, authority to review and approve such news releases and material change reports may be exercised by the Chairman of the Audit Committee and the Chairman of the Board, acting together;
- (7) review and, if appropriate, recommend approval to the Board of prospectuses, take-over bid circulars, issuer bid circulars and directors' circulars; and
- (8) 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

### *Enterprise Risk Management*

The Committee shall gain reasonable assurance that Risks of the Corporation are identified in a timely manner and are being effectively and appropriately assessed, monitored, managed and responded to by:

- (1) considering and recommending to the Board for approval the ERM Policy setting out the Risk philosophy and appetite of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring, managing and responding to Risks;
- (2) conducting an annual review of the ERM Policy and considering and recommending to the Board for approval any changes thereto;
- (3) considering and recommending to the Board for approval the Principal Risks of the Corporation;
- (4) considering and approving the ERM Process to be used to appropriately identify, assess, monitor, manage and respond to Risks;
- (5) conducting an annual review of the ERM Process and considering and approving any changes thereto;
- (6) considering and approving policies regarding the management of the Corporation's Principal Risks;
- (7) at least semi-annually, obtaining from management a report addressing the Corporation's exposure to each Principal Risk;
- (8) obtaining from management an annual report on compliance with the ERM Policy and ERM Process, as well as any other policies of the Corporation that address the management of Risks;
- (9) obtaining from the internal auditor biennial reports regarding management's implementation and maintenance of an effective ERM Process and the management of the Corporation's Principal Risks; and
- (10) reviewing the adequacy of insurance coverages maintained by the Corporation.

In addition, the Committee shall:

- (1) 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;
- (2) approve counterparties to derivative transactions with long term investment grade ratings pursuant to the Securities and Derivatives Board Policy;
- (3) approve continuing transaction limits in the event of a downgrade of financial institutions rated "AA" or "A" pursuant to the Securities and Derivatives Board Policy; and
- (4) approve equity hedging activity proposed by management in the absence of an Equity Risk Management Policy.

### Financial Controls and Control Deviations

- (1) regularly assess the Corporation's system of internal financial controls and the Corporation's control environment to gain reasonable assurance that such controls are effective and efficient and to assist the Board in assessing whether senior management has created a culture of integrity and an effective control environment throughout the organization.
- (2) 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;
- (3) receive regular reports from management, the external auditors and the Corporation's legal advisors on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

### Disclosure Controls and Deviations

- (1) satisfy itself that management has developed and implemented a system to ensure that the Corporation meets its continuous disclosure obligations;
- (2) receive regular reports from management and the Corporation's legal advisors on the functioning of the disclosure compliance system, including any significant instances of non-compliance with such system, in order to satisfy itself that such system may be reasonably relied upon.



#### 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 the status of the Corporation's tax returns and those of its subsidiaries;
- (3) review regular reports from management and others with respect to the Corporation's compliance with laws and regulations and gain reasonable assurance that the Corporation's policies, procedures and programs in relation thereto are operating effectively and that the Corporation's provisions with respect to such matters are sufficient and appropriate;
- (4)
  - (a) approve a Code of Business Conduct that is comprised of standards reasonably designed to promote integrity and to deter wrongdoing and that addresses 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) gain reasonable assurance that waivers of compliance with the Code of Business Conduct granted for the benefit of any director or executive officer are being granted only by the Board or an appropriately empowered Board committee;
  - (c) review annually the process for monitoring compliance with and communication of the Code of Business Conduct to the Corporation's employees and directors and gain reasonable assurance that such process is operating effectively;
- (5) 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 and affairs 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 and the remuneration and the terms of engagement of the external auditors;
- (2) if necessary, recommend the removal by the shareholders of the current external auditors and replacement with new external auditors;
- (3) review the performance of the external auditors annually or more frequently as required;
- (4) 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;
- (5) 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;
- (6) 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 \$250,000 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;
- (7) 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;



- (8) 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;
- (9) 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;
- (10) 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;
- (11) oversee the work of the external auditors and the resolution of disagreements between management and the external auditors with respect to financial reporting; and
- (12) 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) approve the appointment, replacement, reassignment or dismissal of the Internal Auditor;
- (6) in consultation with management, review and approve the annual compensation payable to the Internal Auditor.

#### Other Responsibilities

- (1) periodically review the form, content and level of detail of financial reports to the Board;
- (2) review annually the expenses of the Chairman of the Board and the Chief Executive Officer for the purpose of gaining reasonable assurance as to the reasonableness of such expenses;
- (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 Chief Financial Officer and its other 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 Business Conduct, and the Corporation's policies on political donations and payments 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;



- (9) review management's reports on compliance with, and proposed changes to, all Board level policies that have been approved by the Board from time to time.

Accountability

- (1) review and assess this Mandate and Charter at least once every three years, or more frequently if necessary, or at the request of the Secretary or Assistant Secretary of the Corporation as a result of legislative or regulatory changes, taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Corporation has a reporting relationship and, if appropriate, recommend changes to the Mandate and Charter to the Governance Committee for recommendation to the Board for its approval, except for minor technical amendments to this Mandate and Charter, authority for which is delegated to the Secretary or Assistant Secretary of the Corporation, who will report any such amendments to the Board at its next regular meeting.
- (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.



## **Appendix E**

### **Management Resources and Compensation Committee Mandate**

The Board of Directors has established a Management Resources and Compensation Committee (the “Committee”) to oversee the Corporation's management resources and compensation strategy, plans, policies and procedures.

This mandate (the “Mandate”) sets out the Committee's purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board, annual evaluation and compliance with this Mandate, and certain other items.

#### **1. Definitions**

For the purpose of this mandate, the following terms have the following meanings:

- (a) “CEO Direct Reports” means employees of the Corporation and its subsidiaries at the level of Senior Vice-President and above who report directly to the Chief Executive Officer;
- (b) “Senior Executives” means all employees of the Corporation and its subsidiaries at the level of Senior Vice-President and above, and for greater certainty includes the CEO Direct Reports; and
- (c) “Senior Management” means all employees of the Corporation and its subsidiaries at the level of “associate vice-president” or the equivalent thereof and above, and for greater certainty includes the Senior Executives.

#### **2. Purpose of the Committee**

The Committee is responsible for performing the duties set out in section 5 of this Mandate to enable the Board to fulfill its oversight responsibilities in relation to the Corporation's:

- (a) appointment, performance evaluation and compensation of Senior Executives;
- (b) recruitment, development and retention of Senior Management;
- (c) succession planning systems and processes relating to Senior Management;
- (d) compensation structure for Senior Management including salaries, annual and long-term incentive plans and plans involving share issuances and share unit awards;
- (e) share ownership guidelines for Senior Management; and
- (f) benefit plans.

#### **3. Composition of the Committee**

- (a) The Committee shall be comprised of at least five Directors, 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 judgment as a member of the Committee. None of the Committee members shall be officers of the Corporation and not more than one third of the Committee members shall be current chief executive officers of a publicly traded corporation.
- (b) The Governance Committee shall designate the Chairman of the Committee.

#### **4. Member Qualifications**

Each member of the Committee shall have or develop an understanding of management resources and compensation principles and practices.

#### **5. Member Appointment and Removal**

Committee members shall be appointed annually by the Governance Committee and from time to time thereafter to fill vacancies on the Committee. A Committee member may be removed or replaced at any time at the discretion of the Governance Committee.



## 6. Responsibilities of the Committee

(a) Recommendations:

The Committee shall be responsible to review and recommend to the Board:

- (i) the appointment, reassignment, terms of employment and termination of the Chief Executive Officer and the CEO Direct Reports;
- (ii) the base salaries (and any changes thereto) of the Chief Executive Officer and the CEO Direct Reports;
- (iii) the design of short-term, long-term and other incentive plans for Senior Management;
- (iv) any discretionary bonuses for the CEO Direct Reports proposed by the Chief Executive Officer;
- (v) quantitative and qualitative performance objectives, both short and long-term, of the Chief Executive Officer;
- (vi) a process for appraising annually the performance of the Chief Executive Officer against the agreed objectives; and
- (vii) significant changes to employee benefit programmes.

(b) Approvals:

The Committee shall be responsible to review and approve, subject to the compensation philosophy approved by the Board:

- (i) the appointment, reassignment, terms of employment and termination of all Senior Executives except the Chief Executive Officer and the CEO Direct Reports;
  - (ii) the base salaries (and any changes thereto) of all Senior Executives except the Chief Executive Officer and the CEO Direct Reports;
  - (iii) profit sharing awards to eligible employees of the Corporation and its subsidiaries in accordance with the formula for such awards approved by the Board;
  - (iv) grants pursuant to long-term incentive plans;
  - (v) payouts under short and long-term incentive plans;
  - (vi) any discretionary bonuses for Senior Executives (except the Chief Executive Officer and the CEO Direct Reports) proposed by the Chief Executive Officer; and
  - (vii) the adjudication of matters impacting short-term or long-term incentive plans.
- (c) The Committee shall review at least annually the Corporation's compensation philosophy and the general design and make-up of its broadly applicable benefit programmes as to their general adequacy, competitiveness, internal equity and cost effectiveness. The Committee will consider, in its review of external competitiveness, the compensation practices of a select group of companies it considers to be reasonably comparable with the Corporation in terms of size and complexity. In its review the Committee will assess the linkage of executive compensation philosophy and executive incentive plans to the Corporation's financial and non-financial performance and its business strategy. The Corporation's employee compensation philosophy and plans shall be recommended to the Board for approval on an annual basis.
- (d) The Committee shall oversee the annual appraisal of the Chief Executive Officer's performance and shall report thereon to the Board.
- (e) The Committee shall obtain reasonable assurance that the Corporation has appropriate systems and processes for the evaluation of Senior Management development and succession within the Corporation, and shall review at least annually with the Chief Executive Officer the performance of and potential for advancement of each of the Senior Executives. The Committee may also at its discretion request information on the management resources of any part of the Corporation or its subsidiaries.
- (f) The Committee shall report to the Board at least annually its appraisal of the Corporation's circumstances with respect to succession for the Senior Executives and its succession development practices, including the effectiveness of identifying, training and preparing high-potential candidates for advancement.
- (g) The Committee shall determine at least annually, as a separate and supplementary contingency plan to the succession process, the identity of immediate replacements in the event of an emergency for the Chief Executive Officer, the Chief Financial Officer, and the presidents of large strategic business units.
- (h) The Committee shall review with the Chief Executive Officer any proposed major changes in organization or personnel of the Corporation and its subsidiaries and recommend approval to the Board.



- (i) The Committee shall establish the terms and conditions, and shall approve in each instance, the participation by the Chief Executive Officer on the board of directors of any other corporation, commercial or not-for-profit, not directly related to the interests of the Corporation (an "Outside Board"), and the Committee shall review participation by any Senior Executive of the Corporation, as approved by the Chief Executive Officer, to any Outside Board (except for any appointment to a not-for-profit Outside Board if the officer so requests).
- (j) The Committee shall review and approve annually share ownership guidelines for Senior Executives. The Committee shall review as required the actual ownership position relative to ownership guidelines and transactions in the Corporation's securities and other long-term incentive arrangements by Senior Management.
- (k) The Committee shall review the results of periodic employee opinion surveys.
- (l) The Committee shall review and approve the Compensation Disclosure and Analysis section of the annual proxy statement.
- (m) The Committee shall perform such other functions as may from time to time be assigned to the Committee by the Board.

## **7. Operations**

- (a) The Committee shall meet at least four times annually and as many additional times as required to carry out its duties effectively. Committee meetings shall be held at the call of the Committee Chairman, or upon the request of two Committee members, and a majority of members shall constitute a quorum.
- (b) The powers of the Committee may be exercised at a meeting at which a quorum is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Each Committee member (including the Chairman) is entitled to one vote in Committee proceedings. The Chairman does not have a second or casting vote.
- (c) The Committee Chairman shall develop the agenda for and conduct all meetings of the Committee at which he is present.
- (d) Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as secretary of the meetings of the Committee, and minutes shall be kept for each Committee meeting.
- (e) In the absence of the Committee Chairman, the Committee members shall appoint an Acting Chairman.
- (f) The Committee shall meet *in camera* at the beginning and conclusion of every meeting of the Committee.
- (g) The Committee may at its discretion invite management to attend and participate in meetings of the Committee.
- (h) A copy of the minutes of each meeting of the Committee shall be provided to each Director.

## **8. Reporting to the Board**

The deliberations, decisions and recommendations of the Committee shall be reported to the Board in a timely manner.

## **9. Evaluation and Assessment of this Mandate, the Committee and its Compliance with this Mandate**

- (a) At least annually, or more frequently if necessary, or at the request of the Secretary or Assistant Secretary of the Corporation as a result of legislative or regulatory changes, the Committee shall review and assess the adequacy of this Mandate taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Corporation has a reporting relationship and, if appropriate, recommend changes to the Mandate to the Governance Committee for recommendation to the Board for its approval, except for minor technical amendments to this Mandate, authority for which is delegated to the Secretary or Assistant Secretary of the Corporation, who will report any such amendments to the Board at its next regular meeting.
- (b) On a bi-annual basis, the Committee shall conduct a review and evaluation of the Committee's performance including its ability to meet the requirements of this Mandate, in accordance with the formal evaluation process developed by the Committee and approved by the Governance Committee, and provide the results of the performance evaluation to the Governance Committee and Board. The Committee will conduct an informal review and evaluation of the Committee's performance in years in which the formal process does not take place.

## **10. Miscellaneous**

To assist the Committee in discharging its responsibilities, the Committee may conduct any investigation and have access to any officer, employee or agent of the Corporation in connection with its Mandate.

The Committee may at the expense of the Corporation retain and terminate external advisors having particular expertise for the purposes of fulfilling its mandate, and shall be entitled to rely in good faith upon any report by any advisor whose profession lends credibility to a statement made by any such person. The Committee shall also have the authority to approve the proposed fees of these external advisors and any other terms of engagement.



## Appendix F

### Governance Committee Mandate

The Board of Directors (the *Board*) bears responsibility for the stewardship of Canadian Tire Corporation, Limited (the *Corporation*). The Board believes that the development and maintenance of the Corporation's approach to corporate governance is an essential aspect of this stewardship responsibility.

Corporate governance, as defined by the Organization for Economic Co-operation and Development, "is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance".

The objective of the Board's development and maintenance of the Corporation's approach to corporate governance is to enable the Board to discharge its duties in a highly effective manner (the *Governance Objective*). The Board has established a committee of the Board known as the Governance Committee (the *Committee*), the mandate of which is to assist the Board in achieving its Governance Objective.

This mandate sets out the Committee's purpose, composition, member qualifications, member appointment and removal, responsibilities, annual evaluation of this mandate, the Committee and compliance with this mandate, operations, manner of reporting to the Board and certain other items. The Committee is responsible for meeting the requirements of this mandate and in so doing, will assist the Board to fulfill its Governance Objective.

#### 1. Purpose of the Committee

The purpose of the Committee is to provide reasonable assurance to the Board that the Board is discharging its Governance Objective.

#### 2. Composition of the Committee

- (a) The Committee shall be comprised of at least four Directors, all of whom shall be independent, as hereinafter defined.
- (b) One of the Committee members shall be designated by the Board as the Committee Chairman.

#### 3. Member Qualifications

- (a) In addition to possessing the qualities required by the Director's position description, each member of the Committee shall have an understanding of corporate governance issues or shall commit to understanding such issues in a timely manner.
- (b) Each member of the Committee shall be independent. 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 section 1.4 of National Instrument 52-110 Audit Committees, as amended or replaced from time to time.

#### 4. Member Appointment and Removal

Committee members shall be appointed by the Board:

- (a) annually at the first Board meeting following the meeting of shareholders at which Directors are elected each year, and
- (b) from time to time thereafter to fill vacancies on the Committee. A Committee member may be removed or replaced at any time in the discretion of the Board.

#### 5. Responsibilities of the Committee

##### (a) Oversight of the Corporation's Corporate Governance Practices and Principles

- (i) The Committee shall be responsible for:
  - (1) developing and recommending to the Board for approval the Corporation's corporate governance practices and principles;
  - (2) reviewing and evaluating on an ongoing basis the Board's approach to corporate governance and the Corporation's corporate governance practices and principles, and reporting and making recommendations



thereon annually to the Board with a view to maintaining the Board's corporate governance standards for the Corporation;

- (3) monitoring best practices for governance globally and reviewing the Board's governance practices annually with a view to continuously improving the Board's corporate governance standards;
  - (4) reviewing the disclosure of the Corporation's corporate governance practices and principles and the operation thereof required by applicable regulatory authorities or stock exchanges before such disclosure is submitted to the Board for its approval; and
  - (5) keeping abreast of the latest regulatory requirements, developments and guidance in corporate governance and updating the Board on corporate governance issues as necessary.
- (ii) The Chairman of the Committee shall:
- (1) together with the Chairman of the Board, meet annually and privately with each Director for the purpose of discussing any aspects of the Corporation's corporate governance (including the effectiveness of the Board or any committee of the Board) which the Chairmen or such Director may wish to address; and
  - (2) report to the Committee with respect to the results of such meetings.

**(b) Nominating Directors**

The Committee shall be responsible for:

- (i) annually identifying and recommending to the Board the appropriate criteria for selecting new Directors and the competencies and skills required to be possessed by individual Directors (the *Selection Criteria*), reviewing the Selection Criteria adopted by the Board periodically and, where appropriate, recommending to the Board changes to the Selection Criteria;
- (ii) annually identifying and recommending to the Board the competencies and skills required to be possessed by individual Directors to enable the Board to discharge its duties as required by National Policy 58-201 – Corporate Governance Guidelines and the Canadian Tire Corporation, Limited Board of Directors Mandate (the *Requisite Competencies and Skills*), annually reviewing the Requisite Competencies and Skills adopted by the Board and, where appropriate, recommending to the Board changes to the Requisite Competencies and Skills;
- (iii) in conjunction with annually identifying the Requisite Competencies and Skills required to be possessed by individual Directors, determining whether the current Directors individually or collectively possess the Requisite Competencies and Skills as required by National Policy 58-201 – Corporate Governance Guidelines;
- (iv) if the Board determines that the Board, as a whole, does not possess all of the Requisite Competencies and Skills, either: (1) taking appropriate steps to enable one or more of the current Directors to develop the Requisite Competencies and Skills which the Board does not possess, or (2) taking appropriate steps to recommend for election or appointment to the Board, in consultation with the controlling shareholder and C.T.C. Dealer Holdings in respect of nominees for election or appointment to the Board by the holders of Common Shares, one or more individuals who have the Requisite Competencies and Skills which the Board does not possess;
- (v) identifying and maintaining an evergreen list of candidates qualified to become new Directors;
- (vi) considering the competencies and skills that:
  - (1) the Board believes to be necessary for the Board as a whole, and the Chairman of the Board to possess;
  - (2) the Board believes to be necessary for individual committees, particularly with respect to upcoming retirements of committee Chairmen and committee members;
  - (3) the Board believes to be necessary for Board succession planning in light of the opportunities and risks facing the Corporation;
  - (4) the Board believes each existing Director to possess; and
  - (5) any proposed new Director nominee will bring to the Board;
- (vii) recommending to the Board qualified individuals as nominees for election to the Board by the shareholders of the Corporation at a meeting of shareholders of the Corporation and for appointment by the Board to fill any vacancies on the Board if a Director elected by the shareholders ceases to be a Director, having regard for the competencies and skills listed in section 5(b)(vi) of this mandate and consultation with such persons as it determines appropriate, including current Directors, prospective nominees as Directors and the controlling shareholder and C.T.C. Dealer Holdings Limited (in respect of possible nominees for election to the Board by the holders of the Common Shares



and individuals who might be appointed to fill a vacancy if any such nominee that was elected ceased to be a Director); and

- (viii) appointing the persons to serve or fill vacancies on the Audit Committee, the Management Resources and Compensation Committee (the *MRCC*) and the Social Responsibility Committee and special committees of the Board, including appointing and filling vacancies in the chairmanships thereof; and
- (ix) recommending to the Board the appointment of persons to serve or fill vacancies on the Governance Committee, including appointing and filling vacancies in the chairmanship thereof.

**(c) Evaluation of the Board, Committees of the Board and Individual Directors**

- (i) The Committee shall be responsible for:
  - (1) developing and approving processes which facilitate the evaluation of the Board as a whole and the committees of the Board, and reviewing such processes with the Chairman of the Board and the relevant committee chairmen;
  - (2) conducting not less than bi-annually, an evaluation of the effectiveness of the Board including an evaluation as to whether the Board has appropriate composition and procedures to allow it to function independently from management, and reporting thereon to the Board;
  - (3) recommending to the Board criteria for:
    - (a) the composition and size of the Board and committees of the Board; and
    - (b) evaluating any other applicable considerations.
  - (4) reviewing not less than bi-annually the effectiveness of the committees of the Board, including the composition and membership of each such Board committee, and whether there is a need for cross appointments to promote greater committee effectiveness;
  - (5) reviewing at least once every three years, or more frequently if necessary, or at the request of the Secretary or Assistant Secretary as a result of legislative or regulatory changes, the adequacy of the mandates applicable to the Board of Directors and each Board committee, ensuring that each Board committee reviews at least once every three years its respective mandate and, where required, recommending changes to the Board for its approval;
  - (6) reviewing at least once every three years, or more frequently if necessary, or at the request of the Secretary or Assistant Secretary as a result of legislative or regulatory changes, the adequacy of the position descriptions for the Chairman of the Board, the committee chairmen, the Directors and the Secretary and, where required, approving changes thereto;
  - (7) reviewing at least once every three years, or more frequently if necessary, or at the request of the Secretary or Assistant Secretary as a result of legislative or regulatory changes, the delegation of authority by the Board to the committees of the Board and, where appropriate, recommending changes to the Board for its approval;
  - (8) developing and approving a process for assessing not less than bi-annually the contributions, effectiveness and qualifications of individual Directors considering, among other things:
    - (a) the Directors' position description;
    - (b) the competencies and skills each individual Director is expected to bring to the Board, including the financial literacy and expertise of each individual Director;
    - (c) each individual Director's continuing qualification under the *Business Corporations Act* (Ontario) and other applicable laws, rules and policies; and
    - (d) the continuing validity of the assumptions underlying the appointment of each individual Director;
  - (9) providing feedback to each Director on his or her effectiveness based on the results of the performance evaluation processes developed and approved by the Committee and during such other times as may be required;
  - (10) establishing criteria for evaluating the independence of individual Directors in accordance with the terms of section 1.4 (and section 1.5 for Audit Committee members) of National Instrument 52-110 Audit Committees, as amended or replaced from time to time;



- (11) assessing annually individual Director independence and determining those Directors to be identified as independent in the Corporation's annual continuous disclosure documents in accordance with regulatory requirements;
- (12) gaining and maintaining reasonable assurance that a majority of Directors, the Chairman of the Board and every member of the Audit Committee, the MRCC and the Committee are "independent", and in so doing the Committee shall:
  - (a) obtain annually from each Director a written declaration (a *Declaration*) containing:
    - (i) a description of every direct or indirect relationship (an *Actual Relationship*) which such Director has with the Corporation;
    - (ii) a statement as to whether such Director is an individual who is considered to have a material relationship (a *Considered Relationship*) with the Corporation under the terms of section 1.4 (and section 1.5 for Audit Committee members) of National Instrument 52-110 Audit Committees, as amended or replaced from time to time;
    - (iii) such Director has a Considered Relationship or Considered Relationships with the Corporation, a description of each such Considered Relationship; and
    - (iv) an undertaking by such Director to advise the Board or the Committee promptly of (1) any changes to any Actual Relationship or Considered Relationship described in the Declaration, and (2) any Actual Relationship or Considered Relationship which such Director has with the Corporation which comes into existence subsequent to the time the Declaration is obtained by the Board or the Committee from such Director;
  - (b) evaluate whether any Actual Relationship which a Director has with the Corporation could reasonably be expected to interfere with the exercise of such Director's independent judgment, and making recommendations thereon to the Board; and
  - (c) promptly recommend to the Board any changes to the composition of the committees and to the Chairmanship of the Board required as a result of any Director or Directors having Actual Relationships or Considered Relationships with the Corporation in order to maintain the independence of the Chairman of the Board and the members of each such committee;
- (13) developing and approving a process for annually assessing the performance of the Chairman of the Board in that role;
- (14) conducting an annual performance review of the Chairman of the Board and reporting thereon to the Board;
- (15) reporting bi-annually to the Board the results of the Committee's assessments of the performance of the Board as a whole, the committees of the Board and the Directors;
- (16) following consultation with the Chairman of the Board, removing a Director from a Board committee (other than the Committee), if in the Committee's view, or under applicable laws, rules or policies such Director is no longer competent or is disqualified from serving as a member of a Board committee; and
- (17) carrying out any other evaluation processes adopted by the Board and delegated to the Committee.

**(d) Director Education and Orientation**

- (i) The Committee shall develop, review and evaluate on an annual basis the Board's processes for orientation and education of Directors.
- (ii) The Committee shall ensure that:
  - (1) each new Director participates in a comprehensive orientation process in relation to his or her Board responsibilities, the role of the Board and its committees, and the contributions and commitment of time and resources that the Corporation expects each individual Director will make;
  - (2) each Director is provided with written materials (which shall be updated by the Secretary of the Corporation from time to time as required), covering topics including, but not limited to:
    - (a) the Corporation's Directors' and Officers' insurance coverage;
    - (b) copies of the articles and by-laws of the Corporation;
    - (c) copies of the mandate of the Board and the mandate of each Board committee;



- (d) copies of the position descriptions for the Chairman of the Board and the chairman of each Board committee;
- (e) the Corporation's share structure and significant shareholders;
- (f) a copy of the Corporation's current strategic plan;
- (g) copies of the Corporation's Annual Reports, Management's Discussion & Analysis (*MD&A*) and Management Information Circulars for the most recent financial year of the Corporation preceding such new director's election or appointment to the Board;
- (h) a copy of the Corporation's current Annual Information Form;
- (i) a copy of each of the Corporation's Codes of Business Conduct;
- (j) a copy of each of the Corporation's Board policies;
- (k) a description of (1) the amount, form and timing of remuneration payments made to each director by the Corporation including the Directors' Deferred Share Unit Plan, and (2) the Corporation's equity ownership guidelines for directors;
- (l) a copy of the Directors' and Officers' indemnification agreement;
- (m) a copy of the Corporation's most recent investor presentation;
- (3) at his or her request, each new Director is provided with written materials covering the following topics:
  - (a) 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;
  - (b) copies of the Corporation's interim financial statements and related MD&As for the two financial years of the Corporation immediately preceding such new director's election or appointment to the Board;
  - (c) the Associate Dealer Contract and the Corporation's relationship with the Associate Dealers; and
  - (d) the Corporation's loyalty programs.
- (4) the Chairman of the Board meets with each proposed new Director and explains to such proposed new Director the culture of the Board, and the commitment of time and energy expected of every Director;
- (5) whenever practical, the committee chairmen meet with each proposed new Director to review the responsibilities and mandates of the committees of the Board for which such proposed new Director will serve; and
- (6) relevant orientation and continuing education is made available to all Directors to enable the Directors to maintain or enhance their skills and capabilities as Directors and to maintain the currency of their knowledge and comprehension of the Corporation's business including the opportunity, at the expense of the Corporation to:
  - (a) attend any conference, seminar, course or other educational experience (i) which is intended to expand corporate directors' knowledge and skills, and (ii) which is approved by the Chairman of the Committee and, where the expense could be significant, the Chairman of the Board;
  - (b) visit key competitors of the Corporation and any of the Corporation's principal operating locations, and to discuss the operation of those locations with the managers of those locations; and
  - (c) meet with the President and Chief Executive Officer, other corporate officers and the senior officers of all of the Corporation's business units for the purpose of discussing the nature and operation of the Corporation's business and affairs.

**(e) Other Duties and Responsibilities**

The Committee shall be responsible for:

- (i) following consultation with the Chairman of the Board, fixing the dates and times of meetings of the Board of Directors and of the Board committees;
- (ii) monitoring, reviewing annually and recommending to the Board the form and amount of the Directors' remuneration for Board and committee service, as well as service as Chairman of the Board or a committee of the Board, to ensure that it is both commensurate with the responsibilities and risks assumed and competitive with other



companies which are comparable in terms of size and complexity to the Corporation's business, and recommending any changes to the Board for approval;

- (iii) at least annually, and in conjunction with the Chairman of the Board, reviewing a succession and emergency preparedness planning process for the Chairman of the Board position, and recommending this process to the Board for approval;
- (iv) recommending to the Board the appointment of the Chairman of the Board, the removal of the Chairman of the Board for any reason the Committee sees fit, and, upon a vacancy in this position, recommending to the Board an individual to replace the Chairman of the Board, based on the applicable succession planning process;
- (v) reviewing, through the President and Chief Executive Officer, any management concerns about its relationship with the Board and reporting to the Board its findings therewith;
- (vi) reviewing the Corporation's articles and by-laws from time to time with a view to identifying potential amendments, and recommending those amendments to the Board for its review;
- (vii) reviewing as necessary legal and regulatory developments and changes and referring such matters to other committees of the Board for their review as appropriate; and
- (viii) performing such other functions as may from time to time be assigned to the Committee by the Board.

#### **6. Evaluation and Assessment of this Mandate, the Committee and its Compliance with this Mandate**

- (a) At least once every three years, or more frequently if necessary, or at the request of the Secretary or Assistant Secretary of the Corporation as a result of legislative or regulatory changes, the Committee shall review and assess the adequacy of this mandate taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Corporation has a reporting relationship and, if appropriate, recommend changes to the mandate to the Board for its approval, except for minor technical amendments to this mandate, authority for which is delegated to the Secretary or Assistant Secretary of the Corporation, who will report any such amendments to the Board at its next regular meeting;
- (b) On a bi-annual basis, the Committee shall conduct a review and evaluation of the Committee's performance including its ability to meet the requirements of this mandate, in accordance with the evaluation process developed and approved by the Committee and provide the results of the performance evaluation to the Board.

#### **7. Operations**

- (a) The Committee shall meet at least three times annually and as many additional times as necessary to carry out its duties effectively. Committee meetings shall be held at the call of the Committee Chairman, or upon the request of two Committee members, and a majority of the members of the Committee shall form a quorum.
- (b) The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Each Committee member (including the Chairman) is entitled to one vote in Committee proceedings. For greater certainty the Chairman does not have a second or casting vote.
- (c) The Committee Chairman shall develop the agenda for and conduct all meetings of the Committee at which he or she is present.
- (d) Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as secretary of the meetings of the Committee and minutes shall be kept for each Committee meeting.
- (e) In the absence of the Committee Chairman, the Committee members shall appoint an Acting Chairman.
- (f) A portion of each of the Committee's meetings shall be conducted with no members of management present.
- (g) Any Director is entitled to attend, and the Committee may invite any officer or employee of the Corporation or any other person to attend, any Committee meetings to participate in the discussion and review of the matters considered by the Committee.
- (h) A copy of the minutes of each meeting of the Committee shall be provided to each Director.

#### **8. Reporting to the Board**

The deliberations, decisions and recommendations of the Committee shall be reported to the Board in a timely manner.

#### **9. Miscellaneous**

To assist the Committee in discharging its responsibilities set out in this mandate, the Committee may, as it deems necessary or advisable for its purposes conduct any investigation and access any officer, employee or agent of the Corporation.



# Appendix G

## Social Responsibility Committee Mandate

### Mandate for the Social Responsibility Committee

The Board of Directors (the "Board") bears responsibility for the stewardship of Canadian Tire Corporation, Limited (the "Corporation"). The Board believes that the oversight of policies, procedures and practices which address the Corporation's corporate social responsibilities is an essential aspect of this stewardship responsibility.

The objective of the Board's approach to corporate social responsibility is the creation of long-term shareholder value by balancing the Corporation's economic growth with environmental and social responsibility (the "Corporate Social Responsibility Objective"). The Board has established a Social Responsibility Committee (the "Committee") to assist the Board in fulfilling its Corporate Social Responsibility Objective.

This mandate sets out the Committee's purpose, composition, member qualifications, member appointment and removal, responsibilities, operations, manner of reporting to the Board, annual evaluation of this mandate, the Committee, its compliance with this mandate, and certain other items. The Committee is responsible for meeting the requirements of this mandate and in so doing, will assist the Board to fulfill its Corporate Social Responsibility Objective.

#### 1. Purpose of the Committee

The purpose of the Committee is to provide reasonable assurance to the Board that the Board is discharging its Corporate Social Responsibility Objective.

#### 2. Composition of the Committee

- (a) The Committee shall be comprised of at least five Directors, excluding Directors who are officers of the Corporation and the Chairman of the Board.
- (b) One of the Committee members shall be designated by the Governance Committee as the Committee Chairman.

#### 3. Member Qualifications

In addition to possessing the qualities required by the Director's position description, each member of the Committee shall have an understanding of corporate social responsibility issues or shall commit to understanding such issues in a timely manner.

#### 4. Member Appointment and Removal

Committee members shall be appointed annually by the Governance Committee and from time to time thereafter to fill vacancies on the Committee. A Committee member may be removed or replaced at any time in the discretion of the Governance Committee.

#### 5. Responsibilities of the Committee

The Committee shall provide guidance and oversight to the Corporation's management regarding the Corporate Social Responsibility Objective, and in so doing shall:

- (a) Assess annually the Corporation's core statement of corporate social responsibility and make revisions as considered appropriate concerning this statement.
- (b) Oversee the Corporation's corporate social responsibility, business sustainability, philanthropic, and community investment strategies and assess the effectiveness of such strategies in achieving the Corporate Social Responsibility Objective.
- (c) Review and assess annually, or more frequently if necessary, the Corporation's donations policy and approve changes as considered appropriate.
- (d) Approve annually the Corporation's donations budget.
- (e) Approve any specific donations that fall outside the Corporation's donation policy.
- (f) Approve principles that govern the Corporation's relationship with Canadian Tire Jumpstart Charities and any other charitable organization to which the Corporation has made or proposes to make a significant donation.
- (g) Receive annual reporting information from Canadian Tire Jumpstart Charities, including (1) plans for fundraising and philanthropic support activities and (2) revenues raised and funds disbursed for the purposes of reporting to the Board of



Directors in connection with the ongoing suitability of Canadian Tire Jumpstart Charities as a recipient of financial support of the Corporation and as a trade mark licensee of the Corporation.

- (h) Assess other issues brought to it by members of the Committee, the Board of Directors or management.

The Board of Directors may from time to time delegate any other responsibilities to the Committee.

## **6. Operations**

- (a) The Committee shall meet at least two times annually and as many additional times as necessary to carry out its duties effectively. Committee meetings shall be held at the call of the Committee Chairman, or upon the request of two Committee members, and a majority of the members of the Committee shall form a quorum.
- (b) The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Each Committee member (including the Chairman) is entitled to one vote in Committee proceedings. For greater certainty the Chairman does not have a second or casting vote.
- (c) The Committee Chairman shall develop the agenda for and conduct all meetings of the Committee at which he or she is present.
- (d) Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as secretary of the meetings of the Committee and minutes shall be kept for each Committee meeting.
- (e) In the absence of the Committee Chairman, the Committee members shall appoint an Acting Chairman.
- (f) A portion of each of the Committee's meetings shall be conducted with no members of management present.
- (g) Any Director is entitled to attend, and the Committee may invite any officer or employee of the Corporation or any other person to attend, any Committee meetings to participate in the discussion and review of the matters considered by the Committee.
- (h) A copy of the minutes of each meeting of the Committee shall be provided to each Director.

## **7. Reporting to the Board**

- (a) The deliberations, decisions and recommendations of the Committee shall be reported to the Board in a timely manner.
- (b) The Committee shall review and approve annually the Committee's report for inclusion in the Corporation's management information circular.

## **8. Evaluation and assessment of this Mandate, the Committee and its Compliance with this Mandate**

- (a) At least once every three years, or more frequently if necessary, or at the request of the Secretary or Assistant Secretary of the Corporation as a result of legislative or regulatory changes, the Committee shall review and assess the adequacy of this mandate taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Corporation has a reporting relationship and, if appropriate, recommend changes to the mandate to the Governance Committee for recommendation to the Board for its approval, except for minor technical amendments to this mandate, authority for which is delegated to the Secretary or Assistant Secretary of the Corporation, who will report any such amendments to the Board at its next regular meeting.
- (b) On a bi-annual basis, the Committee shall conduct a review and evaluation of the Committee's performance including its ability to meet the requirements of this mandate, in accordance with the evaluation process developed and approved by the Governance Committee, and provide the results of the performance evaluation to the Governance Committee and the Board.

## **9. Miscellaneous**

To assist the Committee in discharging its responsibilities set out in this mandate, the Committee may, as it deems necessary or advisable for its purposes conduct any investigation and access any officer, employee or agent of the Corporation, including any such officer, employee or agent seconded by the Corporation to Canadian Tire Jumpstart Charities, in connection with its mandate. In contributing to the Committee's discharge of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.



# Appendix H

## Canadian Tire's Corporate Governance Policies and Practices

Management and the Board of Directors are committed to strong corporate governance policies and practices. We regularly review the corporate governance policies and practices we have developed over the years to maintain reasonable 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 adopted by securities regulators in Canada (*the CSA Rules*):

- National Policy 58-201 – *Corporate Governance Guidelines*
- National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

### 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 is comprised of a majority of directors who are *independent*, as that term is defined in the CSA Rules.

**2. Disclose for each director whether he or she is “independent” or “not independent” and the basis for that determination.**

Mr. Wetmore is the President and CEO of the Company and, as such, is *not independent* because of his employee relationship with the Company.

Messrs. Billes, L'Heureux and Vallance are Canadian Tire Dealers pursuant to contracts with the Company in the same form as other Canadian Tire Dealers' contracts and, therefore, are *not independent* directors. In the view of the Board, although Messrs. Billes, L'Heureux and Vallance are *not independent* directors, the knowledge, experience and perspective they can bring to the Board as Canadian Tire Dealers can be critical to the effective governance of the Company.

All of the other current directors are *independent*. The basis for this determination is premised on:

- (i) responses to a questionnaire sent to each director requesting information concerning direct or indirect material relationships between the director and the Company in accordance with the independence criteria in Sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees*
- (ii) management's review of the materiality of any relationships identified by a director in his or her responses to the questionnaire
- (iii) the Board's determination as to whether any relationships identified by the director in his or her responses to the questionnaire could reasonably be expected to interfere with the exercise of the director's independent judgement.

In addition, when considering Martha Billes' independence, the Board took into consideration the fact that Ms. Billes is not a member of management and receives no compensation from the Company other than fees for her services as a director. Additionally, Ms. Billes has a large financial interest in the Company in the form of her shareholdings and ably represents the interests of shareholders. The MRC Committee, on which Ms. Billes serves as a member, does not oversee the arrangements between the Company and Canadian Tire Dealers and, as such, Ms. Billes is not involved in determining the financial arrangements with Canadian Tire Dealers, including Mr. Billes.

The following table describes the independence status of the nominated and current directors.

Independence Status of Nominated and Current Directors				
	Management	Independent	Not Independent	Reason for Non-Independent Status
Iain Aitchison		✓		
Martha G. Billes		✓		
Owen G. Billes			✓	Mr. Billes is a Canadian Tire Dealer
H. Garfield Emerson		✓		
John A. F. Furlong		✓		
James L. Goodfellow		✓		
Claude L'Heureux			✓	Mr. L'Heureux is a Canadian Tire Dealer
Frank Potter		✓		
Timothy R. Price		✓		
James A. Riley		✓		



Independence Status of Nominated and/or Current Directors				
	Management	Independent	Not Independent	Reason for Non-Independent Status
Alan P. Rossy		✓		
Maureen J. Sabia		✓		
Peter B. Saunders		✓		
Graham W. Savage		✓		
George A. Vallance			✓	Mr. Vallance is a Canadian Tire Dealer
Stephen G. Wetmore	✓		✓	Mr. Wetmore is President and CEO of the Company

**3. (i) Disclose the process by which the board identifies new candidates for board nomination.**

The Governance Committee has the mandate to:

- (a) consult with such persons as it determines appropriate, including current directors, the controlling shareholder and C.T.C. Dealer Holdings Limited in respect of possible nominees for election to the Board and individuals who might be appointed to fill a vacancy if any elected nominee ceases to be a director; and
- (b) recommend to the Board qualified individuals as nominees for election to the Board by the shareholders of the Company at a meeting of shareholders of the Company and for appointment by the Board to fill any vacancies on the Board if a director elected by the shareholders ceased to be a director.

The Governance Committee and the Chairman of the Board consult with their fellow directors, and with their collective extensive networks to identify appropriate potential candidates.

The Governance Committee reviews prospective nominees' qualifications under applicable laws, regulations and rules as well as the talents already represented on the Board. It also considers changes to the Company's strategies and risks, succession planning for key Board positions and the composition of the Board. Based on its assessment of the existing strengths of the Board and the changing needs of the Company, the Governance Committee determines the competencies, skills and personal qualities it should seek in new Board members.

Nominees are selected for qualities such as integrity and ethics, business judgment, independence, business or professional expertise, board experience and residency. The Governance Committee reviews each candidate's biographical information, assesses each candidate's suitability against criteria that have been developed by the Governance Committee and considers the results of due diligence reviews, both internal and external. This selection process allows the Board to gain reasonable assurance that the requisite breadth of finance, legal, business and other relevant experience is represented on the Board and meets our skills matrix requirements. As part of the selection process, the President and CEO is kept informed of the candidates with whom the Chairman of the Governance Committee and the Chairman of the Board are meeting, and when a short list has been developed, that list is shared with the President and CEO and the controlling shareholder, and arrangements are made to have those candidates meet with the President and CEO, the controlling shareholder, the Governance Committee and selected members of the Board.

The Governance Committee uses the same process for evaluating all potential candidates. In so doing, the Governance Committee considers whether:

- (a) in personal and professional dealings, the candidate has demonstrated integrity, high ethical standards and commitment to the values expressed in the Company's Code of Business Conduct;
- (b) the candidate has sufficient time and energy to devote to the performance of his or her duties as a member of the Board of Directors, having regard to positions the candidate holds in other organizations and other business and personal commitments;
- (c) the candidate has a history of achievements that demonstrates the ability to perform at the highest level and that reflects high standards for himself or herself and others;
- (d) the candidate's background includes business, governmental, professional, non-profit or other experience that is indicative of sound judgment and the ability to provide thoughtful advice;
- (e) the candidate is likely to take an independent approach and to provide a balanced perspective;
- (f) the candidate is financially literate and able to read financial statements and other indices for evaluating corporate performance;
- (g) the candidate has specific skills, expertise or experience that would complement those already represented on the Board; and



- (h) the candidate possesses knowledge and appreciation of public issues and exhibits familiarity with international, as well as national and local affairs.

On this basis, the Governance Committee makes recommendations to the Board regarding potential director candidates, and maintains a list of qualified candidates for Board membership.

The Board of Directors has adopted a majority voting policy for the election of directors by the holders of Class A Non-Voting Shares of the Company. This policy is described on page 3 of this management information circular.

- (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 *Report of the Governance Committee* on page 23 of this management information circular and *Appendix F – Governance Committee Mandate* 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 and its Committees, the Chairman of the Board and individual directors (including in their capacity as Committee members) are regularly assessed with respect to their performance and effectiveness under the direction of the Governance Committee. The Board and its Committees and individual directors are assessed every second year, while the Chairman of the Board is evaluated on an annual basis.

The performance assessments of the Board and individual directors are conducted using an online assessment tool. Each director assesses the Board's performance using quantitative ratings and qualitative commentary in respect of a lengthy list of criteria developed by the Governance Committee, including the Board's composition, practices and relationship with management and its oversight of strategy and performance, financial information, internal controls, identification and management of risks, corporate governance, corporate social responsibility and CEO and officer succession, performance and compensation. The results are consolidated into a composite report and reviewed by the Chairman of the Governance Committee, the Chairman of the Board, the President and CEO and the Company's controlling shareholder and reported to the full Board. 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 its rigorous standards.

The director assessment tool has similar functionality to that used to assess the Board and assesses performance against criteria expected of an effective director (other than in relation to the President and CEO and the Chairman of the Board who are assessed separately). The results of the individual director performance assessments are reviewed by the Chairman of the Governance Committee and the Chairman of the Board privately with each individual director.

The performance of each Committee Chairman is evaluated through the Board and individual director assessment tools, and the results of these performance evaluations are discussed by the Chairman of the Governance Committee and the Chairman of the Board with each Committee Chairman.

Performance assessments of the Board and individual directors were last conducted in 2010. The next performance appraisals are scheduled in 2012.

The performance of the Committees of the Board and individual Committee members is assessed on a bi-annual basis under the direction of the Governance Committee. Committee members are asked to assign a numerical ranking and provide written comments to questions developed by the Governance Committee. The questions assess each Committee's composition, practices, relationship with the Board, performance and fulfillment of its responsibilities under its mandate. The results of the Committee assessments are reviewed by the Chairman of the Governance Committee, the Chairman of the Board and by each Committee Chairmen with respect to their own Committee's performance appraisal. All Committee performance appraisals are reviewed at a meeting of the Governance Committee, which then provides a report to the Board. The results of the individual Committee member performance assessments are reviewed by the Chairman of the Governance Committee, the Chairman of the Board and by each Committee Chairmen privately with their Committee members. The performance assessment results are taken into consideration when the Governance Committee considers the mandates and composition of



Board Committees. Performance evaluations for each of the Committees and individual Committee members were last conducted in 2011. The next bi-annual performance appraisals are scheduled in 2013.

The performance of the Chairman of the Board is assessed annually using an evaluation form developed by the Governance Committee. The evaluation contains a combination of quantitative and qualitative measures, including both a numerical rating system and a request for comments. The results are discussed with the Chairman of the Board and the Governance Committee and reported to the full Board. The last assessment was conducted earlier this year.

Responses to the questions for each assessment are anonymous and confidential to encourage candid and constructive commentary.

**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) ensures that each new director is provided with a comprehensive manual containing information on the Company and the Board, including but not limited to:
  - (i) the articles and by-laws of the Company
  - (ii) the Mandate of the Board and the Mandate and Charter of each Board Committee
  - (iii) the position descriptions for the Chairman of the Board, the directors and the Chairman of each Board Committee
  - (iv) the delegation of Board duties to its Committees
  - (v) a summary of the Company's corporate structure
  - (vi) the Company's current strategic plan
  - (vii) the Company's Annual Report, MD&A and Management Information Circular for the most recent financial year of the Company preceding such new director's election or appointment to the Board
  - (viii) the Company's current Annual Information Form
  - (ix) each of the Company's Codes of Business Conduct
  - (x) each of the Company's Board policies, including its Disclosure Policy and Securities Trading and Reporting Board Policy and related Manuals
  - (xi) a description of (1) the amount, form and timing of remuneration payments made to each director by the Company including the Deferred Share Unit Plan for Directors, and (2) the Company's equity ownership guidelines for directors
  - (xii) the directors' and officers' indemnification agreement
  - (xiii) the Company's most recent investor presentation
  - (xiv) the Company's directors' and officers' insurance coverage
- (b) provides at the request of a new director, written materials covering the following topics:
  - (i) 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
  - (ii) the Company's interim financial statements and related MD&As for the two financial years of the Company immediately preceding such new director's election or appointment to the Board
  - (iii) the form of Dealer Contract and a summary of the Company's relationship with the Dealers
  - (iv) the Company's loyalty programs



- (c) requires the Chairman of the Board to meet with each proposed new director and explain to such proposed new director the culture of the Board and the commitment of time and energy expected of every director
- (d) 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 Governance Committee and, where the expense could be significant, the Chairman of the Board
  - (ii) to visit key competitors of the Company and any of the Company's principal operating locations and to discuss the operation of those locations with the managers of those locations
  - (iii) to meet with the President and CEO, the officers of all of the Company's business units and other corporate officers for the purpose of discussing the nature and operation of the Company's business and affairs.

During 2011, the directors were provided with opportunities to visit the Company's business units and the facilities associated with these units. Moreover, both new and incumbent directors were offered opportunities to participate in educational sessions with senior management concerning the Finance, Legal, Human Resources, Information Technology and Supply Chain functions. All directors also received educational information at Board and Committee meetings about strategic issues, new initiatives, competitive activity, major contracts and relationships, and developments and best practices in corporate governance. At virtually all Board meetings, the directors receive economic and capital market updates. Orientation sessions were also held for the new members of the Audit Committee and the Social Responsibility Committee. Two of the directors elected in 2011 attended Director Education Program courses provided by The Institute of Corporate Directors and The Rotman School of Management at the University of Toronto and McGill University. Moreover, during 2011, the Audit Committee members and the full Board received regular updates from management and the Company's adoption of International Financial Reporting Standards.

Also in 2011, the Board received presentations relating to the acquisition of The Forzani Group Ltd. (now, FGL Sports). The sessions included reviews of FGL Sports' operations, management teams, strategy and performance. Following completion of the transaction, directors were provided with comprehensive updates from management on the Company's integration efforts relating to FGL Sports.

The directors continued their practice of attending working dinners on the evening before each Board meeting. During these dinners, directors participated in various educational sessions with respect to the Company's strategy, operations, initiatives, succession planning, and other general business matters and also spent time reviewing and discussing key issues arising from the Board's agendas. In 2011, directors continued to meet with the key decision makers at Canadian Tire, including the senior executives of the newly acquired FGL Sports, in order to get to know them better and to enhance their understanding of the businesses carried on by the Company and the issues facing it. The Board and management continue to seek ways to provide the directors with educational opportunities focused on the business of the Company and the issues facing it.

#### **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, risks, responsibilities and other factors in determining compensation. It also considers comparative compensation information. For more information on the process by which the Governance Committee and the Board determine the compensation of the Company's directors, see *Director Compensation* on page 26 of this management information circular.

The Company's executive compensation program is overseen on behalf of the Board of Directors by the MRC Committee. The MRC Committee has responsibility for reviewing and making recommendations to the Board of Directors regarding the compensation of officers including the NEOs named in the *Summary Compensation Table* on page 44.

The MRC Committee conducts an annual review of the Company's executive compensation program. The review is conducted with the assistance of independent professional compensation consultants reporting directly to the MRC Committee. The MRC Committee also reviews and recommends to the Board the base salaries (and any changes thereto) of the President and CEO and employees of the Company and its subsidiaries at the level of senior vice-president and above who report directly to the President and CEO (*the CEO Direct Reports*). Subject to the compensation philosophy approved by the Board, the MRC Committee also reviews and approves grants pursuant to the Company's short-term and long-term incentive plans and payouts thereunder.

The MRC Committee is responsible for reviewing and recommending to the Board for approval the design of short-term, long-term and other incentive plans for senior management, a process for appraising annually the performance of the President and CEO against agreed upon short-term and long-term quantitative and qualitative performance objectives, periodic changes to compensation guidelines and benefit plans, and significant changes to employee benefit plans.



The MRC Committee annually reviews the compensation philosophy of the Company, conducts an annual appraisal of the performance of the President and CEO and reports thereon to the Board. The MRC Committee also reviews the execution of the Company's compensation and benefit plans and reviews and recommends to the Board the appointment, reassignment and terms of employment and termination of the President and CEO and the CEO Direct Reports.

For more information on the process by which the MRC Committee and the Board determine the compensation of the Company's Senior Executives, see *Executive Compensation* on page 30 of this management information circular.

- 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 MRC Committee is composed entirely of *independent* directors.

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

See *Report of the Management Resources and Compensation Committee* on page 21 of this management information circular and *Appendix E – Management Resources and Compensation Committee Mandate* for a description of the responsibilities, powers and operation of the MRC Committee.

- 9. Disclose whether or not the board and the President and CEO have developed a written position description for the President and CEO.**

A written position description is in place for the President and CEO, whose objectives are approved annually by the Board of Directors and form part of the President and CEO'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 as *Appendix A* to this management information circular.

- 11. Disclose the attendance record of each director for all board meetings held since the beginning of the Company's most recently completed financial year.**

See page 16 of this management information circular for the directors' attendance at Board and Committee meetings held since the beginning of the most recently completed financial year.

- 12. 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 Board (including the directors who are Canadian Tire Dealers, none of whom is *independent*) enhances independence by conducting sessions without management present. These sessions take place at each regularly scheduled Board and Committee meeting and are conducted by the Chairman of the Board and the Chairmen of the Committees, respectively. In 2011, the Board held ten regularly scheduled meetings, each of which included a session without management present. On occasion, special purpose Board and Committee meetings are convened, at which sessions without management present are held as appropriate. In 2011, the Board also held four special meetings the majority of which included a session without management present.

In addition, the independent directors are afforded the opportunity to meet without the non-independent directors who are Canadian Tire Dealers at each regularly scheduled Board meeting. The Chairman of the Board exercises judgment (depending on the circumstances) as to whether the President and CEO is present at meetings that do not include Canadian Tire Dealers.

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

See the directors' biographies under *Nominated Directors* beginning on page 7 of this management information circular for directorships of other reporting issuers for each of the nominated directors.

- 14. 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.**

Maureen J. Sabia is Chairman of the Board of Directors and is an *independent* director. She is responsible for leading highly effective performance by the Board.



The primary focus of the Chairman is on governance, maintaining ethical standards and building the Board into an effective, high performing team capable of fulfilling the broad range of its responsibilities including oversight of the business, strategic planning, and succession planning. She is also responsible for maintaining an effective Board culture at all times and in all situations.

The Chairman is responsible for forging a strong relationship with the President and CEO, so that they develop a shared context, agree on fundamental values and ethical standards, and understand the accountabilities and boundaries of their respective roles.

She devotes considerable time to developing, in some detail, knowledge of the business and to understanding the issues and challenges, both internal and external, confronting both the Board and management. She also spends time getting to know and understand the perspectives of senior management.

Among her specific duties are:

- (i) setting the agenda for Board meetings
- (ii) using her best efforts to provide directors with the information they need to make informed decisions
- (iii) chairing Board meetings
- (iv) acting as a key liaison between the Board and management
- (v) keeping in touch with the Chairmen of the Board Committees to discuss issues as they arise, and ensuring that all directors are kept informed between Board meetings of any matter which, in her judgment, they should be made aware.

For a detailed statement of the Chairman's responsibilities, see *Appendix C* to this management information circular which contains the *Chairman's Job Description*.

**15. *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 written position descriptions for the Chairman of the Board and the Chairman of each Board Committee, which are reviewed by the Governance Committee at least once every three years, or more frequently if necessary or as a result of legislative or regulatory changes. These position descriptions are available on the Company's website at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca). Click on "Governance" under the "Investors" tab. The Chairman of the Board's position description is also attached as *Appendix C* to this management information circular.

- 16. (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) *Describe 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) *Describe 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 and the Code of Business Conduct for Suppliers, copies of which may be obtained without charge by contacting Robyn Collver, Senior Vice-President, Secretary and General Counsel at Canadian Tire Corporation, Limited, 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario M4P 2V8. The Codes are also available at [www.corp.canadiantire.ca](http://www.corp.canadiantire.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com). Each Code contains an explanation of how the Company monitors compliance with such Code.

Each director, officer and employee must acknowledge that they have read, understood and will commit to abide by the standards and expectations set out within the Company's Code of Business Conduct.

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



The Board has established a business conduct compliance program, which provides a compliance mechanism for the Codes including:

- (i) the receipt, retention and treatment of complaints and concerns received by the Company regarding accounting, internal accounting controls or auditing matters
- (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

With the approval of the Board, management has established a Business Conduct Compliance Office which is responsible for managing the business conduct compliance program, including:

- (i) overseeing the receipt, retention, investigation and resolution of complaints and concerns related to breaches of the Codes
- (ii) managing a business conduct hotline and web reporting service that is operated by a third party service provider
- (iii) reporting to the Audit Committee on all reported violations of the Codes and their disposition, on a quarterly basis.

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 *Business Corporations Act* (Ontario), 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.

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

The Social Responsibility Committee is the only standing Committee of the Board other than the Audit Committee, the MRC Committee and the Governance Committee.

See page 25 of this management information circular for the Report of the Social Responsibility Committee and *Appendix G – Social Responsibility Committee Mandate*.





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