



CANADIAN TIRE CORPORATION, LIMITED

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND
MANAGEMENT INFORMATION CIRCULAR**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of CANADIAN TIRE CORPORATION, LIMITED will be held in the Concert Hall, The Carlu, 444 Yonge Street, 7th Floor, Toronto, Ontario, Canada, on Tuesday, the 11th day of May, 2004 at the hour of 10:00 o'clock in the forenoon (Toronto time) for the following purposes:

- (a) to receive the Annual Report of the Corporation which contains the consolidated financial statements of the Corporation for the 53-week period ended January 3, 2004 and the report of the Auditors thereon;
- (b) to elect sixteen directors, of whom
 - (i) thirteen directors will be elected by the holders of Common Shares voting separately as a class; and
 - (ii) three directors will be elected by the holders of Class A Non-Voting Shares voting separately as a class;
- (c) to appoint Auditors and to authorize the directors to fix their compensation; and
- (d) to transact such other business as may properly come before the meeting or any adjournment thereof.

A shareholder who is unable to attend the meeting in person may complete, sign and return, in the envelope provided for that purpose, the enclosed form of proxy for use at the meeting.

DATED at Toronto, Ontario, this 22nd day of March, 2004.

By Order of the Board,

Cameron D. Stewart,
Secretary

CANADIAN TIRE CORPORATION, LIMITED

MANAGEMENT INFORMATION CIRCULAR

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MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Management Information Circular is furnished in connection with the solicitation of proxies by management of Canadian Tire Corporation, Limited (the "Corporation") for use at the annual meeting of shareholders of the Corporation to be held on May 11, 2004 at the time and place and for the purposes set forth in the notice of meeting (the "meeting"). It is expected that the solicitation will be primarily by mail. However, proxies may also be solicited by telephone or in person. The total cost of the solicitation will be borne by the Corporation.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Common Shares

The holders of Common Shares of the Corporation are entitled to vote at the meeting on the election of thirteen of the sixteen directors to be elected at the meeting, on the appointment of Auditors, and on any other business that may come before the meeting.

At the date hereof, the Corporation has outstanding 3,423,366 Common Shares. Each holder of Common Shares is entitled to one vote for each Common Share registered in such holder's name as at the close of business on March 26, 2004. However, in the event that any holder of Common Shares transfers any of such Common Shares after March 26, 2004, the transferee of such shares is entitled to vote such shares if such transferee produces properly endorsed share certificates or otherwise establishes that such transferee owns the shares and makes a request, not later than ten days before the meeting, that the Corporation's transfer agent, Computershare Trust Company of Canada, include such transferee's name in the list of shareholders entitled to vote at the meeting.

The directors and senior officers of the Corporation do not know of any person or company who at the date hereof beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares of the Corporation, other than the following:

<u>Name</u>	<u>Number of Common Shares Beneficially Owned, Controlled or Directed</u>	<u>Percentage of Outstanding Common Shares</u>
Martha G. Billes	2,101,150	61.4%
C.T.C. Dealer Holdings Limited	700,384	20.5%
The Trustees of the Corporation's Deferred Profit Sharing Plan established January 1, 1968	419,280	12.2%

Class A Non-Voting Shares

The holders of Class A Non-Voting Shares of the Corporation are entitled to vote at the meeting on the election of three of the sixteen directors to be elected at the meeting.

At the date hereof, the Corporation has outstanding 77,524,419 Class A Non-Voting Shares. Each holder of Class A Non-Voting Shares is entitled to one vote for each Class A Non-Voting Share registered in such holder's name as at the close of business on March 26, 2004. However, in the event that any holder of Class A Non-Voting Shares transfers any of such Class A Non-Voting Shares after March 26, 2004, the transferee of such shares is entitled to vote such shares if such transferee produces properly endorsed share certificates or otherwise establishes that such transferee owns the shares and makes a request, not later than ten days before the meeting, that the Corporation's transfer agent, Computershare Trust Company of Canada, include such transferee's name in the list of shareholders entitled to vote at the meeting.

With the exception of the above-noted entitlement to vote for the election of directors and entitlement to vote as provided under applicable law, the holders of Class A Non-Voting Shares are not entitled as such to vote at any meeting of shareholders of the Corporation. However, the articles of the Corporation provide that in the event an offer to purchase Common Shares is made to all or substantially all of the holders of Common Shares (other than an offer to purchase both Class A Non-Voting Shares and Common Shares at the same price per share and on the same terms and conditions) and a majority of the Common Shares then issued and outstanding are

tendered and taken up pursuant to such offer, the Class A Non-Voting Shares shall thereupon be entitled to one vote per share at all meetings of shareholders.

The foregoing is a summary of certain of the conditions attached to the Class A Non-Voting Shares of the Corporation. Reference should be made to the Corporation's articles for a full statement of such conditions.

The directors and senior officers of the Corporation do not know of any person or company who at the date hereof beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Class A Non-Voting Shares of the Corporation, other than Jarislowsky, Fraser Limited which exercises control or direction over 13,072,116 Class A Non-Voting Shares representing 16.9% of the outstanding Class A Non-Voting Shares of the Corporation.

ELECTION OF DIRECTORS

The articles of the Corporation provide in effect that the Corporation will have a minimum of nine directors and a maximum of twenty-one directors, that the directors of the Corporation are authorized to determine the number of directors to be elected at any meeting of shareholders, that the holders of Class A Non-Voting Shares are entitled to elect three directors or, if the number of directors to be elected exceeds seventeen, four directors, and that the holders of Common Shares are entitled to elect all other directors to be elected. The directors elected by the holders of Class A Non-Voting Shares may not be persons who are or were officers or employees of the Corporation. The directors of the Corporation have determined that sixteen directors will be elected at the meeting, thereby entitling the holders of Common Shares to elect thirteen directors and the holders of Class A Non-Voting Shares to elect three directors.

The persons named in the form of proxy for use by the holders of Common Shares intend to vote for the election of Gilbert S. Bennett, Martha G. Billes, Owen G. Billes, Adam Bucci, Gordon F. Cheesbrough, Austin E. Curtin, James D. Fisher, H. Earl Joudrie, Rémi Marcoux, Kathleen Misunas, Maureen J. Sabia, Wayne C. Sales and Graham W. Savage as directors, all of whom are now directors of the Corporation except Mr. Billes. The persons named in the form of proxy for use by the holders of Class A Non-Voting Shares intend to vote for the election of John S. Lacey, Frank Potter and Stephen G. Wetmore as directors, all of whom are now directors of the Corporation. Management of the Corporation does not contemplate that any of the said nominees will be unable to serve as a director but if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy will vote for the election of another person or persons in their discretion. Each director elected will hold office until the annual meeting following his or her election or until his or her successor is elected or appointed unless his or her office is earlier vacated.

Pursuant to a shareholders' agreement dated October 30, 1989, Ms. Billes, together with corporations and trusts associated with her, has the right to nominate nine and C.T.C. Dealer Holdings Limited has the right to nominate three of the thirteen directors to be elected by the holders of Common Shares at the meeting. The parties to the agreement will vote for the election of such nominees and the President of the Corporation as directors of the Corporation.

**INFORMATION CONCERNING PERSONS INTENDED
TO BE NOMINATED AS DIRECTORS**

The following table and notes thereto set out the names of all persons proposed to be nominated for election as directors, all other major positions and offices now held by them with the Corporation and its significant affiliates, their principal occupation or employment, the number of Common Shares and Class A Non-Voting Shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by them as of the date hereof and the number of Deferred Share Units held under the Deferred Share Unit Plan for directors described under the heading “Compensation of Directors” below:

<u>Slate of Director Nominees</u>	<u>Year First Became a Director</u>	<u>Number of Shares Beneficially Owned, Controlled or Directed</u>		
		<u>Common Shares</u>	<u>Class A Non-Voting Shares</u>	<u>Number of Deferred Share Units</u>
GILBERT S. BENNETT, 65 Chairman of the Board, Canadian Tire Corporation, Limited Mr. Bennett is a director of NAV CANADA, FortisOntario Inc. and Samuel, Son & Co., Limited.	1991	—	2,793	9,316
MARTHA G. BILLES, 63 President of Albikin Management Inc., an investment holding company Ms. Billes is Chairman of the Canadian Tire Foundation for Families and a director of Canadian Tire Bank, Tire 'n Me Pty. Ltd., Marlore Enterprises Ltd. and Newmat Drilling (Western) Ltd.	1980	2,101,150	717,433	—
OWEN G. BILLES, 34 Manager, Divisional Initiatives, Customer Service Strategic Development, Canadian Tire Financial Services Limited, a wholly-owned subsidiary of Canadian Tire Corporation, Limited.	—	—	12,154	—
ADAM BUCCI, 64 President, Adam Bucci Ltée., which operates a Canadian Tire Associate Store	1999	—	2,406	9,963
GORDON F. CHEESBROUGH, 51 Managing Partner, Blair Franklin Capital Inc., an investment bank and asset management company Mr. Cheesbrough is the Chairman of Canadian Tire Bank, a trustee of CML Healthcare Income Fund and a director of Canadian Air Transport & Security Authority.	1998	—	2,655	507
AUSTIN E. CURTIN, 62 President, Austin Curtin Sales Ltd., which operates Canadian Tire Associate Stores and Petroleum outlets	1998	—	1,755	11,894
JAMES D. FISHER, 62 Associate Dean, Rotman School of Management, University of Toronto Mr. Fisher is a director of Lallemand, Inc., Ace Bakeries Limited and Corporate Governance College, Institute of Corporate Directors.	1998	—	3,973	507
H. EARL JOUDRIE, 69 Corporate Director Mr. Joudrie is a director of Atco Ltd., Zargon Oil & Gas Ltd. and Trenton Steel Works Ltd. and is on the Advisory Boards of Consolidated Carma Ltd. and ConocoPhillips Canada Limited.	1990	—	10,082	—
JOHN S. LACEY, 60 Chairman, Alderwoods Group, Inc., an international funeral services provider Mr. Lacey is a director of Telus Corporation and Cancer Care Ontario.	2003	—	3,300	451

Slate of Director Nominees	Number of Shares Beneficially Owned, Controlled or Directed			
	Year First Became a Director	Common Shares	Class A Non-Voting Shares	Number of Deferred Share Units
RÉMI MARCOUX, FCA, 68 Chairman and Chief Executive Officer, Transcontinental Inc., a company holding interests in printing and publishing companies Mr. Marcoux is a director of MAAX Inc.	1998	—	8,655	9,062
KATHLEEN MISUNAS, 53 Corporate Director and Consultant, Essential Ideas, which provides advisory and consulting services to various global companies. Ms. Misunas is a director of Tech Data Corporation and Imbot.com, Inc.	2001	—	437	507
FRANK POTTER, 67 Chairman, Emerging Market Advisors, Inc., a consulting firm dealing with foreign direct investment Mr. Potter is a director of Canadian Tire Bank, Brascan Financial Corporation, Canadian Institute of International Affairs, Ontario Financing Authority, Petrofund Corporation, Rockwater Capital Corporation and Softchoice Corporation.	1998	—	1,710	2,635
MAUREEN J. SABIA, 62 President, Maureen Sabia International, a consulting firm, and Corporate Director Ms. Sabia is a director of Canadian Tire Bank, O & Y Properties Corporation, O & Y FPT Inc., O & Y Properties Inc. and Medway Capital Corporation.	1985	—	4,363	857
WAYNE C. SALES, 54 President and Chief Executive Officer of the Corporation Mr. Sales is a director of Canadian Tire Financial Services Limited, Canadian Tire Bank and Mark's Work Wearhouse Ltd.	2000	—	47,564	—
GRAHAM W. SAVAGE, 55 Chairman, Callisto Capital LP, a merchant banking partnership Mr. Savage is a director of Canadian Tire Bank, Vitran Corporation, Leitch Technology Corporation, Hollinger International Inc. and Creation Technologies Inc.	1998	—	2,745	—
STEPHEN G. WETMORE, 51 Group President National Markets and Executive Vice-President, BCE Inc., a communications company Mr. Wetmore is a director of Aliant Inc., Stratos Global Corporation, Bell Canada Holdings and various private companies controlled by BCE Inc. and Bell Canada, C.D. Howe Institute and The Learning Partnership.	2003	—	500	507

Notes:

- (1) Each person proposed for nomination who is currently a director has served continuously as a director from the time such person first became a director, and each nominee, if elected, will hold office until the annual meeting following his or her election or until his or her successor is elected or appointed unless his or her office is earlier vacated.
- (2) The Corporation does not have an Executive Committee.
- (3) The present members of the Corporation's Audit Committee are G. F. Cheesbrough, J. D. Fisher, R. Marcoux, M. J. Sabia, G. W. Savage and S. G. Wetmore.
- (4) The present members of the Corporation's Governance Committee are P. Y. Atkinson, M. G. Billes, A. Bucci, H. E. Joudrie, J. S. Lacey, R. Marcoux and F. Potter.

- (5) The present members of the Corporation's Management Resources and Compensation Committee are P. Y. Atkinson, A. Bucci, J. D. Fisher, J. S. Lacey, K. Misunas, M. J. Sabia and G. W. Savage.
- (6) The present members of the Corporation's Social Responsibility Committee are M. G. Billes, G. F. Cheesbrough, A. E. Curtin, H. E. Joudrie, F. Potter, K. Misunas and S. G. Wetmore.
- (7) Included in the above shareholdings of M. G. Billes are 700,383 Common Shares and 712,476 Class A Non-Voting Shares which are beneficially owned by Albikin Management Inc. and 1,400,767 Common Shares which are beneficially owned by Tire 'N' Me Pty. Ltd. These corporations are controlled by and are "associates" of M. G. Billes.
- (8) Deferred Share Units do not carry any voting rights. The number of Deferred Share Units held by each director has been rounded down to the nearest whole number.
- (9) The average age of the persons proposed to be nominated for election as directors is 59.
- (10) From 1999 to 2002, O.G. Billes held the position of Operations Planner, Transportation and Distribution, from 2002 to 2003 he was Manager, Special Projects, New Business Development and from 2003 to 2004 he was Manager, In-store Receiving and Logistics in connection with Canadian Tire Associate Dealer Store #237. He was an employee of Canadian Tire Corporation, Limited in connection with each of the foregoing employment positions.

SUMMARY OF BOARD AND COMMITTEE MEETINGS HELD⁽¹⁾

Board	11
Audit Committee	7
Governance Committee	4
Management Resources and Compensation Committee	6
Social Responsibility Committee	5
Total Number of Meetings Held	33

Notes:

(1) For the 53-week period ended January 3, 2004.

SUMMARY OF ATTENDANCE OF DIRECTORS AT BOARD AND COMMITTEE MEETINGS⁽¹⁾

Director	Board Meetings Attended	Committee Meetings Attended ⁽²⁾
Peter Y. Atkinson	11 of 11	9 of 10
Gilbert S. Bennett ⁽²⁾	10 of 11	n/a
Martha G. Billes	11 of 11	12 of 12
Adam Bucci	11 of 11	10 of 10
Gordon F. Cheesbrough	10 of 11	12 of 12
Austin E. Curtin	11 of 11	12 of 12
James D. Fisher	11 of 11	14 of 14
H. Earl Joudrie	9 of 11	6 of 9
John S. Lacey	7 of 8	4 of 4
Rémi Marcoux	9 of 11	9 of 11
Kathleen Misunas	10 of 11	10 of 12
Frank Potter	11 of 11	9 of 9
Maureen J. Sabia	11 of 11	16 of 16
Wayne C. Sales ⁽²⁾	11 of 11	n/a
Graham W. Savage	10 of 11	12 of 12
Stephen G. Wetmore	6 of 8	5 of 7

Notes:

(1) For the 53-week period ended January 3, 2004.

(2) The Chairman of the Board and the Chief Executive Officer attend all Committee meetings. Other directors attend Committee meetings from time to time as invited guests.

REPORT ON EXECUTIVE COMPENSATION

The Corporation's executive compensation program is overseen on behalf of the Board of Directors by the Management Resources and Compensation Committee of the Board (the "MRCC"), whose members are named at the end of this report. The MRCC has primary responsibility for making recommendations to the Board of Directors regarding the appointment and compensation of senior officers of the Corporation including the Executive Officers named in the Summary Compensation Table (the "Named Executive Officers"). The MRCC annually organizes a Board review of the performance of the President and Chief Executive Officer and, with the President and Chief Executive Officer, reviews the performance evaluations of the Corporation's senior officers, recommends to the Board the compensation philosophy of the Corporation, reviews the design, competitiveness and execution of the Corporation's compensation and benefit plans and oversees individual employment arrangements when executives are hired. The MRCC also reviews and monitors management succession processes, reviews the results of periodic employee opinion surveys and administers the Directors' Share Plan of the Corporation.

The Corporation's executive compensation program has the objectives of attracting and retaining highly qualified executives, motivating superior performance and aligning the interests of executives with the interests of the Corporation's shareholders. Compensation under the program is linked to achieving both short-term and longer-term goals of the Corporation. Accordingly, a significant portion of executives' compensation is based upon the Corporation's success in meeting specified performance goals, including strategic plan objectives, and appreciation in the Corporation's share price.

The MRCC conducts an annual review of the Corporation's executive compensation program, including compensation of the President and Chief Executive Officer. The review is conducted with the assistance of independent professional compensation consultants reporting directly to the MRCC. This review compares the Corporation's program bi-annually with those of selected comparable companies in the retail and financial services industries and other large Canadian companies. The MRCC believes that this review process provides an effective, ongoing evaluation of the program relative to current industry practice.

The key elements included in the compensation plan for all Executive Officers, including the Named Executive Officers, during 2003 were annual base salary, annual bonus awards and longer term incentives in the form of performance share units and stock options. The Corporation's policies with respect to each of those elements for 2003 and for compensation of the President and Chief Executive Officer are described below.

Annual Base Salaries

The base salary for each Executive Officer is established annually by balancing the following considerations: the range of base salaries paid in the competitive marketplace (which is comprised of large Canadian retailers and a multi-industry group of organizations with revenues between \$2 billion and \$23 billion) to persons holding positions of responsibility comparable to the Executive Officer's position; the experience, knowledge and performance of the Executive Officer; and the value of the other components of the Executive Officer's compensation.

Annual Bonus Plan

In order to relate executive compensation to the performance of the Corporation, Executive Officers and senior management employees of the Corporation and certain of its subsidiaries participate in an annual bonus plan under which awards have been made primarily based on the consolidated net income of the Corporation and the operating profits of the divisions and subsidiaries of the Corporation for the year (70%) as well as performance objectives that are specific to an operating unit (30%). Under this plan with respect to 2003, Executive Officers (with the exception of the President and Chief Executive Officer) were eligible to receive awards ranging from 0% to 75% of their annual base salary. The President and Chief Executive Officer was entitled to receive an award ranging from 0% to 112.5% of his annual base salary. The minimum standards required to qualify for awards together with the criteria used to determine awards under the plan, the participants and their respective rates of participation are established annually by the MRCC and approved by the Board of Directors.

Longer Term Incentives

(i) Restricted Share Unit Plan

The Corporation's Restricted Share Unit Plan is a medium term incentive plan designed to increase the correlation between executive and shareholder interests as well as to retain talented individuals in senior management positions of the Corporation and its subsidiaries. Pursuant to the plan, restricted share units, each one being equivalent in value to one Class A Non-Voting Share, may be awarded to certain Executive Officers and senior management of the Corporation and its subsidiaries for services performed. Units awarded and issued entitle the recipient to receive a cash payment per unit equal to the average market value of one Class A Non-Voting Share during the twenty day period prior to and including the last day of the restriction period under the plan, multiplied by an applicable multiplier based upon the market price of Class A Shares meeting pre-established levels during the restriction period. Payment of awards is made up to three years less 30 days from the date the applicable unit was awarded or earlier upon termination of employment other than for cause and in certain other limited circumstances. No payment will be made if the eligible executive voluntarily resigns or is terminated for cause prior to the payment date specified in the applicable agreement. A total of 1,000 restricted share units were awarded during 2003. The restriction period for units issued under this Plan ended on October 2, 2003 and the payout date was October 31, 2003.

(ii) Performance Share Unit Plan

The Corporation's Performance Share Unit Plan is a medium term incentive plan designed to align individual compensation with achievement of the goals of the Corporation's strategic plan. The plan therefore rewards executives for creating returns for shareholders relative to those achieved by a group of approximately 40 North American retailers against which the Corporation measures its performance (the "Comparator Group"). Pursuant to the plan, performance share units (which are a form of restricted share unit), each being equivalent in value to one Class A Non-Voting Share, may be awarded to certain Executive Officers and senior management of the Corporation and its subsidiaries. Units are awarded for individual capabilities, potential and recent performance and, once issued, entitle the recipients to receive a cash payment per unit based on the market value of the Corporation's Class A Non-Voting Shares at the end of a three year period and multiplied by a multiplier based on the Corporation's total return to shareholders relative to the Comparator Group. The multiplier can range from 0.3 to 1.5 (for awards made prior to 2003, the multiplier ranges from 0 to 1.5) depending on the total return to shareholders relative to the Comparator Group. For example, for awards made in 2003, if the Corporation's total return to shareholders for the following three years is at or below the fifteenth percentile of the Comparator Group, the value of the performance share units is multiplied by 0.3. If the Corporation's performance is at the fiftieth percentile of the Comparator Group, the applicable multiplier is 1 and at the seventy-fifth percentile and above, the multiplier is 1.5. Payment of awards is made up to three years from the date the applicable unit was awarded or earlier upon termination of employment other than for cause and in certain other limited circumstances. No payment will be made if the eligible executive voluntarily resigns or is terminated for cause prior to the payment date specified in the applicable agreement. Payments made before the end of the three year period under the plan are subject to a maximum multiplier of 1.0. A total of 215,100 performance share units were awarded during 2003.

(iii) Stock Option Plan

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

Under the terms of the Stock Option Plan, each option granted allows the optionee to purchase Class A Non-Voting Shares of the Corporation at the weighted average price at which Class A Non-Voting Shares of the Corporation trade on the Toronto Stock Exchange during the ten day period prior to the date on which the option is granted. The aggregate number of Class A Non-Voting Shares issuable pursuant to the Plan may not exceed 11,000,000 Class A Non-Voting Shares, and the percentage of Class A Non-Voting Shares that are subject to option in favour of any one person may not exceed five percent of the number of Class A Non-Voting Shares outstanding from time to time. The rate at which stock options become exercisable is generally 25% per year over the four years immediately following the grant of the options. All options granted under the Stock Option Plan have been or will be granted under agreements which provide that the options may be exercised over a maximum period of ten years and that the right to exercise the options granted under any agreement will be terminated in circumstances specified in the Stock Option Plan or the agreements. A total of 523,800 stock options were awarded during 2003.

Stock Ownership Guidelines

The Corporation has adopted Stock Ownership Guidelines which specify that officers of the Corporation who are members of management's executive committee are to accumulate shares of the Corporation within three years. Within this officer group, senior vice-presidents and vice-presidents will be required to own shares at least equal to the value of their annual base salary. The Chief Financial Officer, executive vice-presidents and presidents will be required to own shares at least equal to the value of two times their annual base salary, and the Chief Executive Officer will be required to own shares at least equal to the value of three times his annual base salary. Under the guidelines up to fifty percent of the aforementioned requirement may be comprised of performance share units and restricted share units valued at the applicable minimum multiplier.

Benefits

Executive Officers of the Corporation participate in profit sharing and stock purchase plans and are entitled to receive other benefits on substantially the same basis as employees of the Corporation generally. There is no pension plan in which Executive Officers or other employees of the Corporation may participate.

Compensation of the President and Chief Executive Officer

The performance of the President and Chief Executive Officer is formally evaluated on an annual basis by the Board of Directors. In addition, the MRCC reviews on a bi-annual basis a peer group comparison of compensation paid to Chief Executive Officers of other North American retailers and Canadian companies of a comparable size in order to assess the competitiveness and appropriateness of the President and Chief Executive Officer's compensation.

Mr. Sales' compensation package, including his base salary, was established during the course of negotiation with the MRCC in connection with his appointment as President and Chief Executive Officer. Mr. Sales has chosen not to receive an annual base salary increase. He is entitled to receive a bonus under the Corporation's annual bonus plan in addition to his base salary. Payment of the annual bonus is dependent on the annual performance of the Corporation. Mr. Sales is also entitled to participate in the Corporation's longer term incentive plans. As was the case with other executives of the Corporation, Mr. Sales was awarded performance share units during 2003 in an amount calculated by reference to his salary, performance and capabilities. The award level is appropriate for his level of responsibility and is one of the ways in which the Corporation links Mr. Sales' compensation to changes in the Corporation's share price and the Corporation's comparative total shareholder return. In the view of the MRCC, Mr. Sales' total compensation is competitive with the Corporation's peer group compensation of Chief Executive Officers.

2004 Executive Officer and Senior Management Compensation Highlights

In 2004, the annual base salaries of the Corporation's Executive Officers will be increased in aggregate by 2.32%. At his request, the annual base salary of the President and Chief Executive Officer will be maintained at

the present level in 2004 through to the end of his current employment agreement with the Corporation, which terminates on August 3, 2005. The annual bonus plan for all senior management will be changed in 2004 so that the maximum bonus amount payable will be greater than in 2003 upon correspondingly increased performance. With respect to longer-term compensation plans, the Corporation will not grant any stock options during 2004. The Corporation will issue performance conditioned share units in 2004. These units will be awarded to certain Executive Officers and senior management of the Corporation and its subsidiaries for services performed. Units awarded will entitle the recipient to receive a cash payment per unit determined by reference to the market value of a Class A Non-Voting Share, share price performance and certain financial performance targets of the Corporation over a three year term.

Summary

The MRCC is satisfied that the Corporation's compensation policies and executive compensation levels are aligned with the achievement of the Corporation's strategic objectives, reflect market practices and have been set so as to attract, retain and motivate the skilled team of executives required to achieve the Corporation's strategic objectives and optimize shareholder value.

Submitted on behalf of the Management Resources and Compensation Committee:

Composition of Committee

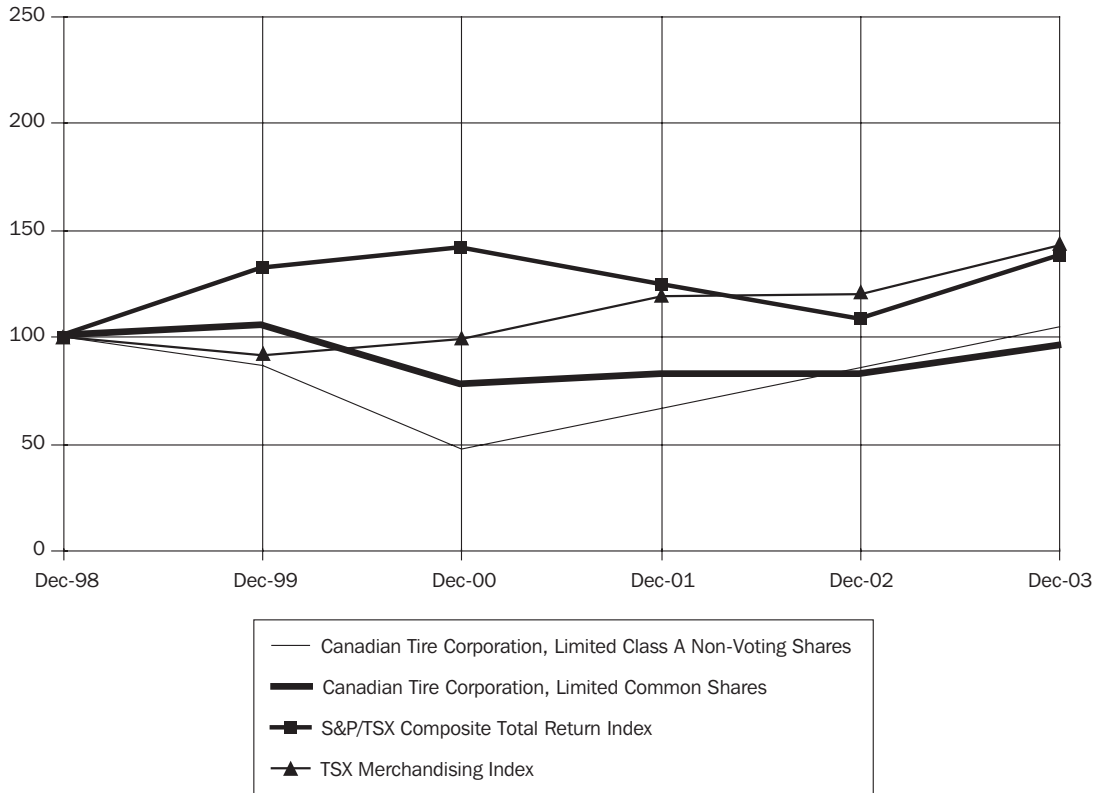
Peter Y. Atkinson
James D. Fisher (Chairman)
Kathleen Misunas
Graham W. Savage

Adam Bucci
John S. Lacey
Maureen J. Sabia

STOCK PERFORMANCE CHART

The following graph and chart assume that \$100 was invested over a five-year period commencing on the last day of December, 1998 and compare the yearly percentage change in the cumulative total shareholder return over those five years on the Corporation's Common and Class A Non-Voting Shares with the cumulative total returns of the S&P/TSX Composite Total Return Index (formerly the TSE 300 Stock Index) and the TSX Merchandising Index, respectively, assuming in each case reinvestment of dividends at 100% of the market price on a quarterly basis.

**Cumulative Total Shareholder Return
December 1998 through December 2003**



**Cumulative Total Shareholder Return
December 1998 through December 2003**

Date	Canadian Tire Corporation, Limited		S&P/TSX Composite Total Return Index	TSX Merchandising Index
	Class A Non-Voting Shares	Common Shares		
December 1998	\$100.00	\$100.00	\$100.00	\$100.00
December 1999	\$ 86.37	\$105.26	\$131.71	\$ 91.18
December 2000	\$ 47.65	\$ 77.35	\$141.47	\$ 99.46
December 2001	\$ 66.67	\$ 82.03	\$123.69	\$119.70
December 2002	\$ 85.67	\$ 82.45	\$108.30	\$119.96
December 2003	\$105.36	\$ 95.90	\$137.25	\$143.24

EXECUTIVE COMPENSATION

The following table sets forth all annual and long-term compensation during 2003 of the President and Chief Executive Officer and the five other most highly compensated Executive Officers of the Corporation (the “Named Executive Officers”):

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards		
		Salary (\$)	Bonus (\$) ⁽¹⁾	Other Annual Compensation (\$) ⁽²⁾	Securities Under Options/SARs Granted (#) ⁽³⁾	Restricted Shares or Restricted Share Units (\$)	All Other Compensation (\$) ⁽⁴⁾
WAYNE C. SALES President and Chief Executive Officer	2003	990,000	1,068,439	256,878	—	1,617,500 ⁽⁵⁾	4,465,897
	2002	980,000	1,033,802	242,582	70,000	811,500 ⁽⁵⁾	1,221
	2001	937,500	854,394	130,261	100,000	—	1,238
J. HUW THOMAS Executive Vice-President and Chief Financial Officer	2003	388,750	279,701	69,264	8,000	352,800 ⁽⁵⁾	1,339,856
	2002	366,250	257,547	61,575	15,000	162,300 ⁽⁵⁾	430
	2001	327,772	199,144	42,670	20,000	—	433
A. MARK FOOTE President, Canadian Tire Retail	2003	513,750	345,100	89,983	22,000	373,600 ⁽⁵⁾	1,342,646
	2002	491,250	281,044	82,665	20,000	243,450 ⁽⁵⁾	601
	2001	463,261	249,971	68,316	30,000	—	612
THOMAS K. GAULD President, Canadian Tire Financial Services Limited	2003	382,385	286,788	66,142	16,500	250,800 ⁽⁵⁾	1,161,214
	2002	357,500	268,125	59,644	13,000	162,300 ⁽⁵⁾	466
	2001	323,962	235,566	52,454	20,000	113,985 ⁽⁴⁾	—
MICHAEL B. MEDLINE Executive Vice-President, New Business Development	2003	343,750	245,470	62,457	14,300	176,400 ⁽⁵⁾	1,384,457
	2002	322,500	222,815	53,436	12,000	159,980 ⁽⁴⁾⁽⁵⁾⁽⁶⁾	377
	2001	287,409	163,004	24,102	55,000	584,775 ⁽⁴⁾	150,363
ANDREW A. GIANCAMILLI ⁽⁷⁾ Executive Vice-President, Dealer Operations	2003	366,750	247,873	64,323	11,000	161,700 ⁽⁵⁾	1,439,838 ⁽⁸⁾
	2002	355,833	236,914	48,465	12,000	916,750 ⁽⁴⁾⁽⁵⁾⁽⁶⁾	304,327 ⁽⁸⁾
	2001	115,208	69,997	32,846	50,000	—	183,113 ⁽⁸⁾

Notes:

- (1) This column sets out amounts earned under the Annual Bonus Plan.
- (2) Other annual compensation is comprised of imputed interest on loans and awards under the Corporation’s profit sharing and stock purchase plans. Perquisites and other personal benefits for Named Executive Officers in 2003, except for Mr. Sales, are not disclosed as they do not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus for such officers. Mr. Sales received perquisites of \$53,102, of which \$20,000 paid for financial advisory services and \$30,000 represented an automobile allowance.
- (3) This column sets out the number of Class A Non-Voting Shares for which options were granted during 2003 under the Corporation’s Stock Option Plan. Particulars of the above options are disclosed in the table on the following page.
- (4) An aggregate of 123,500 restricted share units were awarded to Named Executive Officers prior to January 3, 2004 as follows: Mr. Sales — 50,000, Mr. Thomas — 15,000, Mr. Foote — 15,000, Mr. Gauld — 13,000, Mr. Medline — 15,500 and Mr. Giancamilli — 15,000. Awards of these units were disclosed in the Restricted Share Unit column in the year in which they were awarded. The values disclosed in the Restricted Share Unit column above are based on the respective market values of the Class A Non-Voting Shares as of the close of business on the date of the relevant award. The Restricted Share Unit Plan provides that if specified share price targets are met, a multiplier will be applied to the value of restricted share units. As all share price targets were met during the applicable restriction period, the maximum multiplier of 2.5 was applied to the value of all restricted share units awarded. The restriction period for these units ended on October 2, 2003 and the payout date was October 31, 2003. Payout values for the units are included in the 2003 row of the “All Other Compensation” column above. See “Restricted Share Unit Plan”. Dividend equivalents were not paid on these units.
- (5) An aggregate of 159,500 performance share units were awarded to Named Executive Officers prior to January 3, 2004 as follows: Mr. Sales — 85,000, Mr. Thomas — 18,000, Mr. Foote — 21,000, Mr. Gauld — 14,000, Mr. Medline — 11,000 and Mr. Giancamilli — 10,500. The values disclosed above are based on the respective market values of the Class A Non-Voting Shares as of the close of business on the date of the relevant award. The Performance Share Unit Plan provides that recipients of performance share unit awards are entitled to receive a cash payment per unit based on the market value of the Corporation’s Class A Non-Voting Shares at

the end of a three year period, increased or decreased by applying a multiplier calculated by reference to the Corporation's total return to shareholders relative to a group of approximately 40 North American retailers against which the Corporation measures its performance (the "Comparator Group"). The actual multiplier that will be applied to the value of the recipient's performance share units at the payout date will be determined by the Corporation's rank relative to the Comparator Group as of the determination date in the recipient's Performance Share Unit agreement. The performance share units awarded to Named Executive Officers had an aggregate value of \$7,369,095 at the end of the financial year, based on the market value of Class A Non-Voting Shares as of the close of business on January 2, 2004 and giving effect to a multiplier of 1.5 for performance share units awarded in 2002 and a multiplier of 1.1 for performance share units awarded in 2003. The minimum multipliers that may be applied to the performance share units awarded in 2002 and 2003 are 0 and 0.3, respectively, and the maximum multiplier is 1.5. See "Performance Share Unit Plan". Dividend equivalents are not paid on these units.

- (6) The dollar value disclosed includes the grant date value of restricted share units and performance share units awarded to Mr. Medline and Mr. Giancamilli during 2002.
- (7) Mr. Giancamilli resigned on November 14, 2003. He was employed by the Corporation for 10.5 months during 2003.
- (8) Mr. Giancamilli received a subsidy in the amount of \$100,000 in each of 2002 and 2003 and \$32,917 in 2001, representing certain tax and cost of living differentials between Ontario and Michigan.

Options/SAR Grants During the Most Recently Completed Financial Year

The following table sets out individual grants of stock options under the Corporation's Stock Option Plan during the most recently completed financial year to each of the Named Executive Officers:

Name	Securities Under Options Granted (#) ⁽¹⁾	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security) ⁽²⁾⁽³⁾	Market Value of Securities Underlying Options on the Date of Grant (\$/Security) ⁽²⁾	Expiration Date
WAYNE C. SALES	—	—	—	—	—
J. HUW THOMAS	8,000	1.53%	\$29.626	\$29.626	March 12, 2013
A. MARK FOOTE	22,000	4.20%	\$29.626	\$29.626	March 12, 2013
THOMAS K. GAULD	16,500	3.15%	\$29.626	\$29.626	March 12, 2013
MICHAEL B. MEDLINE	14,300	2.73%	\$29.626	\$29.626	March 12, 2013
ANDREW A. GIANCAMILI	11,000	2.10%	\$29.626	\$29.626	March 12, 2013

Notes:

- (1) Each option granted is in respect of one Class A Non-Voting Share. All options granted to Named Executive Officers were granted on March 13, 2003. Options may not be exercised later than ten years from their date of grant. Options generally become exercisable as to 25% on the first anniversary of the date of the grant, 50% on the second anniversary of the date of the grant, 75% on the third anniversary of the date of the grant, and 100% on the fourth anniversary of the date of the grant.
- (2) The exercise price of the Corporation's stock options and the market value of the Class A Non-Voting Shares underlying the options on the date of grant are calculated in accordance with the Stock Option Plan as the weighted average price of Class A Non-Voting Shares during the ten days prior to the date of the grant.
- (3) The exercise price and number of stock options may be adjusted in the event that specified events cause dilution of the Corporation's share capital.

**Aggregated Options/SAR Exercises During the Most Recently Completed
Financial Year and Financial Year-End Option/SAR Values**

The following table sets out the number and aggregate value of Class A Non-Voting Shares acquired by Named Executive Officers upon the exercise of stock options during the most recently completed financial year and the financial year-end value of unexercised options held by Named Executive Officers on an aggregate basis:

	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$) ⁽²⁾	Unexercised Options/SARs at January 3, 2004 (#) ⁽¹⁾		Value of Unexercised In-the-Money Options/SARs at January 3, 2004 (\$) ⁽²⁾	
			Exercisable	Unexercisable	Exercisable	Unexercisable
			WAYNE C. SALES	—	—	354,889
J. HUW THOMAS	2,281	32,529	91,500	46,750	1,296,251	792,602
A. MARK FOOTE	46,334	559,982	122,131	74,500	1,270,610	1,143,585
THOMAS K. GAULD	—	—	114,534	48,750	1,408,220	728,373
MICHAEL B. MEDLINE	5,500	85,319	23,000	46,800	430,440	728,631
ANDREW A. GIANCAMILLI ⁽³⁾ . .	28,000	398,140	—	—	—	—

Notes:

- (1) Each option granted is in respect of one Class A Non-Voting Share.
- (2) The dollar values in these columns are calculated by determining the difference between the market value of the Class A Non-Voting Shares underlying the options as at the date of exercise or at year end, as applicable, and the exercise price of the options.
- (3) As Mr. Giancamilli resigned on November 14, 2003, all unexercisable options granted to him terminated.

EMPLOYMENT AGREEMENTS

President and Chief Executive Officer

The Corporation has an employment agreement with Mr. Sales with a term from August 4, 2000 until August 3, 2005. The agreement specifies the minimum level of base salary to be paid to Mr. Sales and entitles him to a signing bonus and to participate in the Corporation's annual incentive bonus plan, any new or replacement incentive bonus plan, profit sharing plan, and stock option or any deferred share unit plan as well as other benefits provided generally by the Corporation to executives. The agreement also provides for an increase in the housing loan previously made to Mr. Sales to an aggregate amount of \$979,000.

The agreement with Mr. Sales provides that in the event his employment is terminated by the Corporation in specified circumstances, he is entitled to a maximum of two years' compensation in lieu of notice of termination. In addition, the Corporation will pay to Mr. Sales on a pro-rated basis over the severance period an amount equal to the average of any bonuses paid to him by the Corporation for the two fiscal years of the Corporation ended immediately prior to the date of termination of his employment in lieu of any bonus he may have earned had his employment continued during the severance period. Any unvested stock options granted to Mr. Sales will vest immediately upon any such termination and are exercisable within five years thereof. Except for entitlements under the Corporation's long-term incentive plan with respect to stock options or deferred share units, or both, which will continue until the earlier of the last day of the severance period or August 3, 2005, and disability insurance, the Corporation will maintain for the severance period all of Mr. Sales' benefits.

Other Named Executive Officers

In addition to Mr. Sales, Messrs. Thomas, Foote and Medline are parties to employment agreements which specify the minimum level of annual base salary to be paid to such executives and their entitlement to participate in the Corporation's annual bonus plan, profit sharing plan, share purchase plan and other compensatory programs generally available to executive officers of the Corporation. The employment agreements for Messrs. Thomas and Medline provide that they are entitled to a housing loan, and that in the event their

employment is terminated without just cause, they are entitled to base salary continuation for a period of one year and a pro-rata annual bonus to the date of termination provided financial targets are met. Mr. Giancamilli's employment agreement provided that he would receive an annual subsidy during the first five years of employment with the Corporation representing certain tax and cost of living differentials between Ontario and Michigan, and that in the event his employment was terminated without just cause, he would be entitled to base salary continuation for a period of one year and a pro-rata annual bonus to the date of termination provided financial targets were met.

COMPENSATION OF DIRECTORS

During 2003, each director of the Corporation other than the Chairman of the Board of Directors and the President and Chief Executive Officer was entitled to receive a retainer in the amount of \$25,000 per annum, plus an attendance fee of \$1,750 for each meeting of the Board of Directors or any committee thereof of which he or she was a member (\$2,500 in the case of members attending meetings of the Audit Committee), provided that if a director participated in a meeting held through conference telephone facilities and of short duration, the fee for such participation would not be more than \$500. Each such director who attended committee meetings as an invited guest was also entitled to receive the meeting fee. The chairman of each committee of the Board of Directors was entitled to receive an additional \$7,500 per annum (\$15,000 in the case of the Chairman of the Audit Committee). The annual retainer for the Chairman of the Board of Directors was \$215,000. Directors (other than the Chairman of the Board and the President and Chief Executive Officer) were entitled to a fee of \$1,500 when round trip travel time to attend meetings of the Board of Directors or any Committee thereof exceeded four hours. Directors were also entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the shareholders or of the Board of Directors or any Committee thereof or otherwise in the performance of their duties.

The Corporation established a Directors' Share Plan as of January 1, 1994 for directors who are not employees of the Corporation or its subsidiaries (the "Participating Directors") to promote Participating Directors' identification with shareholder interests. Under the Plan, the Board of Directors may approve additional annual compensation for each Participating Director (not to exceed an amount equal to 80% of the Participating Director's annual retainer) to be utilized to purchase Class A Non-Voting Shares in the open market for the Participating Director or to receive all or part of such compensation in the form of deferred share units pursuant to the Deferred Share Unit Plan for directors (the "Deferred Plan") as more particularly described below. During 2003, additional annual compensation of \$20,000 was provided to each Participating Director under the Directors' Share Plan.

The Deferred Plan permits directors who are not employees of the Corporation the option of receiving all or a part of their annual retainer, meeting fees and amounts payable in respect of the Directors' Share Plan (as set out above) in the form of deferred share units. The number of units to be credited quarterly to the account of each director participating in the Deferred Plan is determined by dividing the amount elected by a director to be received as deferred share units by the market value of a Class A Non-Voting Share on the crediting date. After resignation from the Board, a director who participated in the Deferred Plan will receive an amount equal to the number of deferred share units credited to his or her account (which will include the value of dividends, if any, as if reinvested in additional deferred share units) multiplied by the then market value of the Class A Non-Voting Shares. Payment will be made in cash, net of any applicable withholdings. During 2003, 18,814 deferred share units were credited to the respective accounts of those directors who elected to participate in this plan.

The Board of Directors has adopted a guideline which contemplates that each director will, over a period of up to five years, accumulate a holding of at least 2,500 Class A Non-Voting Shares of the Corporation, including deferred share units.

INDEBTEDNESS OF DIRECTORS, OFFICERS AND SENIOR OFFICERS

In order to attract and retain highly qualified employees, the Corporation has provided housing loans to certain Executive Officers and other employees upon their joining the Corporation or relocating while in the employ of the Corporation. The aggregate indebtedness to the Corporation and its subsidiaries of all officers, directors and employees and former officers, directors and employees of the Corporation and its subsidiaries is \$1,392,548.

APPOINTMENT OF AUDITORS

It is intended to vote the shares represented by the proxies hereby solicited to appoint the firm of Deloitte & Touche LLP, Chartered Accountants, as the Auditors of the Corporation and to authorize the directors to fix the compensation of the Auditors.

DIRECTORS' AND OFFICERS' INSURANCE

During the year ended January 3, 2004, the Corporation purchased insurance for its directors and officers with respect to certain liabilities which may be incurred by them in their capacity as directors or officers of the Corporation. The insurance policy provides insurance coverage for claims made during the policy period to a maximum of \$75,000,000 in respect of each loss and a maximum of \$75,000,000 in respect of each policy year. The insurance policy provides for a deductible amount of \$250,000 per loss in the case of claims for which the Corporation grants indemnity to individual directors and officers and \$500,000 per loss in the case of securities claims brought by or on behalf of a shareholder of the Corporation in connection with the shareholder's interest in the Corporation. The premium paid for the policy period from April 4, 2003 to April 4, 2004 was \$470,850, none of which was paid by individual directors or officers. The insurance policy does not make any distinction between insurance coverage for directors and insurance coverage for officers and there is no basis for estimating the amount of the premiums paid in respect of directors as a group or officers as a group.

NORMAL COURSE ISSUER BID

The Corporation has filed with the Toronto Stock Exchange a notice of intention to make a normal course issuer bid (the "2004 Bid") to purchase from February 19, 2004 to February 18, 2005 not more than 1,800,000 of its Class A Non-Voting Shares, which is less than 10% of the public float of that class as at February 12, 2004. The Corporation has adopted a policy of considering in each year offsetting the dilutive effects of the issuance of Class A Non-Voting Shares by purchasing during the year a number of Class A Non-Voting Shares which in the long term will result in the repurchase by the Corporation of a number of Class A Non-Voting Shares approximately equal to the number of Class A Non-Voting Shares issued from time to time pursuant to employee profit sharing, stock option and share purchase arrangements and the Dividend Reinvestment Plan. The Common Shares of the Corporation will not be the subject of the 2004 Bid.

Pursuant to a notice of intention to make a normal course issuer bid filed in February of 2003, the Corporation purchased 600,000 of its Class A Non-Voting Shares during 2003.

Shareholders may receive, without charge, a copy of the notice of intention to make the 2004 Bid by contacting Susan J. E. Rogers at Canadian Tire Corporation, Limited, 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario M4P 2V8.

CORPORATE GOVERNANCE

The Board of Directors and management of the Corporation believe that sound corporate governance practices are essential to the performance of the Corporation. To this end, practices and policies which have been developed by the Corporation over many years are reviewed regularly as to their appropriateness. They are addressed here generally and within the framework of the guidelines for effective corporate governance adopted by the Toronto Stock Exchange (the "Exchange Report").

Board of Directors

The Board of Directors is elected by the shareholders and oversees the conduct of the business and affairs of the Corporation, supervises its management and uses reasonable efforts to ensure that all major issues affecting the Corporation are given appropriate consideration. In fulfilling its responsibilities the Board delegates to management the authority to manage the Corporation's day-to-day business, while reserving the ability to review management decisions. The Board discharges its responsibilities directly, through its Committees and through management.

The directors are kept informed of the Corporation's operations at meetings of the Board and its Committees and through reports and discussions with management. In addition to its primary roles of overseeing corporate performance and providing quality, depth and continuity of management to meet the Corporation's strategic objectives, the Board of Directors, among other things:

- approves business, strategic, financial and succession plans and monitors the implementation of such plans;
- approves communications to shareholders;
- oversees the Corporation's financial reporting and disclosure;
- appoints officers and reviews their performance at least annually;
- approves items such as dividend payments, the issue, purchase and redemption of securities, acquisition and disposition of capital assets, short and long term objectives and human resource and other plans, Executive Officer compensation and employee benefits, including profit sharing and incentive award plans; and
- approves changes in the By-laws of the Corporation and submits them to shareholders for approval.

In order to carry out its responsibilities the Board of Directors meets on a regularly scheduled basis on nine occasions annually and otherwise as required by circumstances and on each such occasion meets for a portion of the time without management present. During 2003 the Board of Directors met eleven times.

The Chairman of the Board is responsible for facilitating highly effective performance by the Board, including, among other things, settling the agenda for each Board meeting, ensuring that directors are kept informed of appropriate corporate matters, chairing the meetings and acting as a key liaison between the Board and senior management.

Committees of the Board of Directors

The Board of Directors has established four standing Committees, has designated subjects, including matters of policy, on which they are to perform an advisory role and report to the Board of Directors, and has delegated to the Committees the authority they require to carry out their functions. In practice, and with certain exceptions, the Committees do not formally approve the matters before them, but return matters to the full Board with recommendations. None of the members of any of the Committees is a current or former employee of the Corporation or any of its subsidiaries. All Committees hold regular sessions *in camera*. All directors are entitled to attend any Committee meetings notwithstanding that they are not a member of such Committee.

Audit Committee. As recommended in the Final Report of the Joint Committee on Corporate Governance, the Audit Committee has a formal written mandate that has been approved by the full Board and that sets out the scope of the Committee's responsibilities and authority. A copy of the mandate is attached as Annex A to this information circular.

This Committee meets with the financial officers of the Corporation and the external auditor, amongst other things, to review and recommend presentation to the Board of Directors of the Corporation's annual and interim consolidated financial statements, to review the procedures used in the preparation of financial reports, to review

and report to the Board of Directors on disclosure documents, to monitor the adequacy of the Corporation's internal control system and its risks in financial and other matters, including those related to the environment, to review the activities of the Corporation's Risk and Control Services Department and its reports and to confirm the filing of the Corporation's tax returns. The Committee meets with the external auditor to review the intended audit scope, areas of special emphasis and materiality levels proposed to be employed, to confirm that no management restrictions are placed on the scope and nature of planned audits and to discuss with the external auditor the results of its audit, its opinion on internal accounting controls and the quality of financial reporting. The Committee also reviews periodically the Corporation's policies and guidelines on business conduct. Management of the Corporation is responsible for evaluating the suitability of any recommendations made by the external auditor and the implementation thereof, including all those related to the Corporation's system of internal accounting controls. The Chairman of the Committee is available to meet at any time and does meet on a regular basis with the external auditor and representatives of the Risk and Control Services Department.

The mandate of the Audit Committee explicitly affirms that the external auditor is accountable to the Board of Directors and the Audit Committee, as representatives of the shareholders, and that these shareholder representatives have the ultimate authority and responsibility to evaluate and, where appropriate, recommend replacement of the external auditor. The Audit Committee also approves the audit fees paid to the Corporation's external auditor. The Audit Committee receives the written disclosures required by CICA Accounting Guideline 11, *Communications with Audit Committees*, and the external auditor discusses with the Committee all factors that might be perceived to impact its independence. The Committee reviews the non-audit services provided by the external auditor and the auditor's conclusion that the work it performs is in accordance with professional standards for objectivity and legal requirements for independence. The Corporation expects to continue to retain professional services firms including its current external auditor, Deloitte & Touche LLP, to provide advisory and consulting services.

The Audit Committee has a process for approval of services to be provided by its current auditor. The process requires that an annual client services plan be provided to and pre-approved by the Audit Committee prior to commencement of services by the auditor. Any additional non-audit services required by management will be permitted provided that management is satisfied the auditor is the preferred supplier for such services, the proposed terms of engagement for the services are approved by the Chairman of the Audit Committee (or by the Audit Committee if the fees for such services exceed \$100,000 or the services are of a sensitive or unusual nature), and the Chairman of the Audit Committee advises the Audit Committee of any such pre-approved services at its next meeting. The auditor will also be responsible for ensuring that all services provided comply with professional independence standards, for disclosing to the Audit Committee all relationships between the auditor and the Corporation and its related entities that may reasonably be thought to bear on the auditor's independence, and for disclosing the total fees charged by the auditor for audit and non-audit services during the past year.

The Corporation's external auditor received, in each case in respect of services rendered in respect of the financial year ended January 3, 2004, \$2,052,000 for services performed in connection with its audit and quarterly reviews of the Corporation's consolidated financial statements and the financial statements of certain of its subsidiaries, \$1,337,000 in respect of other audit, tax and assurance related services, and \$197,000 in respect of other advisory and consulting services.

In 2003 the Audit Committee met seven times. It is composed of G. F. Cheesbrough, J. D. Fisher, R. Marcoux, M. J. Sabia (Chairman), G. W. Savage and S. G. Wetmore.

Management Resources and Compensation Committee. This Committee is responsible for making recommendations to the Board of Directors with respect to the appointment of corporate officers and subsidiary presidents, the remuneration of corporate executives (including annual and long-term incentive plans) and the review of development programs that focus on management succession. The Committee assists the Board of Directors to assess annually the performance of the President and Chief Executive Officer and, with the President and Chief Executive Officer, reviews the performance of the senior officers of the Corporation. The Committee also reviews the results of periodic employee opinion surveys and annual plan payouts, and administers the Directors'

Share Plan. In 2003 this Committee met six times. It is composed of P. Y. Atkinson, A. Bucci, J. D. Fisher (Chairman), J. S. Lacey, K. Misunas, M. J. Sabia and G. W. Savage.

Social Responsibility Committee. This Committee reviews policies and procedures which address the Corporation's social responsibilities, with particular consideration for reputational risk to the Corporation, including reviewing with management reports regarding occupational health and safety and environmental matters and policies, practices, trends and developments in these areas, and reviewing the Corporation's policies governing human rights issues and the philanthropic activities of the Corporation and the Canadian Tire Foundation for Families. The Committee also has responsibility for annually reviewing the Codes of Business Conduct for employees and suppliers. The Committee met on five occasions during 2003. It is composed of M. G. Billes, G. F. Cheesbrough, A. E. Curtin, H. E. Joudrie, K. Misunas, F. Potter (Chairman) and S. G. Wetmore.

Governance Committee. This Committee is appointed by the Board of Directors, and is responsible for making recommendations to the Board with respect to the Corporation's governance processes and practices. It has the mandate to appoint directors to serve on and to chair other Board Committees and assists the Board of Directors to assess the performance of the Board as a whole, individual directors and the Chairman of the Board. The Committee identifies available candidates for election to the Board of Directors by the holders of Class A Non-Voting Shares. It conducts an annual review of the remuneration of directors and the Chairman of the Board and recommends changes, if any, to the Board. This Committee met four times in 2003. It is composed of P. Y. Atkinson, M. G. Billes (Chairman), A. Bucci, H. E. Joudrie, J. S. Lacey, R. Marcoux and F. Potter.

Exchange Corporate Governance Guidelines

The Exchange Report proposes fourteen guidelines for effective corporate governance and requires each listed company to disclose its approach to corporate governance and, where the company's system is different from the guidelines, an explanation of the differences. The Corporation's corporate governance is substantially consistent with the objectives set out in the Exchange Report. The approach of the Corporation to the matters of corporate governance referred to in each of the fourteen guidelines follows.

1. *The Board should explicitly assume responsibility for stewardship of the Corporation, and specifically for:*

(i) *Adoption of Strategic Planning Process;*

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

(ii) *Identification of Principal Risks and Ensuring Implementation of Risk Management Systems;*

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

(iii) *Succession Planning and Monitoring Senior Management;*

The Management Resources and Compensation Committee reviews and reports at least annually to the Board on organizational and succession planning matters. The President and Chief Executive Officer has a written objective regarding succession planning for senior management and the Corporation has a management resource planning process in place to monitor the performance and development of senior

management. Senior management is expected to take advantage of appropriate development opportunities made available from time to time.

(iv) *Communications Policy;*

To ensure that the rules of timely disclosure are observed the Board has, through the creation of a Corporate Affairs Department and the appointment of appropriate officers, put in place structures for effective communication between the Corporation, its stakeholders and the public. The Board of Directors has also approved a Corporate Disclosure Policy, which designates certain employees as authorized spokespersons of the Corporation, establishes disclosure guidelines and sets out restrictions on employee trading in the Corporation's securities.

(v) *Integrity of Internal Control and Management Information Systems;*

- Systems and Controls

The Audit Committee reviews the Corporation's financial and accounting systems and controls principally by receiving reports from the Risk and Control Services Department and by reviewing the external auditor's annual letter of comments on these items and management's responses thereto.

- Occupational Health and Safety and Environmental Matters

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

- Human Resources Matters

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

- Information Systems

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

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

The Board of Directors is composed of sixteen members, three of whom are nominated by the Board of Directors and elected by the holders of Class A Non-Voting Shares. The remaining thirteen directors elected annually by the holders of Common Shares include Mr. Sales, the President and Chief Executive Officer, and twelve individuals nominated pursuant to a shareholders' agreement which provides, amongst other things, that Martha G. Billes, together with corporations and trusts associated with her, has the right to nominate nine directors and C.T.C. Dealer Holdings Limited has the right to nominate three directors. The Board of Directors includes a majority of directors who are unrelated to the Corporation. In addition, the Board believes that the number of directors who do not have interests in or relationships with the Corporation, Ms. Billes or corporations or trusts associated with Ms. Billes provides for fair representation of shareholders who have invested in the Corporation.

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

Mr. Sales is the President and Chief Executive Officer and therefore is related to the Corporation. Messrs. Curtin and Bucci are Canadian Tire Associate Dealers pursuant to contracts with the Corporation in

the same form as other Canadian Tire Associate Dealers and, therefore, are considered to be related to the Corporation.

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

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

The Governance Committee has the mandate to recommend candidates for the Board and to develop assessment procedures for Board and director performance. All of the directors on the Committee are outside directors, and the only director on the Committee that is related to the Corporation is Mr. Bucci.

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

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

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

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

Reports, summaries, analyses and documents relating to the Corporation's strategic plan, business, affairs and governance are provided to new directors, each of whom receives a director's orientation through meetings with officers and other Board members and visits to the Corporation's main operational sites. From time to time presentations are made to the Board on the operations of the various company functions and facilities and visits are made to new operations. All directors are advised on an ongoing basis concerning legal and other matters applicable to the Corporation and the duties of directors.

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

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

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

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

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

The Board Committees are composed solely of outside directors with a majority of the members of each Committee being unrelated directors.

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

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

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

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

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

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

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

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

The Audit Committee is composed solely of outside directors and has a specifically defined mandate and charter, a copy of which is attached as Annex A to this Management Information Circular.

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

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

REVOCATION AND APPOINTMENT OF PROXIES

A person executing the enclosed form of proxy has the power to revoke it at any time insofar as it has not been exercised by depositing a duly executed instrument in writing revoking the proxy at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof or with the Chairman of the meeting on the day of the meeting or in any other manner permitted by law. The persons named in the enclosed form of proxy are directors of the Corporation.

A shareholder has the right to appoint a person, other than those designated in the enclosed form of proxy, to attend, act and vote for and on behalf of such shareholder at the meeting. To exercise such right, the shareholder may insert the name of the desired person (who need not be a shareholder) in the blank space provided in the form of proxy or may complete another appropriate form of proxy, and in either case should deliver the completed proxy to the Corporation before the time of the meeting.

ANNUAL INFORMATION FORM

During 2003, the Corporation filed with certain securities authorities an annual information form, thereby permitting the Corporation to use the prompt offering qualification system for the distribution of securities. **A copy of the annual information form so filed and a copy of the documents incorporated therein by reference may be obtained, without charge, by contacting Susan J. E. Rogers at Canadian Tire Corporation, Limited, 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario M4P 2V8 or by contacting Cameron D. Stewart at the same address.**

VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXY

On any ballot that may be called for at the meeting, the shares represented by each properly executed proxy in favour of the persons designated in the enclosed form of proxy received by the Corporation will, subject to Section 114 of the *Business Corporations Act* (Ontario), be voted or withheld from voting in accordance with the specifications given by the shareholder. **In the absence of such specifications, the Common Shares represented by proxy will be voted in favour of the election of thirteen directors and the appointment of Auditors (including authorizing the directors to fix the Auditors' compensation), all as indicated herein, and the Class A Non-Voting Shares represented by proxy will be voted in favour of the election of three directors as indicated herein.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and any other matters which may properly come before the meeting. Management of the Corporation knows of no such amendments or variations to matters identified in the notice of meeting or other matters to come before the meeting. **However, if any amendments or variations to matters identified in the notice of meeting or other matters which are not now known to management should properly come before the meeting, the enclosed form of proxy will be voted on such matters in accordance with the best judgment of the person voting the proxy.**

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



Cameron D. Stewart
Secretary

Dated as of March 22, 2004
Toronto, Ontario

ANNEX A



CANADIAN TIRE CORPORATION, LIMITED AUDIT COMMITTEE MANDATE AND CHARTER⁽¹⁾

I THE BOARD OF DIRECTORS' MANDATE FOR THE AUDIT COMMITTEE

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

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

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

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

- (i) the Corporation's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation's financial transactions;
- (ii) the Corporation's internal financial controls are regularly assessed for effectiveness and efficiency;
- (iii) the Corporation's quarterly and annual financial statements are properly prepared by management;
- (iv) the Corporation's quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Corporation; and

(1) Bolded text indicates changes made to the Audit Committee Mandate and Charter in order to comply with Multilateral Instrument 52-110 – Audit Committees.

- (v) the financial components of the Corporation's Disclosure Policy are complied with by management and the Board.

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

2. Composition of Committee

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

3. Reliance on Experts

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

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

4. Limitations on Committee's Duties

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

II AUDIT COMMITTEE CHARTER

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

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

A. Operating Principles

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

(1) Committee Values

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

(2) Communications

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

(3) Financial Literacy

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

(4) Annual Audit Committee Work Plan

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

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

(5) Meeting Agenda

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

(6) Committee Expectations and Information Needs

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

(7) External Resources

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

(8) In Camera Meetings

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

(9) Reporting to the Board

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

(10) Committee Self Assessment

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

(11) The External Auditors

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

(12) Approval of Other Engagements

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

B. Operating Procedures

(1) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two (2) members of the Committee or at the request of the external auditors.

(2) A quorum shall be a majority of the members.

(3) Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as Secretary of all meetings of the Committee.

(4) In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.

(5) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

C. Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Financial Reporting

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

(2) review with management and the external auditors the financial statements of the Corporation's significant subsidiaries and of the Corporation's profit sharing plans;

(3) receive from the external auditors reports on their review of the annual and quarterly financial statements;

(4) receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;

(5) review and, if appropriate, recommend approval to the Board of news releases and reports to shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements;

(6) **review and, if appropriate, recommend approval to the Board of all public disclosure documents containing material audited or unaudited financial information, including material change**

disclosures of a financial nature, earnings press releases, prospectuses, management's discussion and analysis, annual information forms, as well as any earnings guidance; and

- (7) satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements in order to satisfy itself that such information is fairly presented and periodically assess the adequacy of these procedures.

Accounting Policies

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

Risk and Uncertainty

- (1) acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Corporation, determine the Corporation's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
 - (a) reviewing with management the Corporation's tolerance for financial risk;
 - (b) reviewing with management its assessment of the significant financial risks facing the Corporation;
 - (c) reviewing with management the Corporation's policies and any proposed changes thereto for managing those significant financial risks;
 - (d) reviewing with management its plans, processes and programs to manage and control such risks;
- (2) discuss with management, at least annually, the guidelines and policies utilized by management with respect to financial risk assessment and management, and the major financial risk exposures and the procedures to monitor and control such exposures in order to assist the Committee to assess the completeness, adequacy and appropriateness of financial risk disclosure in management's discussion and analysis and in the financial statements;
- (3) ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value and review such policies and procedures periodically;
- (4) review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
- (5) review foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;
- (6) review the adequacy of insurance coverages maintained by the Corporation;

- (7) review regularly with management, the external auditors and the Corporation's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements.

Financial Controls and Control Deviations

- (1) review the plans of the internal and external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;
- (2) receive regular reports from management, the external auditors and its legal department on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

Compliance with Laws and Regulations

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

Relationship with External Auditors

- (1) recommend to the Board the nomination of the external auditors;
- (2) **recommend to the Board the remuneration and the terms of engagement of the external auditors;**
- (3) if necessary, recommend the removal by the shareholders of the current external auditors and replacement with new external auditors;
- (4) review the performance of the external auditors annually or more frequently as required;
- (5) receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;
- (6) receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;
- (7) **establish a policy under which management shall bring to the attention of the Chairman of the Committee all requests for non-audit services to be performed by the external auditors for the Corporation and its subsidiaries before such work is commenced. The Chairman is authorized to approve all such requests, but if any such service exceeds \$100,000 in fees, or the service is of a**

sensitive or unusual nature, the Chairman shall consult with the Committee before approving the service. The Chairman has the responsibility to inform the Committee of all pre-approved services at its next meeting;

- (8) discuss with management and the external auditors the timing and the process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner;
- (9) review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the external audit can be coordinated with internal audit activities and the materiality levels which the external auditors propose to employ;
- (10) meet regularly with the external auditors in the absence of management to determine, *inter alia*, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
- (11) establish effective communication processes with management and the Corporation's internal and external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee;
- (12) **oversee the work of the external auditors and the resolution of disagreements between management and the external auditors with respect to financial reporting; and**
- (13) request that the external auditors provide to the Committee, at least annually, an oral and/or written report describing the external auditors' internal quality assurance policies and procedures as well as any material issues raised in the most recent internal quality assurance reviews, quality reviews conducted by the Canadian Public Accountability Board, or any inquiry or investigation conducted by government or regulatory authorities.

Internal Auditor

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

Other Responsibilities

- (1) periodically review the form, content and level of detail of financial reports to the Board;
- (2) approve annually the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;
- (3) after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources;
- (4) review in advance the appointment of the Corporation's senior financial executives;

- (5) investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
- (6) review reports from the Internal Auditor, the external auditors, and/or other Committee Chairmen on their review of compliance with the Corporation's Code of Conduct, and the Corporation's policies on political donations and commissions paid to suppliers or others;
- (7) **review and approve the Corporation's policies with respect to the hiring of partners, employees and former partners and employees of the current and former external auditors;**
- (8) (a) **establish procedures for:**
 - (i) **the confidential receipt, retention and treatment of complaints received by the Corporation regarding the Corporation's accounting, internal accounting controls or auditing matters; and**
 - (ii) **the confidential anonymous submission, retention and treatment of concerns by employees regarding questionable accounting or auditing matters; and**
- (b) **require that all such matters be reported to the Committee together with a description of the resolution of the complaints or concerns.**

Accountability

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