

Canadian Tire Corporation, Limited  
Notice of 2007 Annual and Special Meeting of Shareholders  
and Management Information Circular

March 8, 2007



# Notice of 2007 Annual and Special Meeting of Shareholders

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

**When** Thursday, May 10, 2007  
10:00 a.m. (Toronto time)

**Where** Metro Toronto Convention Centre  
South Building  
255 Front Street West  
Toronto, Ontario

### What the Meeting is About

We will be covering four items at the meeting:

1. receiving our consolidated annual financial statements for the year ended December 30, 2006, including the Auditors' report
2. electing directors who will serve until the end of the next annual meeting of shareholders
3. appointing Auditors who will serve until the end of the next annual meeting of shareholders, and setting their compensation
4. considering resolutions to amend three of our share compensation arrangements, the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers, the Canadian Tire Corporation, Limited Share Purchase Plan and the Canadian Tire Corporation, Limited Amended and Restated Stock Option Plan.

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

### You Have the Right to Vote

You have the right to vote at our Annual and Special Meeting of Shareholders if you are a Canadian Tire shareholder on March 22, 2007.

### Your Vote is Important

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

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

By order of the Board,



Cameron D. Stewart  
*Secretary*

Toronto, Ontario  
March 8, 2007

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# Management Information Circular

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

**This management information circular is provided in connection with our Annual and Special Meeting of Shareholders on May 10, 2007. Your proxy is solicited by management of Canadian Tire for the items described in the notice on the opposite page.**

As a shareholder, you have the right to attend and vote at this meeting. Please read this management information circular. It gives you information you need to know to cast your vote. We also encourage you to read our 2006 Annual Report, which includes the consolidated annual financial statements of Canadian Tire as of our financial year ended December 30, 2006.

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



Cameron D. Stewart  
*Secretary*

Toronto, Ontario  
March 8, 2007

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## Who Can Vote

**Canadian Tire has two classes of shares.** The items you can vote on depend on the class of shares you own. Each share you own as of March 22, 2007 entitles you to one vote. If you acquired shares after March 22, 2007 see “What if ownership of shares has been transferred after March 22, 2007?” on page 4 of this management information circular.

### Common Shares

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

- the election of 13 of the 16 directors
- the appointment of the Auditors, and setting their compensation
- resolutions to amend three of our share compensation arrangements, the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers, the Canadian Tire Corporation, Limited Share Purchase Plan and the Canadian Tire Corporation, Limited Amended and Restated Stock Option Plan.

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

As of March 8, 2007, Canadian Tire had 3,423,366 Common Shares outstanding. The directors and senior officers of Canadian Tire are not aware of any person or company that beneficially owns, directly or indirectly, or exercises control or direction over more than 10 percent of the total outstanding Common Shares, other than those listed below:

Name	Number of Common Shares Beneficially Owned, Controlled or Directed	Percentage of Outstanding Common Shares
Martha G. Billes <sup>(1)</sup>	1,400,767	40.9%
Owen G. Billes <sup>(2)</sup>	700,383	20.5%
C.T.C. Dealer Holdings Limited	700,384	20.5%
The Trustees of the Company's Deferred Profit Sharing Plan (established on January 1, 1968)	419,280	12.2%

#### Notes

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

### Class A Non-Voting Shares

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

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

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

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

The Common Shares and Class A Non-Voting Shares are each generally voted separately as a class. Accordingly, aggregating the voting rights attached to the Common Shares and Class A Non-Voting Shares is not relevant to any corporate action currently contemplated. If an occasion should arise on which the holders of the Common Shares and the holders of the Class A Non-Voting Shares are entitled to vote together (rather than separately as a class), then based on the numbers of Common Shares and Class A Non-Voting Shares outstanding at March 8, 2007, the Class A Non-Voting Shares would represent approximately 95.8 percent of the aggregate voting rights attached to the Common Shares and the Class A Non-Voting Shares. See the Company’s articles of

amendment dated December 15, 1983 for more information on the voting rights of the holders of Class A Non-Voting Shares.

As of March 8, 2007, Canadian Tire had 78,138,221 Class A Non-Voting Shares outstanding. The directors and senior officers are not aware of any person or company that beneficially owns, directly or indirectly, or exercises control or direction over more than 10 percent of the outstanding Class A Non-Voting Shares, other than Jarislowsky, Fraser Limited. According to a report filed by Jarislowsky, Fraser Limited on the System for Electronic Document Analysis and Retrieval (*SEDAR*) at [www.sedar.com](http://www.sedar.com) in July 2003, it exercises control or direction over 13,925,053 Class A Non-Voting Shares, which represents approximately 17.8 percent of the total outstanding Class A Non-Voting Shares. Jarislowsky, Fraser Limited has advised that there has been no material change to its share ownership since that date.

## Q & A on Proxy Voting

### Q: What am I voting on?

A: Holders of Common Shares are voting on the election of 13 directors to the Board of Canadian Tire, the appointment of the Auditors and setting their compensation, and proposed amendments to three of our share compensation arrangements.

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

### Q: Who is entitled to vote?

A: Holders of Common Shares and Class A Non-Voting Shares as at the close of business on March 22, 2007 are entitled to vote. Each Common Share and Class A Non-Voting Share is entitled to one vote on the items of business identified above.

If you acquired your shares after March 22, 2007, please refer to the answer to the question “What if ownership of shares has been transferred after March 22, 2007?” on page 4 to determine how you may vote such shares.

### Q: How do I vote?

A: If you are a registered shareholder, you may vote in person at the meeting or you may sign the enclosed form of proxy appointing the named persons or some other person you choose, who need not be a shareholder, to represent you as proxyholder and vote your shares at the meeting. If your shares are held in the name of a nominee, please see the box on page 4 for voting instructions.

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

A: If you are a registered shareholder and plan to attend the meeting on May 10, 2007 and wish to vote your shares in person at the meeting, do not complete or return the form of proxy. Your vote will be taken and counted at the meeting. Please register with the transfer agent, Computershare Trust Company of Canada, upon arrival at the meeting. If your shares are held in the name of a nominee or intermediary, please see the box on page 4 for voting instructions.

### Q: Can I vote by telephone?

A: If you are a registered shareholder, you can vote by telephone by calling 1-866-732-VOTE/8683. Follow the instructions provided. You will need your holder account number, proxy access number and control number (located on the front of the form of proxy) to identify yourself to the system.

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

A: If you are a registered shareholder, go to [www.computershare.com/proxy](http://www.computershare.com/proxy) and follow the instructions. You will need your holder account number, proxy access number and control number (located on the front of the form of proxy) to identify yourself to the system.

### Q: Who is soliciting my proxy?

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

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

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

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

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

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

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

A: Return it to Canadian Tire’s transfer agent, Computershare Trust Company of Canada, in the envelope provided.

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

A: Yes. If you change your mind and wish to revoke your proxy, prepare a written statement to this effect. The statement must be signed by you or your attorney as authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney of the corporation duly authorized. This statement must be delivered to the Secretary of Canadian Tire at the following address no later than 5:00 p.m. (Eastern Standard Time) on Wednesday, May 9, 2007 or to the Chairman on the day of the meeting, Thursday, May 10, 2007, or two days (excluding Saturdays, Sundays and holidays) before the day of the adjourned meeting.

**Canadian Tire Corporation, Limited**

2180 Yonge Street, 3rd Floor  
Toronto, Ontario M4S 2B9  
Attention: Cameron D. Stewart, Secretary  
Fax: (416) 480-3500

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

A: The persons named on the form of proxy must vote for or against or withhold from voting your shares in accordance with your directions, or you can let your proxyholder decide for you. In the absence of such directions, proxies received by management will be voted **in favour** of the election of directors to the Board, the appointment of the Auditors and setting their compensation, and the amendments to the share compensation arrangements (if applicable).

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

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

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

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

A: As of March 8, 2007, there were outstanding 3,423,366 Common Shares and 78,138,221 Class A Non-Voting Shares of Canadian Tire. Each registered shareholder has one vote for each Common Share and one vote for each Class A Non-Voting Share held at the close of business on March 22, 2007.

**Q: What if ownership of shares has been transferred after March 22, 2007?**

A: The person who acquired such shares after March 22, 2007 must produce properly endorsed share certificates or otherwise establish that he or she owns the shares and must ask Computershare Trust Company of Canada no later than 5:00 p.m. (Eastern Standard Time) on Monday, April 30, 2007, that his or her name be included in the list of shareholders before the meeting to be entitled to vote these shares at the meeting.

**Q: Who counts the votes?**

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

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

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

**Computershare Trust Company of Canada**

100 University Avenue  
9th Floor, North Tower  
Toronto, Ontario M5J 2Y1

**or by telephone:**

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

**or by fax:**

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

**or by e-mail at**

service@computershare.com.

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

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

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

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



## What the Meeting is About

We will be covering four items at the meeting:

1. receiving our consolidated financial statements for the year ended December 30, 2006, including the Auditors' report
2. electing directors who will serve until the end of the next annual meeting of shareholders
3. appointing Auditors who will serve until the end of the next annual meeting of shareholders, and setting their compensation
4. considering resolutions to amend three of our share compensation arrangements, the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers, the Canadian Tire Corporation, Limited Share Purchase Plan and the Canadian Tire Corporation, Limited Amended and Restated Stock Option Plan.

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

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

### Receiving the Consolidated Financial Statements

Our 2006 Annual Report has been prepared and sent to registered shareholders and beneficial shareholders who requested it. Management will review our consolidated financial results at the meeting and shareholders and proxyholders will be given an opportunity to discuss these results with management.

### Electing Directors

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

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

- Martha G. Billes
- Owen G. Billes
- Austin E. Curtin
- H. Garfield Emerson
- Daniel E. Fournier
- Thomas K. Gauld
- Keith E. Gostlin
- James R. Neale
- Suzanne R. Perles
- James A. Riley
- Maureen J. Sabia
- Graham W. Savage
- Stephen G. Wetmore.

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

- Robert M. Franklin
- Frank Potter
- Timothy R. Price.

All of the nominated directors are already directors of Canadian Tire, and were elected as directors at our Annual Meeting of Shareholders on May 11, 2006, except for H. Garfield Emerson, Daniel E. Fournier, Robert M. Franklin and Timothy R. Price. Mr. Fournier was appointed a director by the Board of Directors on October 12, 2006.

### Appointing Auditors

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

### Considering Amendments to Share Compensation Arrangements

The Company proposes to amend the following compensation plans (the *Compensation Plans*), which constitute security based compensation arrangements as defined in the Company Manual of the Toronto Stock Exchange (the *TSX*):

Name of Compensation Plan	Description of Compensation Plan (Page)
Deferred Profit Sharing Plan for Employees of Participating Associate Dealers	44
Canadian Tire Corporation, Limited Share Purchase Plan	44
Canadian Tire Corporation, Limited Amended and Restated Stock Option Plan	30

Each of the Compensation Plans is proposed to be amended to permit future amendments without shareholder approval in specified circumstances. In addition, the Canadian Tire Corporation, Limited Amended and Restated Stock Option Plan (the *Stock Option Plan*) is proposed to be amended to provide for an automatic extension of an option period where the term of the option would otherwise have expired during a blackout period established by the Company and to address certain additional housekeeping matters.

A summary of the proposed amendments to the Compensation Plans is set out below. The particulars of the proposed amendments to the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers (the *Dealer DPSP*) and to the Canadian Tire Corporation, Limited Share Purchase Plan (the

*Share Purchase Plan*) are set out in the forms of resolution attached to this management information circular as Appendices A and B respectively. The particulars of the proposed amendments to the Stock Option Plan, including the form of resolution and proposed Amended and Restated Stock Option Plan, are attached to this management information circular as Appendix C. In order to become effective, each of these resolutions is required to be approved by a simple majority of the votes cast by the holders of the Common Shares of the Company represented and voted at the meeting.

### **Amendments to all Compensation Plans**

The amending procedures for the Compensation Plans vary, but each allows the Board of Directors of the Company to amend, suspend or terminate the Compensation Plan in specified circumstances. However, to the extent any such amendment, suspension or termination adversely affects any entitlement previously granted under the Compensation Plan to a participant, the consent of that participant is required. The TSX now also requires that each Compensation Plan explicitly provide that shareholder approval is not required to implement any amendments, save and except for amendments related to:

- (i) the maximum number of shares of the Company which are reserved for issuance under the Compensation Plan (and under any other security based compensation arrangement of the Company);
- (ii) in the case of the Stock Option Plan, a reduction in the exercise price for options held by insiders; and
- (iii) in the case of the Stock Option Plan, an extension to the term of options held by insiders.

If the proposed resolutions are passed, many different types of amendments to the Compensation Plans, other than in relation to these three matters, can be made by the Board of Directors without shareholder approval. The particulars of the possible amendments to the Compensation Plans are set out in the proposed resolutions.

### **Additional Amendments to the Stock Option Plan**

In addition to the amendment of the Stock Option Plan to modify the amending procedures, as set out above, the Stock Option Plan is intended to be amended to provide for an automatic extension of an option period where the option would otherwise have terminated during a blackout period established by the Company and to address certain additional housekeeping matters, as summarized below and more particularly described in the form of resolution and proposed Amended and Restated Stock Option Plan attached to this management information circular as Appendix C.

#### ***Blackout Period Extension***

The continuous disclosure obligations of the Company give rise to a number of periods each year during which directors, officers

and certain employees are precluded from trading in the Company's securities in accordance with the Company's Insider Trading Policy. These periods have been established by the Company and are referred to as "blackout periods". The TSX recognizes that these blackout periods might result in an unintended penalty to employees who are prohibited from exercising expiring options during one of these periods. As a result, the TSX now provides a framework for extending options that would expire during a blackout period. The Company proposes adopting the TSX framework so that options issued under the Stock Option Plan will expire at the later of the expiry date set for the options (usually seven or 10 years after the grant date or within specified periods of time following certain events) or, if that date occurs during a blackout period or shortly after a blackout period, 10 business days after that blackout period ends. This change will have no material additional dilutive impact on the Company's Class A Non-Voting Shares and no material adverse impact on the Company or its shareholders. These amendments are included in paragraph 4(l) of the proposed Amended and Restated Stock Option Plan and provide that if the date on which an option terminates occurs during a blackout period, the date of the expiry of such option will become the tenth business day following the end of the blackout period.

#### ***Other Housekeeping Amendments***

The proposed Amended and Restated Stock Option Plan is also intended to be amended to address various housekeeping matters as reflected in the form of resolution attached hereto as Appendix C. These amendments are identified in the Amended and Restated Stock Option Plan attached to the resolution and blacklined to indicate changes from the current Stock Option Plan.

### **Recommendation of the Board of Directors**

The Board of Directors recommends that the holders of the Common Shares of the Company vote for the approval of the resolutions to amend the Compensation Plans attached to this management information circular as Appendices A and B. The Board of Directors considers the amendments referred to in these resolutions to be appropriate and in the best interests of the Company as they will enable further amendments to the Compensation Plans referred to in the resolutions to be made on a timely and expeditious basis (other than those requiring shareholder approval).

The Board of Directors also recommends that the holders of Common Shares of the Company vote for the approval of the resolution to amend and restate the Stock Option Plan in the manner set out in the proposed Amended and Restated Stock Option Plan attached to this management information circular as Appendix C. The Board of Directors considers the amendments



referred to in this resolution to be appropriate and in the best interests of the Company for the following reasons:

- (i) the proposal to modify the amendment provisions will enable further amendments to the Stock Option Plan to be made on a timely and expeditious basis (other than those requiring shareholder approval); and
- (ii) the extension of the expiry dates beyond blackout periods is consistent with the TSX framework for extending options in these circumstances and is intended to allow participants in the Stock Option Plan to exercise or surrender their options and, if applicable and considered advisable, to sell the underlying Class A Non-Voting Shares, at a time other than during a blackout period.

### Shareholder Approval

In order to become effective, each of the resolutions attached to this management information circular as Appendices A, B and C is required to be approved by a simple majority of the votes cast by the holders of Common Shares of the Company represented and voted at the meeting.

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### Considering Other Business

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

## About the Nominated Directors

The table on page 14 tells you about the nominated directors, along with how many deferred share units (*DSUs*) under the Directors' Deferred Share Unit Plan and shares they own. See *Compensation of Directors* on page 41 for more information. The number of DSUs that each director holds has been rounded down to the nearest whole number. DSUs do not carry any voting rights.

The table also tells you the value of the Class A Non-Voting Shares or DSUs each director needs in order to meet our share ownership guideline for directors. Each director, other than Mr. Gauld, is required to accumulate at least three times the value of the annual retainer in Common Shares, Class A Non-Voting Shares or DSUs by the later of February 9, 2008 and the fifth anniversary of the director becoming a director.

Each director holds office until the next annual meeting of shareholders or until a successor is elected or appointed.

Pursuant to a shareholders' agreement dated October 30, 1989 between Martha G. Billes (together with corporations and trusts she is associated with) and C.T.C. Dealer Holdings Limited, Ms. Billes has proposed nine and C.T.C. Dealer Holdings Limited has proposed three of the 13 directors to be nominated for election by the holders of Common Shares at the meeting. These shareholders have agreed to vote for the election of such nominees, and the President and Chief Executive Officer, as directors of Canadian Tire.

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

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### Board Size

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

The articles of amendment also state that:

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

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

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## Director Nominees

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**Martha G. Billes, 66**

Calgary, Alberta, Canada

**Member of:**

- Governance Committee
- Social Responsibility and Risk Governance Committee

**Current Activities:**

Ms. Billes is President and a director of Albikin Management Inc., an investment holding company. She is Chairman of the Canadian Tire Foundation for Families and a director of Canadian Tire Bank. Ms. Billes is the daughter of Canadian Tire co-founder A.J. Billes and has beneficially owned or controlled a majority of the Common Shares since 1997. She is also a director of Marlore Enterprises Ltd. and Tire 'N' Me Pty. Ltd., and a member of the Board of Trustees of the Calgary Women's Emergency Shelter — Endowment Fund Trust.

**Past Activities:**

Ms. Billes has served on the boards of several public companies. She received an Honorary Doctorate of Commerce degree from Ryerson University in 2002. Ms. Billes is also Honorary Consul Emeritus for the Republic of Chile, Southern Alberta Region and past member of the Board of Trustees of the Sunnybrook Medical Centre Foundation.



**Owen G. Billes, 37**

St. Catharines, Ontario, Canada

**Member of:**

- Social Responsibility and Risk Governance Committee

**Current Activities:**

Mr. Billes is Manager, New Business Development, Canadian Tire. Mr. Billes is the son of Martha G. Billes and grandson of Canadian Tire co-founder A.J. Billes.

**Past Activities:**

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



**Austin E. Curtin, 65**

Medicine Hat, Alberta, Canada

**Member of:**

- Social Responsibility and Risk Governance Committee

**Current Activities:**

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

**Past Activities:**

Mr. Curtin became an Associate Dealer in 1975. He also previously held numerous management positions with Zellers Ltd. Mr. Curtin has been an active member of the Canadian Tire Dealers' Association and its committees and served as its National Director of Marketing. He is a recipient of the Canadian Tire Award of Excellence.



**H. Garfield Emerson, Q.C., 66**

Toronto, Ontario, Canada

**Current Activities:**

Mr. Emerson is Principal, Emerson Advisory, an independent business and financial advisory firm, and a Corporate Director. He is a director of CAE Inc., Sentry Select Capital Corp. and Wittington Investments, Limited. Mr. Emerson is the Vice-Chair of the Auditing and Assurance Standards Oversight Council, a certified professional director of the Institute of Corporate Directors and a member of the Directors in Residence faculty of The Directors College.

**Past Activities:**

Mr. Emerson is the past National Chair of Fasken Martineau DuMoulin LLP (2001-2006). He has been recognized by legal ranking guides as a leading lawyer in the areas of mergers and acquisitions, securities and corporate law. Mr. Emerson was previously President and Chief Executive Officer of NM Rothschild & Sons Canada Limited (1990-2001), investment bankers, non-executive Chairman of the Board of Rogers Communications Inc. (1993-2006) and a senior partner of Davies, Ward & Beck. He has served as a director of Rogers Communications Inc., Canada Deposit Insurance Corporation, University of Toronto Asset Management Corporation, NM Rothschild & Sons Limited, Marathon Realty Company Limited, Genstar Capital Corporation, Rogers Cable Inc., Rogers Wireless Communications Inc., Rogers Media Inc., and Sunnybrook and Women's College Health Sciences Centre. Mr. Emerson has also served as a member of the University of Toronto Business Board, the University of Toronto President's Investment Committee, Canadian Club of Toronto, National Board of the Canadian Council of Christians and Jews and Canadian Psychiatric Research Foundation. He is the former Chair, Campaign for Victoria University in the University of Toronto, and founding Chair, Sunnybrook and Women's Foundation.



**Daniel E. Fournier, 52**

Outremont, Quebec, Canada

**Member of:**

- Governance Committee
- Management Resources and Compensation Committee

**Current Activities:**

Mr. Fournier is President, ACNG Capital Inc., a real estate value creation and strategic planning firm. He is the Lead Director of the Genivar Income Fund and Vice Chairman of CB Richard Ellis Canada. Mr. Fournier is the founding Chairman of NF (Neurofibromatosis) Canada.

**Past Activities:**

Mr. Fournier was formerly Chairman and the majority shareholder of Jas. A. Ogilvy Inc., and Chairman of Ritz-Carlton Canada. Mr. Fournier has served as a member of the Board of Directors of the Brick, Standard Life Canada, Standard Life Trust Company, Hartco Corporation, and as a trustee and member of the Independent Committee of Summit Reit. Mr. Fournier has also served as Chairman of the McCord Museum of Canadian History, Vice Chairman of the Fondation Jean Lapointe, and as a member of the Board of Directors of Festival de Lanaudière, and the YMCA and YWCA Foundations.



**Robert M. Franklin, 60**

Toronto, Ontario, Canada

**Current Activities:**

Mr. Franklin is Chairman of Photowatt Technologies, a subsidiary of ATS Automation Tooling Systems Inc., and President of Signalta Capital Corporation, a private investment company. He is a director of Barrick Gold Corporation, First Uranium Corporation, Great Lakes Carbon Income Trust, Resolve Business Outsourcing Income Fund and Toromont Industries Ltd.

**Past Activities:**

Mr. Franklin was Chairman of Placer Dome Inc. from 1993 until it was taken over by Barrick Gold Corporation in 2006. He has also served as Chairman of Clublink Corporation and Glenayre Electronics Inc., and as a director of Algonquin Mercantile Corporation, Barrington Petroleum Ltd., Call-Net Enterprises Inc. and Royster-Clark Ltd.



**Thomas K. Gauld, 57**

St. Catharines, Ontario, Canada

**Current Activities:**

Mr. Gauld is President and CEO of Canadian Tire and a director of Canadian Tire Financial Services Limited and Mark's Work Warehouse Ltd.

**Past Activities:**

Mr. Gauld previously led Canadian Tire Financial Services Limited as President from 1996 to 2006. He joined Canadian Tire Financial Services Limited in 1993 as Vice-President of Marketing. Prior to joining Canadian Tire, Mr. Gauld held a variety of management positions in Canada and internationally. He was Managing Director of Spalding Sports in Europe, President of Spalding Sports in Canada and RoadMaster Leisure Canada. He also worked in a variety of marketing roles with SmithKline Beecham in Canada and South America, Bristol Myers in Canada and the United States and Unilever in South Africa. He has served as a director of MasterCard Canada. Mr. Gauld has also been Chairman of the Niagara College Board of Governors and a member of the Board of Trustees of Brock University, the Advisory Board of Equifax Canada and the Shaw Festival Board of Governors.



**Keith E. Gostlin, 63**

Kelowna, British Columbia, Canada

**Member of:**

- Social Responsibility and Risk Governance Committee

**Current Activities:**

Mr. Gostlin is President, K.E. Gostlin Enterprises Ltd., which operates a Canadian Tire Associate store in Kelowna, British Columbia.

**Past Activities:**

Mr. Gostlin became an Associate Dealer in 1967. He was president of the Canadian Tire Dealers' Association from 1990 to 1993, and remained on its board as past president until 1995. Mr. Gostlin has also served as chairman for three Associate Dealer groups and on numerous Canadian Tire Dealers' Association committees. In addition, he has chaired various committees for the Associate Dealers working together with the Company in connection with e-business, PartSource and the new Dealer contract. Mr. Gostlin is a recipient of the Canadian Tire Award of Excellence. He has also served on the board of the Kelowna General Hospital and the Kelowna Economic Development Commission.



**James R. Neale, 64**

Calgary, Alberta, Canada

**Member of:**

- Governance Committee
- Management Resources and Compensation Committee

**Current Activities:**

Mr. Neale is President, Neale Management Consultants Ltd., a consulting firm specializing in accounting, finance and tax services. He is also active in oil and gas exploration and development through his private holding company, Adventure Petroleum Ltd.

**Past Activities:**

Mr. Neale, a Certified Management Accountant, has served as a director of the Small Explorers and Producers Association of Canada and as an officer and director of several public resource companies. He also co-founded North Eastern Drilling Ltd., owner and operator of the first slant hole drilling rig in Canada.



**Suzanne R. Perles, 53**  
Manhattan Beach, California, U.S.A.

**Member of:**

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

**Current Activities:**

Ms. Perles is Managing Director, The Corporate Development Company, a corporate advisory firm specializing in mergers and acquisitions. She is also a member of the Board of Directors and Treasurer of America's Health Together and a director of the Southern California Speed Skating Association.

**Past Activities:**

Ms. Perles was previously Vice President Global Head Consumer Products Mergers and Acquisitions, Citicorp Mergers and Acquisitions and an engagement manager at the consulting firm of McKinsey and Company. She was elected to the Board of Trustees of Princeton University and served as vice president of the American Association of Rhodes Scholars. Ms. Perles was a member of the Board of Directors of Belae Brands, Inc., Chief Operating Officer of Anchor Audio, Senior Advisor to Enell, Inc., and a founding member of the Women's Equity Fund Advisory Board. She was formerly Director, National Issues Program, University of Maryland, Academy of Leadership, Co-Chair of the Business Development Task Force, Rebuild Los Angeles and an economics instructor at St. Anne's College, Oxford University. Ms. Perles was an undergraduate at Princeton University, earned her MBA from the Harvard Business School and her Doctorate in economics from Oxford University where she was a Rhodes Scholar.



**Frank Potter, 70**  
Toronto, Ontario, Canada

**Member of:**

- Management Resources and Compensation Committee (Chairman)
- Social Responsibility and Risk Governance Committee

**Current Activities:**

Mr. Potter is Chairman, Emerging Market Advisors, Inc., a consulting firm dealing with international direct investment, and a director of Canadian Tire Bank. He is also a director of Golden China Resources Corporation, Penn West Energy Trust, Rockwater Capital Corporation, Softchoice Corporation, Sentry Select Capital Corp., a private company that manages a number of exchange-traded investment trusts, and each of the trusts and funds in the Sentry Select family.

**Past Activities:**

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



**Timothy R. Price, 64**  
Toronto, Ontario, Canada

**Current Activities:**

Mr. Price is Chairman, Brookfield Funds, Brookfield Asset Management Inc., an asset management company. He is a director of Astral Media Inc., HSBC Bank Canada, Morguard REIT, Q9 Networks Inc. and St. Michael's Hospital Foundation. He is also a governor of York University.

**Past Activities:**

Mr. Price was previously President and CEO of Hees Enterprises Limited and Chairman of Trilon Financial Corporation.



**James A. Riley, 54**

Toronto, Ontario, Canada

**Member of:**

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

**Current Activities:**

Mr. Riley is a Partner of Goodmans LLP, a law firm.

**Past Activities:**

Mr. Riley was a founding partner of the Toronto office of Ogilvy Renault LLP, a law firm, and has more than 25 years of experience practicing law in the areas of banking, financial intermediary regulation and mergers and acquisitions. Mr. Riley has been recognized as one of Canada's leading lawyers in these and other practice areas by legal ranking guides. He has served as a director or equivalent of several organizations including Appleby College, St. George's on-the-Hill and Mellon Bank Canada and its affiliates.



**Maureen J. Sabia, 65**

Toronto, Ontario, Canada

Non-Executive Chairman of the Board since March 8, 2007

**Current Activities:**

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

Miss Sabia is a member of the Public Accountants Council for the Province of Ontario, a body mandated by the *Public Accounting Act, 2004* (Ontario) to oversee, in the public interest, the regulation of public accounting.

**Past Activities:**

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



**Graham W. Savage, 57**

Toronto, Ontario, Canada

**Member of:**

- Audit Committee (Chairman)
- Governance Committee

**Current Activities:**

Mr. Savage is Chairman of Callisto Capital LP, a merchant banking partnership. He is a director of Canadian Tire Bank and Sun Times Media Group, Inc.

**Past Activities:**

Mr. Savage was previously Chief Financial Officer and a director of Rogers Communications Inc. He has also been a director of AT&T Long Distance Co., Alias Corp., FMC Financial Models Limited, Leitch Technology Corp., Lions Gate Entertainment Corp., MDC Corp., Microcell Inc., Royal Group Technologies Limited, Sun Media Corp. and Vitran Corporation among others.





**Stephen G. Wetmore, 54**

Mississauga, Ontario, Canada

**Member of:**

- Audit Committee
- Management Resources and Compensation Committee

**Current Activities:**

Mr. Wetmore is President and CEO, Bell Aliant Regional Communications Income Fund, a communications service provider. He is a chartered accountant and a member of the Canadian Institute of Chartered Accountants. Mr. Wetmore is a director of Stratos Global Corporation and the C.D. Howe Institute, and a member of the Financial Executives Institute.

**Past Activities:**

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

## About the Nominated Directors

### Number of Shares and Deferred Share Units (DSUs) Beneficially Owned, Controlled or Directed

Name	Director Since	Year	Common Shares	Class A Non-Voting Shares	Number of DSUs	Total Number of Shares and DSUs	Total Value of Shares and DSUs (\$) <sup>(4)</sup>	Value of Shares/DSUs Needed to Meet Ownership Guideline (\$) <sup>(4)</sup>	Date at which Ownership Guideline is to be Met
Martha G. Billes <sup>(1)(2)</sup>	1980	2007	1,400,767	5,488	–	1,406,255	See Note 3	–	February 9, 2008
		2006 Change	1,400,767	5,251	–	1,406,018			
Owen G. Billes <sup>(2)(9)</sup>	2004	2007	700,383	725,864	N/A	1,426,247	See Note 3	–	May 11, 2009
		2006 Change	700,383	725,446	N/A	1,425,829			
Austin E. Curtin	1998	2007	–	1,755	20,199	21,954	1,576,956	–	February 9, 2008
		2006 Change	N/A	1,755	17,535	19,290			
H. Garfield Emerson	–	2007	–	–	–	–	N/A	300,000	May 10, 2012
		2006 Change	N/A	N/A	N/A	N/A			
Daniel E. Fournier	2006	2007	–	–	184	184	13,217	286,783	October 12, 2011
		2006 Change	N/A	N/A	N/A	N/A			
Robert M. Franklin	–	2007	–	–	–	–	N/A	300,000	May 10, 2012
		2006 Change	N/A	N/A	N/A	N/A			
Thomas K. Gauld <sup>(9)</sup>	2006	2007	–	1,927	N/A	1,927	138,416	N/A	N/A
		2006 Change	–	1,136	N/A	1,136			
Keith E. Gostlin	2006	2007	–	425	2,053	2,478	177,995	122,005	February 9, 2011
		2006 Change	–	425	–	425			
James R. Neale	2006	2007	–	–	826	826	59,332	240,668	May 11, 2011
		2006 Change	–	–	–	–			
Suzanne R. Perles	2005	2007	–	–	1,690	1,690	121,393	178,607	November 10, 2010
		2006 Change	N/A	N/A	200	200			
Frank Potter	1998	2007	–	1,756	4,578	6,334	454,971	–	February 9, 2008
		2006 Change	–	1,742	4,005	5,747			
Timothy R. Price	–	2007	–	–	–	–	N/A	300,000	May 10, 2012
		2006 Change	N/A	N/A	N/A	N/A			
James A. Riley	2006	2007	–	–	1,432	1,432	102,861	197,139	May 11, 2011
		2006 Change	N/A	N/A	–	–			
Maureen J. Sabia	1985	2007	–	4,643	1,648	6,291	451,883	–	February 9, 2008
		2006 Change	–	4,643	1,205	5,848			
Graham W. Savage	1998	2007	–	3,033	1,358	4,391	315,406	–	February 9, 2008
		2006 Change	–	3,033	520	3,553			
Stephen G. Wetmore	2003	2007	–	500	5,967	6,467	464,525	–	May 14, 2008
		2006 Change	–	500	3,631	4,131			
		2007	–	–	–	–	N/A	–	
		2006 Change	N/A	N/A	–	–			

### Notes

- (1) Tire 'N' Me Pty. Ltd. (*Tire 'N' Me*) owns 1,400,767 Common Shares of the Company. Ms. Billes controls Tire 'N' Me and is the beneficial owner of all the issued shares of Tire 'N' Me. The Common Shares of the Company owned by Tire 'N' Me are included in the shareholdings of Ms. Billes shown in this table.
- (2) Albikin Management Inc. (*Albikin*) owns 700,383 Common Shares and 712,476 Class A Non-Voting Shares of the Company. With the exception of a small number of nominal value preferred shares of Albikin beneficially owned by Ms. Billes, Mr. Billes is the beneficial owner of all the issued shares of Albikin. By agreement between Ms. Billes and Mr. Billes, Ms. Billes controls Albikin. The Common Shares and Class A Non-Voting Shares of the Company owned by Albikin are included in the shareholdings of Mr. Billes shown in this table and are not included in the shareholdings of Ms. Billes shown in this table.
- (3) The values of Ms. Billes' and Mr. Billes' Common Share and Class A Non-Voting Share holdings exceed the Share Ownership Guideline.
- (4) The closing share price for Common Shares on March 8, 2007 was \$85.00. The closing share price for Common Shares on March 9, 2006 was \$120.65. The closing share price for Class A Non-Voting Shares (and accordingly the value of a DSU) on March 8, 2007 was \$71.83. The closing share price for Class A Non-Voting Shares (and accordingly the value of a DSU) on March 9,

2006 was \$64.70. The figures represented in this column are based upon these closing share prices.

- (5) All of the director nominees who have not previously been elected a director of the Company by a vote of shareholders at a meeting, the notice of which was accompanied by an information circular, have held the same principal occupation, business or employment during the past five years, except for Mr. Emerson, who was National Chair, Fasken Martineau DuMoulin LLP from 2001 to 2006, and Mr. Franklin, who was Chairman of Placer Dome Inc. from 1993 to 2006.
- (6) Mr. Emerson was a director of Livent Inc. at the time it was the subject of a cease trade order. Within one year of his resignation as a director of Livent Inc., it filed for protection under the *Companies' Creditors Arrangement Act* and under Chapter 11 of the *U.S. Bankruptcy Code*. Mr. Savage was a director of Microcell Inc. when it filed for protection under the *Companies' Creditors Arrangement Act*.
- (7) Mr. Emerson and Mr. Potter serve together on the Board of Directors of Sentry Select Capital Corp. There are no other interlocking public company directorships among the director nominees.
- (8) The average age of the nominated directors is 59.
- (9) Mr. Billes and Mr. Gauld are not eligible to participate in the Directors' Deferred Share Unit Plan because they are employees of the Company.

## Meeting Attendance

The table below lists the Board and Committee meetings held in 2006 and the number attended by each director. Directors who are members of Committees are expected to attend Committee meetings. The shaded boxes below indicate Committee meeting attendance by a director as an invited guest.

	Board (15 meetings)		Audit Committee (8 meetings)		Governance Committee (4 meetings)		Management Resources and Compensation Committee (9 meetings)		Social Responsibility and Risk Governance Committee (4 meetings)		Total
	Number	%	Number	%	Number	%	Number	%	Number	%	%
<b>Gilbert S. Bennett</b> <sup>(1)</sup>	15 of 15	100%	7 of 8	88%	4 of 4	100%	9 of 9	100%	4 of 4	100%	98%
<b>Martha G. Billes</b>	15 of 15	100%	8 of 8	100%	4 of 4	100%	9 of 9	100%	4 of 4	100%	100%
<b>Owen G. Billes</b>	15 of 15	100%	8 of 8	100%	4 of 4	100%	8 of 9	90%	4 of 4	100%	98%
<b>Gordon F. Cheesbrough</b>	15 of 15	100%	8 of 8	100%					4 of 4	100%	100%
<b>Austin E. Curtin</b>	14 of 15	93%	8 of 8	100%	1 of 1	100%			4 of 4	100%	96%
<b>James D. Fisher</b>	14 of 15	93%	7 of 8	88%			9 of 9 (Chairman) <sup>(6)</sup>	100%			94%
<b>Daniel E. Fournier</b> <sup>(7)</sup>	5 of 5	100%			1 of 1	100%	1 of 1	100%			100%
<b>Thomas K. Gauld</b> <sup>(1)(8)</sup>	9 of 9	100%	5 of 5	100%	2 of 2	100%	5 of 5	100%	3 of 3	100%	100%
<b>Keith E. Gostlin</b>	14 of 15	93%			3 of 4	75%			3 of 4	75%	87%
<b>John S. Lacey</b> <sup>(10)</sup>	4 of 7	57%			2 of 2	100%	3 of 4	75%			69%
<b>Rémi Marcoux</b> <sup>(11)</sup>	8 of 8	100%	4 of 4	100%	2 of 2	100%					100%
<b>Kathleen Misunas</b> <sup>(12)</sup>	7 of 7	100%			2 of 2	100%	4 of 4	100%			100%
<b>James R. Neale</b> <sup>(13)</sup>	7 of 8	88%			2 of 2	100%	4 of 5	80%			87%
<b>Suzanne R. Perles</b>	15 of 15	100%			4 of 4	100%			4 of 4	100%	100%
<b>Frank Potter</b>	15 of 15	100%					9 of 9	100%	4 of 4 (Chairman) <sup>(14)</sup>	100%	100%
<b>James A. Riley</b> <sup>(15)</sup>	8 of 8	100%			2 of 2	100%	5 of 5	100%			100%
<b>Maureen J. Sabia</b>	15 of 15	100%	8 of 8 (Chairman) <sup>(17)</sup>	100%	1 of 1	100%	9 of 9	100%	3 of 3	100%	100%
<b>Wayne C. Sales</b> <sup>(1)(18)</sup>	6 of 6	100%	3 of 3	100%	2 of 2	100%	4 of 4	100%	1 of 1	100%	100%
<b>Graham W. Savage</b>	13 of 15	87%	8 of 8	100%	3 of 4 (Chairman) <sup>(19)</sup>	75%					89%
<b>Stephen G. Wetmore</b>	13 of 15	87%	8 of 8	100%			8 of 9	89%			91%

### Notes

- (1) The Chairman of the Board and the President and CEO are not members of any Committees but attend meetings of the Committees as invited guests.
- (2) Ms. Billes is not a member of the Audit Committee or the Management Resources and Compensation Committee but attends meetings of these Committees as an invited guest.
- (3) Mr. Billes is not a member of the Audit Committee, the Governance Committee or the Management Resources and Compensation Committee, but attends meetings of these Committees as an invited guest.
- (4) Mr. Curtin is not a member of the Audit Committee but attends meetings of this Committee as an invited guest.
- (5) Mr. Curtin is not a member of the Governance Committee but attended one meeting of the Governance Committee as an invited guest.
- (6) Mr. Fisher was Chairman of the Management Resources and Compensation Committee until the March 2007 meeting of the Committee.
- (7) Mr. Fournier was appointed as a director and a member of the Governance Committee on October 12, 2006. He was appointed a member of the Management Resources and Compensation Committee on December 7, 2006.
- (8) Mr. Gauld was appointed President and CEO and a director of the Company on April 27, 2006.
- (9) Mr. Gostlin is not a member of the Governance Committee but attends all meetings of this Committee as an invited guest.
- (10) Mr. Lacey did not stand for re-election as a director on May 11, 2006.
- (11) Mr. Marcoux retired as a director of the Company on May 26, 2006.
- (12) Ms. Misunas did not stand for re-election as a director on May 11, 2006.
- (13) Mr. Neale was elected as a director on May 11, 2006.
- (14) Mr. Potter was Chairman of the Social Responsibility and Risk Governance Committee until the March 2007 meeting of the Committee.
- (15) Mr. Riley was elected as a director on May 11, 2006.
- (16) Miss Sabia was not a member of the Governance Committee or the Social Responsibility and Risk Governance Committee but attended meetings of these Committees as an invited guest.
- (17) Miss Sabia was Chairman of the Audit Committee until the March 2007 meeting of the Committee.
- (18) Mr. Sales retired from the Board and as President and CEO of the Company on April 27, 2006.
- (19) Mr. Savage was Chairman of the Governance Committee until the March 2007 meeting of the Committee.

## About the Board of Directors

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

The Board is responsible for:

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

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

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

The Board:

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

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

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

Please see *Appendix D* on page D1 for a copy of the Board's mandate. This document has been approved by the Board.

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

The Board met 15 times in 2006.

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### Board Committees

The Board has established four standing Committees:

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

The Board does not have an executive committee.

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

All Committees meet regularly without management present (other than Owen G. Billes). Every director is entitled to attend any Committee meeting even if he or she is not a member of that Committee.

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### Audit Committee

The Audit Committee is currently made up of four directors:

- Gordon F. Cheesbrough
- Graham W. Savage
- James D. Fisher
- Stephen G. Wetmore.

Mr. Savage is the Chairman of the Committee.

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

### Financial Reporting

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

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

## External Auditors

The current external auditors are Deloitte & Touche LLP.

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

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

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

The Audit Committee meets with the external auditors to:

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

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

## Auditor Independence

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

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

The Audit Committee also carries out the following:

- discusses with the external auditors any items in the written disclosure required by the Canadian Institute of Chartered Accountants General Assurance and Auditing Recommendations, Section 5751, *Communications With Those Having Oversight Responsibility for the Financial Reporting Process*, that might be perceived to affect the external auditors' objectivity and independence
- reviews the non-audit services provided by the external auditors, as well as the external auditors' conclusion that the provision of those services does not prevent them from meeting the professional standards for objectivity and legal requirements for independence.

## Approving Services

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

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

- management is satisfied that they are the preferred supplier for these services
- the Chairman of the Audit Committee approves the proposed terms of engagement and advises the Audit Committee of the proposed provision of services at its next meeting. The entire Audit Committee must approve non-audit services when fees are more than \$250,000 or when the services are of a sensitive or unusual nature.

The Audit Committee met eight times in 2006. The Chairman of the Audit Committee is available to meet at any time and meets regularly with the external auditors and representatives of the Internal Audit Services department.

Please see *Appendix E* on page E1 for a copy of the Audit Committee's mandate and charter. This document has been approved by the Board.

For more information about the Audit Committee as required by Part 5 of Multilateral Instrument 52-110, see pages 37 to 39 in our 2007 Annual Information Form.

## Auditors' Fees

The table below shows the fees that Deloitte & Touche LLP received for services for the year ended December 30, 2006.

Audit fees and quarterly reviews of financial statements (including our consolidated financial statements and financial statements of certain subsidiaries)	\$2,563,100
Other audit, tax and assurance related services	\$2,034,300
Other advisory and consulting services	–

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## Governance Committee

The Governance Committee is currently made up of six directors:

- Martha G. Billes
- Suzanne R. Perles
- Daniel E. Fournier
- James A. Riley
- James R. Neale
- Graham W. Savage.

Mr. Riley is the Chairman of the Committee.

Owen G. Billes and Keith E. Gostlin are invited to attend all Governance Committee meetings.

## Governance Oversight

The Governance Committee is responsible for overseeing the Company's corporate governance practices and principles to assist the Board in discharging its duties in a highly effective manner. These responsibilities include making recommendations to the Board with respect to:

- the Board's approach to corporate governance
- the Company's corporate governance practices and principles.

## Director Nomination

The Governance Committee acts as the nominating committee of the Board, and is responsible for making recommendations to the Board with respect to:

- criteria for selecting new directors
- competencies and skills that individual directors are required to possess.

In this role, the Governance Committee also:

- identifies and maintains an evergreen list of qualified director candidates
- appoints directors to serve, fill vacancies on and to chair, other Board committees.

The Governance Committee has the mandate to:

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

## Evaluation of the Board, Committees of the Board and Individual Directors

The Governance Committee makes recommendations to the Board in the following areas:

- criteria for:
  - the composition and size of the Board and Board committees
  - evaluating the independence of individual directors
  - evaluating the financial literacy of individual directors for membership on the Audit Committee
- processes for evaluating:
  - the Board as a whole and the committees of the Board
  - the contributions, effectiveness and qualifications of individual directors
  - the performance of the Chairman of the Board
- the adequacy of the mandates and charters of the Board of Directors and each Board committee
- the position descriptions for the Chairman of the Board, the committee chairmen, the directors and the Secretary of the Company
- the Board's delegation of authority to the committees of the Board.

The Governance Committee also:

- evaluates the effectiveness of the Board and committees of the Board and reports its results to the Board
- assesses and provides feedback to each director on his or her effectiveness
- assesses individual director independence and financial literacy for recommendation to the Board
- gains and maintains reasonable assurance that a majority of directors, the Chairman of the Board and every member of the Audit Committee, the MRC Committee and the Governance Committee are independent
- reviews the performance of the Chairman of the Board and reports its results to the Board
- after consulting with the Chairman of the Board, removes a director from a Board committee (other than the Governance Committee) if the director is no longer competent or is disqualified from serving as a member of such a Board committee.



## Director Education and Orientation

The Governance Committee is responsible for:

- developing, reviewing and evaluating the Board's processes for orientation and education of directors
- ensuring that:
  - each new director participates in a comprehensive orientation process
  - the Chairman of the Board explains to each proposed new director the culture of the Board and the commitment of time and energy expected of every Director
  - when practical, the committee chairmen meet with each proposed new director to review the responsibilities and mandates and charters of the Board committees for which the proposed new director will serve
  - relevant continuing education is made available to all directors.

## Other Duties and Responsibilities

The Governance Committee makes recommendations to the Board with respect to:

- changes to the form and amount of the directors' remuneration for Board and Board committee service, and service as Chairman of the Board or a Board committee
- succession and emergency preparedness planning processes for the Chairman of the Board position
- the appointment of the Chairman of the Board, his or her removal, and, upon a vacancy in this position, an individual to replace the Chairman of the Board
- the Corporation's articles and by-laws and potential amendments to them.

The Governance Committee is also responsible for:

- reviewing, through the Chief Executive Officer, management's concerns about its relationship with the Board and reporting its findings to the Board
- reviewing, as necessary, legal and regulatory developments and changes and referring such matters to other committees of the Board for their review.

The Governance Committee met four times in 2006.

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## Management Resources and Compensation Committee

The Management Resources and Compensation Committee (*the MRC Committee*) is currently made up of six directors:

- James D. Fisher
- Daniel E. Fournier
- James R. Neale
- Frank Potter
- James A. Riley
- Stephen G. Wetmore.

Mr. Potter is the Chairman of the MRC Committee.

Owen G. Billes is invited to attend all MRC Committee meetings.

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

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

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

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

As part of its duties, the MRC Committee also oversees employment arrangements when new executives are hired, reviews payouts under the short-term incentive plan and recommends to the Board any adjustments to such payouts proposed by management and reviews employee opinion surveys which are conducted regularly.

The MRC Committee met nine times in 2006.

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## Social Responsibility and Risk Governance Committee

The Social Responsibility and Risk Governance Committee (*the SRRG Committee*) is currently made up of seven directors:

- Martha G. Billes
- Owen G. Billes
- Gordon F. Cheesbrough
- Austin E. Curtin
- Keith E. Gostlin
- Suzanne R. Perles
- Frank Potter.

Ms. Perles is the Chairman of the SRRG Committee.

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

## Social Responsibility

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

- address our social responsibilities
- govern ethical business conduct, human rights and employment practices
- protect the environment and safeguard the health and safety of our employees

- facilitate our investment in communities in which we carry on business to an extent and in a manner commensurate with our standing in the Canadian business community
- govern communications and dialogue with employees, customers, shareholders, suppliers and the community regarding the Company's social responsibility practices.

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

### Risk Governance

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

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

The SRRG Committee met four times in 2006.

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### Our Corporate Governance Policies and Practices

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

Our corporate governance policies and practices described below explain how we are meeting the guidelines adopted by securities regulators in Canada (*the CSA Rules*):

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

### The CSA Rules

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

- 1. Disclose whether or not a majority of directors are "independent", as that term is defined in the CSA Rules.**  
The Board of Directors includes a majority of directors who are *independent*, as that term is defined in the CSA Rules.
- 2. Disclose for each director whether he or she is "independent" or "not independent" and the basis for that determination.**

Mr. Gauld is the President and Chief Executive Officer of the Company and Mr. Billes is an employee of the Company. Therefore, Mr. Gauld and Mr. Billes are *not independent* directors. Mr. Curtin and Mr. Gostlin are Canadian Tire Associate Dealers pursuant to contracts with the Company in the same form as other Canadian Tire Associate Dealers' contracts and, therefore, are considered to be *not independent* directors.

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

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

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

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

Independence Status of Nominated and Current Directors

	Management	Independent	Not Independent	Reason for Non-Independent Status
Gilbert S. Bennett		✓		
Martha G. Billes		✓		
Owen G. Billes	✓		✓	Mr. Billes is an employee of the Company
Gordon F. Cheesbrough		✓		
Austin E. Curtin			✓	Mr. Curtin is a Canadian Tire Associate Dealer
H. Garfield Emerson		✓		
James D. Fisher		✓		
Daniel E. Fournier		✓		
Robert M. Franklin		✓		
Thomas K. Gauld	✓		✓	Mr. Gauld is President and Chief Executive Officer of the Company
Keith E. Gostlin			✓	Mr. Gostlin is a Canadian Tire Associate Dealer
James R. Neale		✓		
Suzanne R. Perles		✓		
Frank Potter		✓		
Timothy R. Price		✓		
James A. Riley		✓		
Maureen J. Sabia		✓		
Graham W. Savage		✓		
Stephen G. Wetmore		✓		

See Appendix D page D5 for the Board's policy on director independence.

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

The Governance Committee has the mandate to:

- (a) consult with such persons as it determines appropriate, including current Directors, the controlling shareholder and C.T.C. Dealer Holdings Limited in respect of possible nominees for election to the Board and individuals who might be appointed to fill a vacancy if any elected nominee ceases to be a Director

- (b) recommend to the Board qualified individuals as nominees for election to the Board by the shareholders of the Corporation at a meeting of shareholders of the Corporation and for appointment by the Board to fill any vacancies in the Board if a Director elected by the shareholders ceased to be a Director.

The Governance Committee reviews prospective nominees' qualifications under applicable laws, regulations and rules as well as the needs of the Company and the talents already represented on the Board. Based on its assessment of the existing strengths of the Board and the changing needs of the Company, the Governance Committee determines the competencies, skills and personal qualities it should seek in new Board members.

Nominees are selected for such qualities as integrity and ethics, business judgment, independence, business or professional expertise, board experience and residency. The Governance Committee reviews each candidate's biographical information, assesses each candidate's suitability against criteria that have been developed by the Governance Committee and considers the results of due diligence reviews, both internal and external.

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

- (a) in personal and professional dealings, the candidate has demonstrated integrity, high ethical standards and commitment to the values expressed in the Company's Code of Business Conduct for Employees and Directors;
- (b) the candidate has sufficient time and energy to devote to the performance of duties as a member of the Board of Directors, having regard to positions the candidate holds in other organizations and other business and personal commitments;
- (c) the candidate has a history of achievements that demonstrates the ability to perform at the highest level and that reflects high standards for themselves and others;
- (d) the candidate's background includes business, governmental, professional, non-profit or other experience that is indicative of sound judgment and the ability to provide thoughtful advice;

- (e) the candidate is likely to take an independent approach and to provide a balanced perspective;
- (f) the candidate is financially literate and able to read financial statements and other indices for evaluating corporate performance;
- (g) the candidate has specific skills, expertise or experience that would complement those already represented on the board; and
- (h) the candidate possesses knowledge and appreciation of public issues and exhibits familiarity with international, as well as national and local affairs.

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

The Board of Directors has adopted a majority voting policy for the election of Directors by the holders of Class A Non-Voting Shares of the Company. This policy is described on page 2 of this management information circular.

- (ii) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.**

The Governance Committee acts as the nominating committee of the Board. All of the directors on the Governance Committee are independent directors.

- (iii) If the board has a nominating committee, disclose the responsibilities, powers and operation of the nominating committee.**

See page 18 of this management information circular for a description of the powers, responsibilities and operation of the Governance Committee.

- 4. Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments.**

The Board, the Audit Committee and individual directors are regularly assessed with respect to their effectiveness and contribution. 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 assessments of each director are compiled into a composite report for that director and the composite report is provided to that director and to the Chairman of the Board and 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.

- 5. (i) Describe the measures the board takes to orient new directors regarding**
- (a) the role of the board, its committees and its directors, and**
  - (b) the nature and operation of the company's business.**

- (ii) Describe the measures, if any, the board takes to provide continuing education for its directors.**

For the purpose of maintaining reasonable assurance that each new director engages in a comprehensive orientation process and that all directors are provided with continuing education opportunities, the Board or the Governance Committee:

- (a) requires management to provide to each new director written materials covering topics including:
  - (i) copies of the articles and by-laws of the Company
  - (ii) copies of the mandate of the Board and the mandate and charter of each Board Committee
  - (iii) copies of the position descriptions for an individual director, the Chairman of the Board and the Chairman of each Board Committee
  - (iv) the Company's share structure and significant shareholders

- (v) copies of the agendas and minutes for all Board and Board Committee meetings held in the 12-month period immediately preceding such new director's election or appointment to the Board
  - (vi) a copy of the Company's current strategic plan
  - (vii) copies of the Company's Annual Reports, Management's Discussion & Analysis (*MD&A*) and Management Information Circulars for the two financial years of the Company preceding such new director's election or appointment to the Board
  - (viii) copies of the Company's interim financial statements and related MD&As for the two financial years of the Company immediately preceding such new director's election or appointment to the Board
  - (ix) a copy of the Company's current Annual Information Form
  - (x) a copy of each of the Company's Codes of Business Conduct
  - (xi) a copy of each of the Company's Board policies
  - (xii) a description of (1) the amount, form and timing of remuneration payments made to each director by the Company including the Directors' Deferred Share Unit Plan, and (2) the Company's equity ownership guidelines for directors
  - (xiii) the Associate Dealer Contract and the Company's relationship with the Associate Dealers
  - (xiv) opportunities to meet with the President and Chief Executive Officer, other corporate officers and the senior officers of all of the Company's business units for the purpose of discussing the nature and operation of the Company's business and affairs
  - (xv) the role of the Chief Executive Officer as a director
  - (xvi) a copy of the Directors' and Officers' indemnification agreement
  - (xvii) a copy of the book "Our Store 75 Years of Canadians and Canadian Tire"
  - (xviii) the Company's loyalty programs
  - (xix) the Company's financial policies and financial transactions
  - (xx) the Company's real estate portfolio
  - (xxi) the Company's banking relationships.
- (b) requires the Chairman of the Board to meet with each proposed new director and to explain to such proposed new director the culture of the Board and the commitment of time and energy expected of every director
  - (c) makes available to every director the opportunity, at the expense of the Company,
    - (i) to attend any conference, seminar, course or other educational experience (1) which is intended to expand corporate directors' knowledge and skills, and (2) which is approved by the Chairman of the Governance Committee and, where the expense could be significant, the Chairman of the Board
    - (ii) to visit key competitors of the Company and any of the Company's principal operating locations and to discuss the operation of those locations with the managers of those locations
    - (iii) to meet with the President and Chief Executive Officer, other corporate officers and the senior officers of all of the Company's business units for the purpose of discussing the nature and operation of the Company's business and affairs.
- During 2006, each of the directors had the option to attend education seminars presented by management of the Company. The subject matters presented in these seminars were executive compensation and new accounting rules.
- 6. Disclose the process by which the board determines the compensation for the company's directors and officers.** The Governance Committee reviews and recommends to the Board of Directors for approval the remuneration of directors. The Board considers the time commitment, comparative compensation, risks, responsibilities and other factors in determining compensation.
- The Company's executive compensation program is overseen on behalf of the Board of Directors by the MRC Committee. The MRC Committee has primary responsibility for making recommendations to the Board of Directors regarding the compensation of senior officers of the Company including the senior officers named in the *Summary Compensation Table* on page 36. The MRC Committee annually organizes a Board review of the performance of the President and Chief Executive Officer and, with the President and Chief Executive Officer, reviews the performance evaluations of the Company's senior officers, recommends to the Board the compensation philosophy of the Company, reviews the design, competitiveness and execution of the Company's



compensation and benefit plans and oversees individual employment arrangements when executives are hired. The MRC Committee conducts an annual review of the Company's executive compensation program, including compensation of the President and Chief Executive Officer. The review is conducted with the assistance of independent professional compensation consultants reporting directly to the MRC Committee.

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

The MRC Committee is composed entirely of independent directors.

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

See page 19 of this management information circular for a description of the responsibilities, powers and operation of the MRC Committee.

**9. If any compensation consultant or advisor has, at any time since the beginning of the most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers**

- (i) summarize the mandate for which they have been retained, and
- (ii) disclose whether or not the consultant or advisor has been retained to perform any other work for the Company, and describe the nature of the work.

The MRC Committee has the authority to retain consulting firms to assist in carrying out the MRC Committee's responsibilities, including determining the compensation of the President and Chief Executive Officer and other executives. Information relating to the consultants retained by the MRC Committee and management of the Company to assist in determining compensation for executives, including a brief description of the mandates for which they have been retained, can be found in the Report on Executive Compensation on page 27 of this management information circular.

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

A written position 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.

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

The text of the Board's written mandate is attached as *Appendix D* to this management information circular.

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

See page 15 of this management information circular for the directors' attendance at Board and Committee meetings since the beginning of the most recently completed financial year.

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

The Board (including Mr. Billes and the directors who are Associate Dealers, none of whom is independent) and each of its committees enhance independence by conducting sessions without management present. These sessions take place at each regularly scheduled meeting and are conducted by the Chairman of the Board at Board meetings and the chair of each committee at committee meetings. The number of such Board and Committee sessions is set out below.

	Meetings Without Management
Board	13
Audit Committee	8
Governance Committee	4
Management Resources and Compensation Committee	9
Social Responsibility and Risk Governance Committee	4



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

See the directors' biographies under *Director Nominees* beginning on page 8 of this management information circular for directorships of other reporting issuers for each of the nominated directors.

Gilbert S. Bennett is a director of Fortis Ontario Inc. and Samuel Son & Co., Limited. Gordon F. Cheesbrough is Chairman of Canadian Tire Bank and a director of Canadian Trading & Quotation Systems Inc. James D. Fisher is a director of Ace Bakeries Ltd., ICD Corporate Governance College, Lallemand Inc., Parmalat Canada and National Bedding Limited.

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

Maureen J. Sabia is Chairman of the Board and is an independent director. Miss Sabia is responsible for facilitating highly effective performance of the Board. Her duties include, among other things:

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

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

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

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

- (ii) Disclose any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.**
- (iii) Disclose any other steps the board takes to encourage and promote a culture of ethical business conduct.**

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

Each director is required to certify his or her compliance with the Company's Code of Business Conduct for Employees and Directors on an annual basis.

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

Management is required to provide, at least quarterly, reports to the Audit Committee and SRRG Committee on all reported violations of the Codes and their disposition.

The Board has established a business conduct compliance program (*the BCCP*), which provides a compliance mechanism for the Codes and with respect to:

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

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

- (i) overseeing the receipt, retention, investigation and resolution of complaints and concerns related to breaches of the Codes

- (ii) managing a business conduct hotline and web reporting services
- (iii) reporting to management and the Board on non-compliance with the Codes.

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

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

The SRRG Committee is the only standing Committee of the Board other than the Audit Committee, the MRC Committee and the Governance Committee. See page 19 of this management information circular for a description of the SRRG Committee's function.

## Report on Executive Compensation

The MRC Committee oversees the Company's executive compensation program on behalf of the Board of Directors.

The MRC Committee is responsible for recommending to the Board the appointment and compensation of all of our senior officers, including the senior officers listed in the *Summary Compensation Table* on page 36 of this management information circular.

### Composition of the Compensation Committee

The current members of the MRC Committee are Frank Potter, Chairman, James D. Fisher, Daniel E. Fournier, James R. Neale, James A. Riley and Stephen G. Wetmore.

Mr. Neale and Mr. Riley were appointed to the MRC Committee on May 11, 2006. John S. Lacey and Kathleen Misunas did not stand for re-election as directors on May 11, 2006. Mr. Fournier was appointed to the MRC Committee on December 7, 2006. Miss Sabia was appointed Chairman of the Board on December 11, 2006 effective March 8, 2007, and was a member of the MRC Committee until that date. Mr. Potter was appointed Chairman of the MRC Committee effective March 6, 2007.

For further information about the MRC Committee, see page 19 of this management information circular.

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

- attract and retain highly qualified executives
- motivate superior performance
- align rewards with business results and individual performance.

The executive compensation program includes three key elements:

- annual base salary
- short-term incentives
- long-term incentives, granted in 2006 as performance driven share units and stock options with a tandem stock appreciation rights feature.

Compensation is linked to our short-term and long-term goals. The ultimate value of senior officer compensation is significantly dependent upon our success in meeting specific performance goals and appreciation in our share price.

The MRC Committee reviews our compensation program every year. As part of this review, the MRC Committee evaluates individual senior officer compensation including annual base salary, short- and long-term incentives and perquisites. The senior officer long-term incentive review includes an analysis of potential Long-term Incentive Plan award payouts at varying Class A Non-Voting Share prices. Every two to three years the compensation

program review includes a comparison of our compensation program with the programs of large Canadian retailers and companies representing a cross-section of industries and generating annual revenues ranging between 0.5 to two times the revenues of the Company to people holding positions of responsibility comparable to the senior officer's position. The MRC Committee believes this review process allows for an effective, ongoing evaluation of our program against current industry practices.

### Compensation Consultant Advice

Mercer Human Resource Consulting (*Mercer*) and, subsequently, Hugessen Consulting Inc. (*Hugessen*) have been engaged directly by the MRC Committee to provide independent advice, compensation analysis and other information for compensation recommendations, and to attend MRC Committee meetings. Mercer provided these consulting services to the MRC Committee from January 2006 to May 2006, following which time the MRC Committee, after due consideration, replaced Mercer with Hugessen. The analysis and advice from Mercer and Hugessen included, but was not limited to, executive compensation policy (such as the choice of comparator groups and compensation philosophy), review of total compensation benchmarking of the senior officers and short- and long-term incentive plan designs including performance calibration. The decisions taken by the MRC Committee remain the responsibility of the MRC Committee and may reflect factors and considerations other than the information and recommendations provided by Mercer and Hugessen.

Hugessen has confirmed to the MRC Committee that the MRC Committee has undertaken the appropriate analysis to fully inform itself of all relevant information and to assist in the MRC Committee's decisions.

Mercer also provided consulting services to management in 2006 in connection with the Company's medical and non-pension post retirement benefits programs. The Mercer team advising management on medical and non-pension post retirement benefits is comprised of individuals other than the Mercer team working with the MRC Committee. The MRC Committee Chairman, however, is fully apprised of all work performed by both Mercer teams.

Hugessen did not provide any consulting services to management in 2006.

### Other Compensation Advisors to the Company

Management retains Towers Perrin from time to time to provide expertise and advice in connection with the design and implementation of executive compensation programs, for the MRC Committee's review and approval.

Compensation Consultant Fees paid in 2006 were approximately as follows:

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**Mercer Human Resource Consulting**

• MRC Committee Mandate and CEO Contract Advice	\$30,940
• Medical Benefits Programs and Non-Pension Post Retirement Consulting Services	\$171,824

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**Hugessen Consulting Inc.**

• MRC Committee Mandate	\$41,500
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**Towers Perrin**

• Executive Compensation	\$55,137
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**Annual Base Salary**

The MRC Committee recommends and the Board approves each senior officer's annual base salary, taking the following into consideration:

- the range of base salaries paid in the competitive marketplace. This includes salaries paid by large Canadian retailers and companies representing a cross-section of industries and generating annual revenues ranging between 0.5 to two times the revenues of the Company to people holding positions of responsibility comparable to the senior officer's position
- the senior officer's experience, knowledge and performance
- the value of other components in the senior officer's compensation package.

## Incentive Plans

The table below provides a summary of the Short-term and Long-term Incentive Plans we had in place for senior officers and other members of senior management during 2006:

### Incentive Plans

Name of the Plan	Goals of the Plan	Type of Incentive
<b>Annual Bonus Plan</b> <ul style="list-style-type: none"> <li>short-term incentive</li> </ul>	<ul style="list-style-type: none"> <li>relate compensation to our overall annual performance</li> </ul>	Cash payment linked to: <ul style="list-style-type: none"> <li>consolidated net income and the operating profits of divisions and subsidiaries (generally 75%)</li> <li>the performance objectives of operating units (generally 25%)</li> </ul>
<b>Performance Driven Share Unit Plan</b> <ul style="list-style-type: none"> <li>long-term incentive</li> <li>awarded in 2005 and 2006</li> </ul>	<ul style="list-style-type: none"> <li>align compensation and the interests of senior management with achievement of the goals in our strategic plan</li> <li>attract and retain talented senior management</li> <li>see <i>Long-term Incentive Plans — Performance Driven Share Unit Plan</i> for performance hurdles</li> </ul>	<ul style="list-style-type: none"> <li>performance driven share units (restricted share units) that are paid out in cash</li> <li>payment linked to the appreciation in value of Class A Non-Voting Shares</li> <li>award linked to salary, individual performance, capabilities and potential</li> </ul>
<b>Performance Conditioned Share Unit Plan</b> <ul style="list-style-type: none"> <li>long-term incentive</li> <li>awarded in 2004</li> </ul>	<ul style="list-style-type: none"> <li>align compensation and the interests of senior management with achievement of the goals in our strategic plan</li> <li>attract and retain talented senior management</li> <li>see <i>Long-term Incentive Plans — Performance Conditioned Share Unit Plan</i> for performance hurdles</li> </ul>	<ul style="list-style-type: none"> <li>performance conditioned share units (restricted share units) that are paid out in cash</li> <li>payment linked to the appreciation in value of Class A Non-Voting Shares and our average return on invested capital over a three-year period</li> <li>award linked to salary, individual performance, capabilities and potential</li> </ul>
<b>Performance Share Unit Plan</b> <ul style="list-style-type: none"> <li>long-term incentive</li> <li>awarded in 2002 and 2003</li> <li>paid out in 2005 and 2006</li> </ul>	<ul style="list-style-type: none"> <li>align compensation and the interests of senior management with achievement of the goals in our strategic plan</li> <li>attract and retain talented senior management</li> <li>see <i>Long-term Incentive Plans — Performance Share Unit Plan</i> for performance hurdles</li> </ul>	<ul style="list-style-type: none"> <li>performance share units (restricted share units) that are paid out in cash</li> <li>payment linked to our total return to shareholders relative to a comparator group of approximately 40 North American retailers</li> <li>award linked to salary, individual performance, capabilities and potential</li> </ul>
<b>Stock Option Plan</b> <ul style="list-style-type: none"> <li>long-term incentive</li> </ul>	<ul style="list-style-type: none"> <li>align compensation and the interests of senior management with the achievement of the goals in our strategic plan</li> <li>attract and retain talented senior management</li> </ul>	<ul style="list-style-type: none"> <li>options to buy Class A Non-Voting Shares</li> <li>options with a tandem stock appreciation rights feature</li> <li>the value of the options is linked to the appreciation in value of Class A Non-Voting Shares</li> <li>award linked to salary, individual performance, capabilities and potential</li> </ul>

## Short-term Incentive Plan

### *Annual Bonus Plan*

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

In 2006, the President and Chief Executive Officer, the Vice Chairman and the other senior officers were eligible to receive Short-term Incentive Plan awards in the following ranges:

	% of Annual Base Salary
<b>President and Chief Executive Officer and Vice Chairman</b>	
<ul style="list-style-type: none"> <li>Thomas K. Gauld</li> <li>Wayne C. Sales</li> </ul>	0 percent to 200 percent 0 percent to 150 percent
<b>Executive Vice-Presidents</b>	0 percent to 100 percent
<b>Presidents</b>	0 percent to 100 percent
<b>Senior Vice-Presidents</b>	0 percent to 90 percent

## Long-term Incentive Plans

### *Performance Driven Share Unit Plan (awarded in 2005 and 2006)*

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

Each unit awarded entitles the recipient to a cash payment equal to the weighted average price of one Class A Non-Voting Share during the 20-day trading period that ends on (and includes) the last day of the period ending approximately three years from the date of award of the unit (*the performance period*).

The number of share units awarded to each seniority level during 2005 and 2006 was based upon a guideline allocation (expressed as a percentage of salary) multiplied by the total number of plan participants at each seniority level, divided by the current price of a Class A Non-Voting Share to establish the total number of share units available to be awarded under the plan.

The total number of share units available to be awarded under the plan in 2006 was multiplied by the following two equally-weighted factors prior to determination of the individual awards:

- a factor based on the Company's earnings per share performance in 2005
- a factor based on the Company's return on invested capital in 2005 as approved by the Board of Directors.

The actual number of share units awarded to individual plan participants in 2005 and 2006 was decided by management in its discretion, as approved by the Board of Directors.

In 2007, the number of share units awarded to senior officers and senior managers will be determined in the same manner as in 2006, except the factors based on the Company's 2006 earnings per share performance and return on invested capital will have weightings of 60 percent and 40 percent respectively.

Awards are paid 45 days or later after the end of the performance period. Awards are paid out before the end of the performance period if an employee is terminated for reasons other than cause or in certain other circumstances. A payment will not be made to an eligible executive if he or she resigns voluntarily or is terminated for cause during the performance period.

A total of 260,975 performance driven share units were awarded in 2006.

#### *Performance Conditioned Share Unit Plan (awarded in 2004)*

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

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

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

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

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

Awards are paid within 45 days after the end of the performance period. Awards are paid out before the end of the performance

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

No performance conditioned share units were awarded in 2006.

#### *Performance Share Unit Plan (awarded in 2002 and 2003 and paid out in 2005 and 2006)*

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

Each unit awarded entitled the recipient to a cash payment per unit equal to the weighted average price of one Class A Non-Voting Share during the 20-day trading period that ended on (and included) the last day of the period ending approximately three years from the date of award of the unit (*the performance period*), multiplied by a factor ranging from 0.3 to 1.5 for awards made in 2003 (0 to 1.5 for awards made before 2003).

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

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

Awards were paid out earlier if an employee was terminated for reasons other than cause or in certain other circumstances. A payment was not be made if the eligible executive resigned voluntarily or was terminated for cause before the date specified in the executive's performance share unit agreement. Payments made before the end of the three-year period were multiplied by a factor of 1.0 or less.

The performance period for units issued under this plan in 2002 and 2003 ended respectively on January 21, 2005 and January 27, 2006 and the payout dates were March 7, 2005 and March 13, 2006 respectively.

#### *Stock Option Plan*

The Company's Stock Option Plan was established to increase the correlation between executive compensation and long-term business goals and to provide long-term incentives to senior officers and senior management employees of the Company and



its subsidiaries. The MRC Committee may recommend awards to selected senior officers and senior management employees under the Stock Option Plan. The recommended size of each individual award falls within a range that has been pre-established for each senior management level. The ranges take into account market practices and the total number of options available for distribution. Most individual awards made within a range are calculated by reference to the respective salaries, recent performance and capabilities of the optionees.

The maximum number of Class A Non-Voting Shares issuable under the Stock Option Plan is 2,545,314 Class A Non-Voting Shares (representing approximately 3.1 percent of the currently outstanding Common Shares and Class A Non-Voting Shares) and the number of unexercised options to purchase Class A Non-Voting Shares outstanding at the date of this management information circular is 1,599,395 (representing approximately 1.3 percent of the currently outstanding Common Shares and Class A Non-Voting Shares). No one person can receive options to buy more than five percent of the total number of Class A Non-Voting Shares outstanding.

The grant of an option provides to an optionee the right to subscribe for a Class A Non-Voting Share at the weighted average price of Class A Non-Voting Shares on the Toronto Stock Exchange (*the TSX*) during the 10-day period ending on the date the option was granted.

Options granted under the Stock Option Plan prior to 2006 to subscribe for Class A Non-Voting Shares generally vest at the rate of one quarter per year for four years immediately following the date the options were granted. These options were granted under agreements that specify that options can be exercised for a period of up to 10 years, and that outline the circumstances when option rights will be terminated. The stock option agreements entered into on or after November 9, 1996 and prior to December 31, 2003, have been amended. The amendments provide to optionees, as an alternative to the right to exercise the options granted under one or more of such stock option agreements, the right to elect to surrender such options in exchange for a cash payment equal to the excess of the weighted average price at which Class A Non-Voting Shares trade on the TSX on the trading day that the options are surrendered over the exercise price stipulated in the optionee's stock option agreement. This amendment applies to the extent that stock options granted under these agreements have not been exercised or terminated and can be exercised.

Options granted in 2006 under the Stock Option Plan (*2006 Options*) to subscribe for Class A Non-Voting Shares vest at the rate of one-third per year for three years immediately following the date the options were granted. 2006 Options were granted under agreements that specify the circumstances when option

rights will be terminated, and that, at the election of the optionee, options can be exercised or surrendered in exchange for cash payment equal to the excess of the weighted average price at which Class A Non-Voting Shares trade on the TSX on the trading day that the options are surrendered over the exercise price stipulated in the optionee's stock option agreement, for a period of up to seven years.

As no Class A Non-Voting Shares are issued on a surrender of options, the Class A Non-Voting Shares reserved for issuance under the Stock Option Plan have not been and will not be reduced by the number of options surrendered.

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

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

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

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

A total of 432,799 stock options were awarded in 2006. The amount and terms of outstanding stock options, stock appreciation rights, shares and units subject to restrictions on resale were taken into account in determining that new option grants would be made during 2006.

### **Other Benefits**

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

## Share Ownership Guidelines

We have adopted guidelines that set out minimum levels of share ownership for senior officers who are members of management's executive committee. Within three years of appointment, these officers are required to accumulate Class A Non-Voting Shares equal to a multiple of their annual base salary, as follows:

Title	Share Ownership Guideline
President and Chief Executive Officer and Vice Chairman	3 times base salary
Chief Financial Officer, Executive Vice-Presidents and Presidents	2 times base salary
Senior Vice-President	1 times base salary

The officers can hold up to 50 percent of their minimum share requirement in share units pursuant to our Long-term Incentive Plans valued using the minimum multiplier where applicable.

## Compensation of the President and Chief Executive Officer

Mr. Gauld's compensation package, including his base salary, was established when his appointment as President and Chief Executive Officer was made by the Board.

Mr. Sales' compensation package, including his base salary, was originally established when his appointment as President and Chief Executive Officer was made by the Board. During 2004, Mr. Sales and the Board agreed to extend his tenure as President and Chief Executive Officer from June 30, 2005 until June 30, 2007 and his employment agreement was appropriately modified. Mr. Sales retired as President and Chief Executive Officer on April 27, 2006 and was appointed Vice Chairman of the Company on that date. Mr. Sales' annual base salary does not change during his employment agreement. See page 40 for a description of Mr. Sales' employment arrangements.

The Board formally evaluates the performance of the President and Chief Executive Officer every year, taking into account quantitative results versus specific financial objectives and qualitative judgment of achievement of non-financial objectives.

Every two to three years, the MRC Committee with the assistance of its independent professional compensation consultants reviews a peer group comparison of compensation paid to chief executive officers of other North American retailers and Canadian companies of a similar size as a benchmark to help assess how competitive and appropriate our compensation is for the President and Chief Executive Officer. The MRC Committee is of the view that the President and Chief Executive Officer's total compensation, as set out in his employment agreement, is competitive with the compensation of the selected peer group of chief executive officers.

Mr. Gauld and Mr. Sales are entitled to a bonus opportunity under our Short-term Incentive Plan. The amounts of their bonuses are dependent on a number of measures relating to the annual performance of the Company. The 2006 measures and weightings that were taken into account in determining Mr. Gauld's and Mr. Sales' bonuses were as follows:

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

A "target" for each measure is established by reference to the Company's current annual business plan. If each target is precisely achieved, Mr. Gauld<sup>(2)</sup> and Mr. Sales will respectively receive bonuses equal to 100 percent and 75 percent of their respective base salaries. The maximum bonuses Mr. Gauld and Mr. Sales could have received under the Short-term Incentive Plan during 2006 were respectively 200 percent and 150 percent of their respective annual base salaries for achieving maximum performance against every target. Mr. Gauld earned a bonus equivalent to 111 percent of his annualized base salary, and Mr. Sales earned a bonus equivalent to 87 percent of his base salary, which reflected the weighted total performance of the measures set out in the preceding table. If Mr. Gauld's or Mr. Sales' performance against target had been below the minimum level set for each measure in the plan, a bonus would not have been paid.

Mr. Gauld and Mr. Sales are also entitled to participate in the Long-term Incentive Plans. In 2006, Mr. Sales was awarded performance driven share units based on his salary, performance and capabilities.<sup>(3)</sup> The award of performance driven share units is one of the ways that we link his compensation to our share price. The MRC Committee believes the award is appropriate for his level of responsibility.

### Notes

- (1) The productivity measure component of Mr. Gauld's and Mr. Sales' annual bonus compensation is based on actual expenses for various corporate functions including those of the treasury, finance, strategy, real estate, internal audit, legal, human resources, information technology, new business development and corporate affairs departments divided by actual gross operating revenues of the Company.
- (2) Mr. Gauld's annual bonus compensation was in respect to the period April 27, 2006 to December 30, 2006 in his capacity as President and Chief Executive Officer. Mr. Gauld also received annual bonus compensation in respect to the period January 1, 2006 to March 3, 2006 in his capacity as President, Canadian Tire Financial Services Limited. Mr. Sales' annual bonus

compensation was in respect to the period January 1, 2006 to December 30, 2006.

- (3) Mr. Gauld was awarded 22,990 performance driven share units in 2006 upon his appointment as President and Chief Executive Officer.

### Compensation of Our Named Executive Officers

While the information in the following tables appears in the *Summary Compensation Table* on page 36 of this management information circular, in the required or suggested disclosure format, this information has been consolidated to provide greater disclosure and clarity for shareholders.

<b>Thomas K. Gauld President and Chief Executive Officer</b>	<b>2006 (\$)</b>	<b>Year 2005 (\$)</b>	<b>2004 (\$)</b>
Annualized base salary	753,649	413,815	401,077
Performance-based compensation awarded			
Cash bonus	837,384	295,244	376,812
Long-term incentive plan awards <sup>(1)</sup>	3,087,453	502,480	476,587
Stock options	–	–	–
<b>Total direct compensation</b>	<b>4,678,486</b>	<b>1,211,539</b>	<b>1,254,476</b>
Capital accumulation plans <sup>(2)</sup>	108,095	80,814	74,567
All other compensation including perquisites <sup>(3)</sup>	29,701	33,542	25,272
<b>Total</b>	<b>4,816,282</b>	<b>1,325,895</b>	<b>1,354,315</b>

#### Notes

- (1) This item represents the value at the date of grant of the deferred share unit and performance driven share unit awards in 2006, performance driven share unit awards in 2005 and performance conditioned share unit awards in 2004.
- (2) This item represents the value of the Company's profit sharing and share purchase plan contributions.
- (3) This item represents the dollar value of amounts paid by the Company during 2006, 2005 and 2004 respectively in connection with insurance premiums for term life insurance, parking (applicable in 2006 only), financial planning, car allowance and medical examinations.

<b>Wayne C. Sales Vice Chairman</b>	<b>2006 (\$)</b>	<b>Year 2005 (\$)</b>	<b>2004 (\$)</b>
Annualized base salary	990,000	990,000	990,000
Performance-based compensation awarded			
Cash bonus	862,018	1,079,555	1,279,777
Long-term incentive plan awards <sup>(1)</sup>	2,228,785	3,661,096	1,666,937
Stock options	–	–	–
<b>Total direct compensation</b>	<b>4,080,803</b>	<b>5,730,651</b>	<b>3,936,714</b>
Capital accumulation plans <sup>(2)</sup>	198,707	199,254	191,469
All other compensation including perquisites <sup>(3)</sup>	130,523	98,445	83,242
<b>Total</b>	<b>4,410,033</b>	<b>6,028,350</b>	<b>4,211,425</b>

#### Notes

- (1) This item represents the value at the date of grant of the performance driven share unit award in 2006, deferred share unit and performance driven share unit awards in 2005 and performance conditioned share unit award in 2004.
- (2) This item represents the value of the Company's profit sharing and share purchase plan contributions.
- (3) This item represents the dollar value of amounts paid by the Company during 2006, 2005 and 2004 respectively in connection with insurance premiums for term life insurance, club fees, international health care benefits (applicable in 2006 and 2005 only), financial planning, parking, car allowance, medical examinations, housing loan benefits (applicable in 2004 only) and housing loan compensation payments (applicable in 2006 only).

<b>J. Huw Thomas Executive Vice President, Finance and Administration and Chief Financial Officer</b>	<b>2006 (\$)</b>	<b>Year 2005 (\$)</b>	<b>2004 (\$)</b>
Annualized base salary	430,750	417,750	404,750
Performance-based compensation awarded			
Cash bonus	258,545	303,693	359,436
Long-term incentive plan awards <sup>(1)</sup>	703,741	508,190	482,181
Stock options	–	–	–
<b>Total direct compensation</b>	<b>1,393,036</b>	<b>1,229,633</b>	<b>1,246,367</b>
Capital accumulation plans <sup>(2)</sup>	83,955	81,494	75,317
All other compensation including perquisites <sup>(3)</sup>	27,903	34,086	27,340
<b>Total</b>	<b>1,504,894</b>	<b>1,345,213</b>	<b>1,349,024</b>

#### Notes

- (1) This item represents the value at the date of grant of the performance driven share unit awards in 2006 and 2005 and performance conditioned share unit awards in 2004.
- (2) This item represents the value of the Company's profit sharing and share purchase plan contributions.
- (3) This item represents the dollar value of amounts paid by the Company during 2006, 2005 and 2004 respectively in connection with insurance premiums for term life insurance, financial planning, parking, car allowance, medical examinations, housing loan benefits (applicable in 2005 and 2004 only), housing loan compensation payments (applicable in 2006 only) and flexible benefits taken in cash (applicable in 2005 and 2004 only).

<b>Michael B. Medline President, Dealer Relations &amp; Diversified Businesses</b>	<b>2006 (\$)</b>	<b>Year 2005 (\$)</b>	<b>2004 (\$)</b>
Annualized base salary	450,985	388,500	358,250
Performance-based compensation awarded			
Cash bonus	336,601	254,295	247,810
Long-term incentive plan awards <sup>(1)</sup>	389,705	428,250	398,275
Stock options <sup>(2)</sup>	367,807	–	–
<b>Total direct compensation</b>	<b>1,545,098</b>	<b>1,071,045</b>	<b>1,004,335</b>
Capital accumulation plans <sup>(3)</sup>	80,078	72,697	65,827
All other compensation including perquisites <sup>(4)</sup>	26,999	27,807	35,778
<b>Total</b>	<b>1,652,175</b>	<b>1,171,549</b>	<b>1,105,940</b>

#### Notes

- (1) This item represents the value at the date of grant of the performance driven share unit awards in 2006 and 2005 and performance conditioned share unit awards in 2004.
- (2) This item represents the value of the stock options at the date of grant. For compensation purposes, the award was valued using the 10-day weighted average price of a Class A Non-Voting Share ending February 28, 2006, and a three year average Black Scholes factor of 27.1 percent.
- (3) This item represents the value of the Company's profit sharing and share purchase plan contributions.
- (4) This item represents the dollar value of amounts paid by the Company during 2006, 2005 and 2004 respectively in connection with insurance premiums for term life insurance, financial planning (applicable in 2005 and 2004 only), parking, car allowance, medical examinations, housing loan benefits (applicable in 2005 and 2004 only), and housing loan compensation payments (applicable in 2006 only).

<b>Paul D. Wilson President, Mark's Work Warehouse Ltd.</b>	<b>2006 (\$)</b>	<b>Year 2005 (\$)</b>	<b>2004 (\$)</b>
Annualized base salary	383,246	357,692	347,692
Performance-based compensation awarded			
Cash bonus	311,785	333,230	271,104
Long-term incentive plan awards <sup>(1)</sup>	357,275	274,080	231,581
Stock options <sup>(2)</sup>	236,121	–	–
<b>Total direct compensation</b>	<b>1,288,427</b>	<b>965,002</b>	<b>850,377</b>
Capital accumulation plans <sup>(3)</sup>	68,821	64,015	51,401
All other compensation including perquisites <sup>(4)</sup>	22,963	20,798	19,333
<b>Total</b>	<b>1,380,211</b>	<b>1,049,815</b>	<b>921,111</b>

#### Notes

- (1) This item represents the value at the date of grant of the performance driven share unit awards in 2006 and 2005 and performance conditioned share unit awards in 2004.

- (2) This item represents the value of the stock options at the date of grant. For compensation purposes, the award was valued using the 10-day weighted average price of a Class A Non-Voting Share ending February 28, 2006, and a three year average Black Scholes factor of 27.1 percent.
- (3) This item represents the value of the Company's profit sharing and share purchase plan contributions.
- (4) This item represents the dollar value of amounts paid by the Company during 2006, 2005 and 2004 respectively in connection with insurance premiums for term life insurance, financial planning, club fees, provincial health premiums, medical examinations, flexible benefits taken in cash and car benefits.

<b>G. Michael Arnett President, Canadian Tire Retail</b>	<b>2006 (\$)</b>	<b>Year 2005 (\$)</b>	<b>2004 (\$)</b>
Annualized base salary	378,035	269,689	259,597
Performance-based compensation awarded			
Cash bonus	272,896	170,509	175,370
Long-term incentive plan awards <sup>(1)</sup>	330,923	195,040	102,925
Stock options <sup>(2)</sup>	309,520	–	–
<b>Total direct compensation</b>	<b>1,291,374</b>	<b>635,238</b>	<b>537,892</b>
Capital accumulation plans <sup>(3)</sup>	59,810	52,620	50,020
All other compensation including perquisites <sup>(4)</sup>	30,246	24,433	25,346
<b>Total</b>	<b>1,381,430</b>	<b>712,291</b>	<b>613,258</b>

#### Notes

- (1) This item represents the value at the date of grant of the performance driven share unit awards in 2006 and 2005 and performance conditioned share unit awards in 2004.
- (2) This item represents the value of the stock options at the date of grant. For compensation purposes, the award was valued using the 10-day weighted average price of a Class A Non-Voting Share ending February 28, 2006, and a three year average Black Scholes factor of 27.1 percent.
- (3) This item represents the value of the Company's profit sharing and share purchase plan contributions.
- (4) This item represents the dollar value of amounts paid by the Company during 2006, 2005 and 2004 respectively in connection with insurance premiums for term life insurance, financial planning, parking, car allowance and medical examinations.

## Compensation Highlights for 2007

Plans for 2007 compensation include the following:

- the Short-term Incentive Plan design will be simplified by reducing the number of measures in the plan to place greater emphasis on collective as opposed to individual performance
- the President and Chief Executive Officer, the Vice Chairman and the Executive Vice-President, Finance and Administration and Chief Financial Officer will receive their Long-term Incentive Plan awards in share units
- certain other senior officers and senior management will receive their Long-term Incentive Plan award as 50 percent share units and 50 percent stock options with a corresponding tandem stock appreciation rights feature
  - stock options granted will have a seven year term and will vest at a rate of one-third per year commencing on the first anniversary of the grant date.

## Conclusion

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

Report presented by:

James D. Fisher

Daniel E. Fournier

James R. Neale

James A. Riley

Frank Potter, Chairman

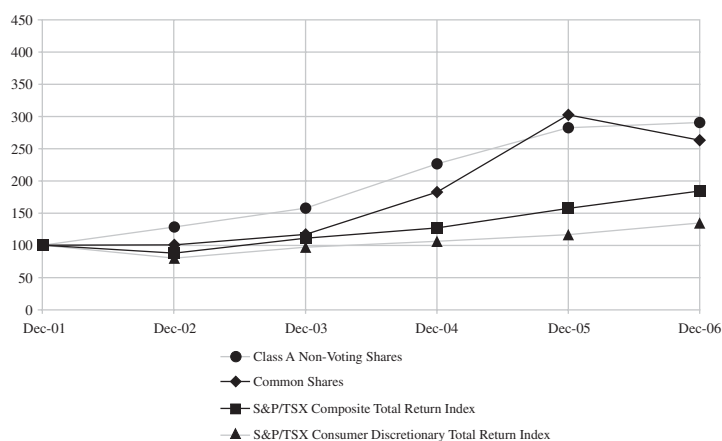
Stephen G. Wetmore

## How Our Shares Have Performed

The following graph and chart assume that \$100 remained invested over a five-year period commencing on the last business day of December, 2001 and compare the yearly percentage change in the cumulative total shareholder return over those five years on Canadian Tire's Common Shares and Class A Non-Voting Shares with the cumulative total returns of the S&P/TSX Composite Total Return Index (formerly the TSE 300 Stock Index) and the S&P/TSX Consumer Discretionary Total Return Index, respectively, assuming in each case reinvestment of dividends at 100 percent of the market price on a quarterly basis.

### Cumulative Total Shareholder Return

December 31, 2001 — December 31, 2006



	Class A Non-Voting Shares	Common Shares	S&P/TSX Composite Total Return Index	S&P/TSX Consumer Discretionary Total Return Index
December 2001	\$100.00	\$100.00	\$100.00	\$100.00
December 2002	\$128.50	\$100.51	\$ 87.56	\$ 79.71
December 2003	\$158.04	\$116.90	\$110.96	\$ 96.89
December 2004	\$227.42	\$183.17	\$127.03	\$106.10
December 2005	\$283.97	\$304.13	\$157.68	\$116.51
December 2006	\$292.14	\$264.40	\$184.89	\$134.77



# Executive Compensation

This section provides details about executive compensation and employment arrangements for the financial year ended December 30, 2006.

## Summary Compensation Table

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

Name and Principal Position	Year	Annual Compensation			Long-term Compensation Awards		All Other Compensation (\$)
		Salary (\$)	Bonus (\$) <sup>(1)</sup>	Other Annual Compensation (\$) <sup>(2)</sup>	Securities Under Options or SARS Granted (#) <sup>(3)</sup>	Shares or Units Subject to Resale Restrictions (\$)	
<b>Thomas K. Gauld</b> <sup>(7)</sup> President and Chief Executive Officer	2006	753,649	837,384	108,095	–	3,087,453 <sup>(4)(5)</sup>	903
	2005	413,815	295,244	80,814	–	502,480 <sup>(5)</sup>	472
	2004	401,077	376,812	74,567	–	476,587 <sup>(6)</sup>	365
<b>Wayne C. Sales</b> <sup>(8)</sup> Vice Chairman	2006	990,000	862,018	328,081	–	2,228,785 <sup>(5)</sup>	1,149
	2005	990,000	1,079,555	296,740	–	3,661,096 <sup>(4)(5)</sup>	959
	2004	990,000	1,279,777	273,856	–	1,666,937 <sup>(6)</sup>	855
<b>J. Huw Thomas</b> Executive Vice-President, Finance and Administration and Chief Financial Officer	2006	430,750	258,545	83,955	–	703,741 <sup>(5)</sup>	495
	2005	417,750	303,693	83,545	–	508,190 <sup>(5)</sup>	401
	2004	404,750	359,436	77,403	–	482,181 <sup>(6)</sup>	346
<b>Michael B. Medline</b> President, Dealer Relations & Diversified Businesses	2006	450,985	336,601	80,078	21,001	389,705 <sup>(5)</sup>	455
	2005	388,500	254,295	73,934	–	428,250 <sup>(5)</sup>	355
	2004	358,250	247,810	69,327	–	398,275 <sup>(6)</sup>	306
<b>Paul D. Wilson</b> President, Mark's Work Wearhouse Ltd.	2006	383,246	311,785	68,821	13,442	357,275 <sup>(5)</sup>	429
	2005	357,692	333,230	64,015	–	274,080 <sup>(5)</sup>	352
	2004	347,692	271,104	51,401	–	231,581 <sup>(6)</sup>	298
<b>G. Michael Arnett</b> President, Canadian Tire Retail	2006	378,035	272,896	59,810	18,022	330,923 <sup>(5)</sup>	390
	2005	269,689	170,509	52,620	–	195,040 <sup>(5)</sup>	266
	2004	259,597	175,370	50,020	–	102,925 <sup>(6)</sup>	222

### Notes

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

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

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

This column includes imputed interest on loans, awards under our Profit Sharing and Share Purchase Plans, and perquisites paid to Mr. Sales during 2004, 2005 and 2006.

Mr. Sales received perquisites in the amount of \$57,458, \$97,486 and \$92,837 in 2004, 2005 and 2006 respectively. This included \$20,000 for financial planning in 2004, \$30,785 in 2005 and \$24,991 in 2006, \$22,451 for international health care benefits in 2005 and \$22,296 in 2006 as well as an automobile allowance of \$30,000 during each of these years. (See *Compensation of Our Named Executive Officers* on page 33 for information concerning perquisites paid to the other Named Executive Officers during 2004, 2005 and 2006 which did not exceed \$50,000 in aggregate in any such year).

#### (3) Options

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

#### (4) Deferred Share Unit Plans

The values disclosed in this column are based on the market price of Class A Non-Voting Shares as of the close of business on the date of the award. As of December 30, 2006, Mr. Gauld and Mr. Sales respectively held in aggregate the following deferred share units (including dividend equivalents) under their respective Deferred Share Unit Plans based on the market value of one Class A Non-Voting Share as of the close of business on December 29, 2006:

Name	Aggregate DSUs (#)	Aggregate Value (\$)
Thomas K. Gauld	25,297	1,793,064
Wayne C. Sales	37,705	2,672,519

Mr. Gauld's Deferred Share Unit Plan provides that upon termination of his employment with the Company, he is entitled to receive a cash payment per unit based on the weighted average price of one Class A Non-Voting Share during the 10 calendar days prior to and including a date to be elected by Mr. Gauld, which shall be no earlier than the day after the last day of Mr. Gauld's employment with the Company. Mr. Sales' Deferred Share Unit Plan provides that upon termination of his employment with the Company,



he is entitled to receive a cash payment per unit based on the weighted average price of one Class A Non-Voting Share during the 20-day trading period prior to and including a date to be elected by Mr. Sales which shall be no earlier than six months after the last day of Mr. Sales' employment with the Company. Neither such election date shall be later than the last day on which Class A Non-Voting Shares trade during the calendar year following the calendar year in which Mr. Gauld's or Mr. Sales' last day of employment with Company takes place. Dividend equivalents are paid on these units. See *Employment Agreements* on page 39 for further information concerning Mr. Gauld's and Mr. Sales' respective awards of deferred share units.

**(5) Performance Driven Share Units**

The values disclosed in this column are based on the respective market prices of the Class A Non-Voting Shares as of the close of business on the date of the relevant award. As of December 30, 2006, the President and Chief Executive Officer, the Vice Chairman, the Executive Vice-President, Finance and Administration and Chief Financial Officer and our three other most highly compensated senior officers held in aggregate 147,303 performance driven share units having an aggregate value of \$10,440,837, based on the market value of Class A Non-Voting Shares as of the close of business on December 29, 2006. The Performance Driven Share Unit Plan provides that recipients of performance driven share unit awards are entitled to receive a cash payment per unit based on the market value of the Company's Class A Non-Voting Shares at the end of a three-year period. See *Long-term Incentive Plans — Performance Driven Share Unit Plan* for the terms of the plan. Dividend equivalents are not paid on these units.

**(6) Performance Conditioned Share Units**

The values disclosed in this column are based on the respective market prices of the Class A Non-Voting Shares as of the close of business on the date of the relevant award. As of December 30, 2006, the President and Chief Executive Officer, the Vice Chairman, the Executive Vice-President, Finance and Administration and Chief Financial Officer and our three other most highly compensated senior officers held in aggregate 75,050 performance conditioned share units having an aggregate value of \$6,383,453, based on the market value of Class A Non-Voting Shares as of the close of business on December 29, 2006 and giving effect to a multiplier of 1.2. The minimum multiplier that may be applied to the performance conditioned share units is 0 and the maximum multiplier is 1.5. The Performance Conditioned Share Unit Plan provides that recipients of performance conditioned share unit awards are entitled to receive a cash payment per unit based on the market value of the Company's Class A Non-Voting Shares at the end of a three-year period, increased or decreased by applying a multiplier calculated by reference to share price appreciation and to the Company's average return on invested capital. See *Long-term Incentive Plans — Performance Conditioned Share Unit Plan* for the terms of the plan. Dividend equivalents are not paid on these units.

(7) Mr. Gauld retired from his position as President, Canadian Tire Financial Services Limited on March 3, 2006, and was appointed President and Chief Executive Officer of the Company on April 27, 2006.

(8) Mr. Sales retired from his position as President and Chief Executive Officer of the Company on April 27, 2006.

**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 financial year ended December 30, 2006 to each of the Named Executive Officers:

Name	Securities Under Options/SARs Granted (#) <sup>(1)</sup>	% of Total Options/SARs Granted to Employees in Financial Year	Exercise or Base Price (\$/Security) <sup>(2)(3)</sup>	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security) <sup>(2)</sup>	Expiration Date
Thomas K. Gauld	—	—	—	—	—
Wayne C. Sales	—	—	—	—	—
J. Huw Thomas	—	—	—	—	—
Michael B. Medline	18,501	4.27%	\$64.82	\$64.82	March 9, 2013
	2,500	0.58%	\$63.20	\$63.20	August 10, 2013
Paul D. Wilson	13,442	3.10%	\$64.82	\$64.82	March 9, 2013
G. Michael Arnett	4,022	0.93%	\$64.82	\$64.82	March 9, 2013
	14,000	3.23%	\$62.96	\$62.96	May 11, 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 9, 2006 except for 2,500 options and 14,000 options granted to Mr. Medline and Mr. Arnett on August 10, 2006 and May 11, 2006 respectively. Options may not be exercised later than seven years from the date of grant. Options become exercisable at the rate of one-third per year for three years immediately following the date the options were granted.

(2) The exercise price of the Company's stock options is 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 Company's share capital.

## Performance Share Units Paid Out During the Financial Years Ending December 30, 2006 and December 31, 2005

The following table sets out the value of the Performance Share Units paid out during the financial years ending December 30, 2006 and December 31, 2005 to each of the Named Executive Officers<sup>(1)</sup>:

Name	Year	Payout Value (\$)
Thomas K. Gauld	2006	812,856
	2005	477,450
Wayne C. Sales	2006	5,588,385
	2005	2,387,250
J. Huw Thomas	2006	1,219,284
	2005	477,450
Michael B. Medline	2006	609,642
	2005	397,875
Paul D. Wilson	2006	609,642
	2005	–
G. Michael Arnett	2006	193,053
	2005	79,575

### Note

- (1) These units were paid out on March 13, 2006 and March 7, 2005 respectively. See *Long-term Incentive Plans — Performance Share Unit Plan* for the terms of the plan. Dividend equivalents were not paid on these units.

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

The table below is a summary of all stock options exercised by each of the Named Executive Officers during the financial year ended December 30, 2006. The table also shows the total value of their unexercised options at December 30, 2006.

	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$) <sup>(2)</sup>	Unexercised Options/SARs at December 30, 2006 (#) <sup>(1)</sup>		Value of Unexercised “In-the-Money” Options/SARs at December 30, 2006 (\$) <sup>(2)</sup>	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Thomas K. Gauld	7,378	264,360	–	4,125	–	170,172
Wayne C. Sales	247,565	9,487,301	–	–	–	–
J. Huw Thomas	41,000	1,964,975	30,000	2,000	1,108,920	82,508
Michael B. Medline	6,500	322,033	22,725	24,576	987,969	278,810
Paul D. Wilson	–	–	14,000	16,442	598,586	205,233
G. Michael Arnett	47,500	2,299,882	24,300	19,122	1,119,686	180,636

### Notes

- (1) Each option granted is for one Class A Non-Voting Share.  
(2) These values represent the difference between the exercise price of the options and the market value of the Class A Non-Voting Shares as of the date the options were exercised or as at December 30, 2006, as applicable.

## Employment Agreements

An employment agreement was established with Mr. Gauld effective upon his employment as President and Chief Executive Officer. The key items of this agreement are as follows:

<b>President and Chief Executive Officer</b>	Thomas K. Gauld
<b>Effective Date and Term</b>	April 27, 2006 to April 26, 2011
<b>Base Salary</b>	\$990,000 (subject to annual review and adjustment by the Board)
<b>Short-term and Long-term Incentive Plan, Security Based Compensation Arrangements and Benefits Participation</b>	<p>Mr. Gauld's employment agreement allows him to participate in:</p> <ul style="list-style-type: none"><li>• our Short-term Incentive Plan</li><li>• our Long-term Incentive Plan for executives under which he will receive annually a grant with a target value of 162% of his base salary</li><li>• any new incentive plan we introduce</li><li>• our Profit Sharing Plan and Share Purchase Plan</li><li>• other benefits that are generally provided to our senior officers</li></ul>
<b>Special DSU Grant</b>	<ul style="list-style-type: none"><li>• Mr. Gauld's employment agreement entitled him to a grant of deferred share units with a face value of \$1.6 million on July 27, 2006</li><li>• Mr. Gauld was awarded 25,181 deferred share units on July 27, 2006</li></ul>
<b>Termination Without Cause and in the Absence of Disability or by Mr. Gauld in Certain Limited Circumstances</b>	<ul style="list-style-type: none"><li>• annual base salary, annual bonus (based on the average of any annual bonuses paid to him for the last two fiscal years that ended before the day of termination, pro-rated over the severance period) and vacation pay for the lesser of two years following termination and the remaining term under his employment agreement</li><li>• Long-term Incentive Plan payments will be paid in accordance with the applicable plans as if Mr. Gauld's employment had continued during any term or performance period under such plans</li><li>• unvested stock options will vest on the day of termination, and are exercisable until the earlier of the third anniversary of the date of termination and the expiry of the options</li></ul>
<b>Termination by Agreement</b>	<ul style="list-style-type: none"><li>• base salary and annual bonus pro-rated to the date of termination</li><li>• our Long-term Incentive Plan payments will be paid in accordance with the applicable plans as if Mr. Gauld's employment had continued during any term or performance period under such plans</li><li>• unvested stock options will vest on the day of termination, and are exercisable until the earlier of the third anniversary of the date of termination and the expiry of the options</li></ul>
<b>Termination for Disability or Upon Death</b>	<ul style="list-style-type: none"><li>• annual base salary and expenses due at the time of termination, annual bonus pro-rated to the date of termination and long-term incentives as if Mr. Gauld's employment had continued during any term or performance period under those plans</li></ul>
<b>Termination for Cause</b>	<ul style="list-style-type: none"><li>• annual base salary and expenses due at the time of termination</li></ul>
<b>Termination by the Company for Any Reason</b>	<ul style="list-style-type: none"><li>• deferred share units will be exercisable in accordance with the deferred share unit plan</li></ul>
<b>Resignation</b>	<ul style="list-style-type: none"><li>• no further obligations or responsibilities except to pay all long term incentives payable under the applicable plan or plans</li></ul>
<b>Perquisites</b>	<ul style="list-style-type: none"><li>• reimbursement of up to \$10,000 for reasonable out-of-pocket independent legal advice and services for negotiation and completion of employment agreement</li><li>• annual membership fees at two clubs</li><li>• monthly automobile allowance of \$2,500 and a maximum annual amount of \$20,000 for financial planning consultant's fees</li><li>• reimbursement of all reasonable out-of-pocket expenses (but not the purchase price) incurred for the purchase of a residence, and its subsequent sale within six months of the termination of employment, including legal fees, real estate commission and reasonable moving expenses.</li></ul>

An employment agreement was established with Mr. Sales effective upon his employment as President and Chief Executive Officer, which agreement was subsequently amended to reflect the change in his position from President and Chief Executive Officer to Vice Chairman. The key items of this agreement are as follows:

<b>Vice Chairman (Past President and Chief Executive Officer)</b>	Wayne C. Sales
<b>Effective Date, Term and Amendments</b>	<p>July 1, 2004 to June 30, 2007</p> <ul style="list-style-type: none"> <li>Mr. Sales retired as President and Chief Executive Officer on April 27, 2006 and was appointed Vice Chairman of the Company on that date</li> <li>his employment agreement was amended on April 27, 2006 to reflect the change in his role from President and Chief Executive Officer to Vice Chairman of the Company as well as the changes in responsibilities associated with his new position</li> <li>provides that in his capacity as Vice Chairman: <ul style="list-style-type: none"> <li>he will act as a consultant to the President and Chief Executive Officer and the Company and shall provide such services only at the request of the President and Chief Executive Officer and the Board</li> <li>he will devote the time and attention to the business and affairs of the Company as reasonably requested by the Board, any committee of the Board, the President and Chief Executive Officer and any other member of management of the Company</li> </ul> </li> </ul>
<b>Base Salary</b>	\$990,000
<b>Short-term and Long-term Incentive Plan, Security Based Compensation Arrangements and Benefits Participation</b>	<p>Mr. Sales' employment agreement allows him to participate in:</p> <ul style="list-style-type: none"> <li>our Short-term Incentive Plan</li> <li>our Long-term Incentive Plan for executives under which he will receive annually a grant valued at no less than \$1.6 million on the date of the grant</li> <li>any new incentive plan we introduce</li> <li>our Profit Sharing Plan and Share Purchase Plan</li> <li>other benefits that are generally provided to our senior officers</li> </ul>
<b>Special DSU Grant</b>	<ul style="list-style-type: none"> <li>Mr. Sales' employment agreement entitled him to a grant of deferred share units with a face value of \$2 million on August 3, 2005</li> <li>Mr. Sales was awarded 37,181 deferred share units on August 3, 2005</li> </ul>
<b>Termination Without Cause and in the Absence of Disability or by Mr. Sales in Certain Limited Circumstances</b>	<ul style="list-style-type: none"> <li>annual base salary, annual bonus (equal to the average of any annual bonuses paid to him for the last two fiscal years that ended before the day of termination) and vacation pay for one year</li> <li>unvested stock options will vest on the day of termination, and are exercisable until the earlier of the fifth anniversary of the date of termination and the expiry of the options</li> <li>Long-term Incentive Plan payments will be paid in accordance with the applicable plans as if Mr. Sales' employment had continued during any term or performance period under such plans</li> <li>all benefits during the one-year period following the date of termination (except for long-term disability insurance), as well as automobile, club and financial planning perquisites</li> <li>a lump sum after-tax amount of \$50,000 (Cdn.) for moving expenses and \$25,000 for outplacement costs, less withholding taxes</li> <li>a maximum of \$20,000 (U.S.) annually to Mr. Sales' insurer for him and his wife until the earlier of the death of both Mr. Sales and his wife and 2015, and up to \$30,000 (U.S.) annually thereafter until the earlier of the death of both Mr. Sales and his wife and 2020 for health insurance costs in the United States</li> </ul>
<b>Termination for Disability or Upon Death</b>	<ul style="list-style-type: none"> <li>annual base salary and expenses due at the time of termination, his annual bonus pro-rated to the date of termination and his long-term incentives as if Mr. Sales' employment had continued during any term or performance period under those plans</li> </ul>
<b>Termination for Cause</b>	<ul style="list-style-type: none"> <li>annual base salary and expenses due at the time of termination</li> </ul>
<b>Termination by the Company for Any Reason</b>	<ul style="list-style-type: none"> <li>deferred share units will be exercisable in accordance with the deferred share unit plan</li> </ul>
<b>Resignation</b>	<ul style="list-style-type: none"> <li>no further obligations or responsibilities except salary and expenses due at the time of termination</li> </ul>
<b>Perquisites</b>	<ul style="list-style-type: none"> <li>payment to his insurer to a maximum annually of \$20,000 (U.S.) in respect of the costs of health insurance for healthcare in the United States for himself and his wife</li> <li>annual membership fees at three clubs</li> <li>other perquisites described in Note 2 to the <i>Summary Compensation Table</i> on page 36</li> <li>an annual payment, until one year following the end of his employment, equal to the foregone pre-tax benefit of the housing loan he voluntarily repaid in 2004.</li> </ul>

### Other Senior Officers

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

- a minimum annual base salary, specified in the agreement (see the *Summary Compensation Table* on page 36 for their 2006 annual base salaries)
- participation in the Short-term Incentive Plan, Profit Sharing Plan, Share Purchase Plan and Long-term Incentive Plan for executives
- reimbursement for consultants fees for financial planning services to a maximum of \$5,000 annually
- other benefits that are generally provided to our senior officers.

Mr. Thomas, Mr. Medline's and Mr. Arnett's employment agreements also provide that they are entitled to an automobile allowance per month of \$1,645, \$1,645 and \$1,800 respectively, as well as Company paid parking and a Canadian Tire Roadside Assistance membership.

Mr. Wilson's employment agreement also provides that he is entitled to a Company paid leased automobile and operating expenses which together are approximately \$1,860 per month, and a Canadian Tire Roadside Assistance membership.

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

## Other Compensation Information

### Compensation of Directors

#### Fees and Expenses

In 2006, our directors received:

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

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

The table below lists the fees directors were entitled to receive effective May 1, 2005 until December 31, 2006. The President and Chief Executive Officer does not receive any of these fees.

	Fees
<b>Annual Retainer</b>	
Chairman of the Board	\$273,930
• Class A Non-Voting Shares or DSUs	\$ 24,000
• Company Paid Parking	\$ 2,635
Board Members	\$100,000
Audit Committee Chairman	\$ 25,000
Other Committee Chairman	\$ 11,000
<b>Attendance Fees</b> (not applicable to the Chairman of the Board)	
Board Meeting	\$ 2,000
Board Meeting held via conference call	\$ 750
Committee Meeting	\$ 2,000
• For Committee members and directors who attended as an invited guest	
Audit Committee Meeting	\$ 2,750
<b>Travel Fee</b>	
• When travel time for a round trip to attend the meeting was more than four hours (not applicable to the Chairman of the Board)	\$ 1,500

#### Share Ownership Guidelines

Each director, other than Mr. Gauld, is required to accumulate at least three times the value of the annual director retainer in Common Shares, Class A Non-Voting Shares or deferred share units (DSUs) by the later of February 9, 2008 and the fifth anniversary of becoming a director (see *About the Nominated Directors* on page 14 for information concerning the individual holdings of the nominated directors). Mr. Gauld is required to accumulate three times his base salary in Class A Non-Voting Shares or share units pursuant to the Share Ownership Guidelines for senior officers. (See *Share Ownership Guidelines* on page 32 for more information).

Effective May 1, 2005, each director, other than the Chairman of the Board and the President and Chief Executive Officer, who are compensated solely for holding their respective offices (see *Executive Compensation — Summary Compensation Table* on page 36 for the President and Chief Executive Officer's compensation), was entitled to receive an annual retainer of \$100,000. If a director owned the guideline-required amount of Class A Non-Voting Shares and/or DSUs, he or she received:

- \$76,000 in cash, Class A Non-Voting Shares and/or DSUs as specified by the director
- \$24,000 in Class A Non-Voting Shares or DSUs at his or her discretion.

If a director had not reached the guideline-required amount, he or she received:

- \$44,000 in cash, Class A Non-Voting Shares and/or DSUs as specified by the director
- \$56,000 in Class A Non-Voting Shares or DSUs at his or her discretion.

### Directors' Deferred Share Unit Plan

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

DSUs are credited quarterly to each participating director's account. The number of units is calculated by dividing the amount the director chooses to receive in DSUs by the market value of a Class A Non-Voting Share on the day the DSUs are credited. When the director resigns from the Board, he or she receives an amount equal to the number of DSUs credited to his or her account, plus any dividends that have accrued in the form of DSUs, multiplied by the market value of Class A Non-Voting Shares at the time. The retiring director receives his or her payment in cash, after the deduction of any withholding taxes that apply (see *About the Nominated Directors* on page 14 for information concerning the individual holdings of the nominated directors).

In 2006, 16,606 DSUs were credited to the accounts of directors participating in the plan.

### Compensation of Directors of Canadian Tire Bank

During 2006, five of the Company's directors also served (along with three outside directors) as directors of Canadian Tire Bank (CTB), a wholly-owned subsidiary of Canadian Tire Financial Services Limited, which is a wholly-owned subsidiary of the Company. For their service as directors of CTB, Martha G. Billes, Gordon F. Cheesbrough (Chairman of the Board), Frank Potter (Chairman, Governance and Conduct Review Committee), Maureen J. Sabia and Graham W. Savage received:

- an annual retainer
- an attendance fee for each Board and Committee meeting they attended.

They were also reimbursed for travel and other expenses incurred to attend Board and Committee meetings or to perform other duties in their role as a director.

The table below lists the fees that CTB directors were entitled to receive in cash effective May 4, 2006.

	Fees
<b>Annual Retainer</b>	
Chairman of the Board	\$50,000
Board Members	\$30,000
Governance and Conduct Review Committee Chairman	\$40,000
<b>Attendance Fees</b>	
Board Meeting	\$ 2,000
Board Meeting held via conference call of less than 60 minutes	\$ 800
Audit and Risk Management Committee Meeting	\$ 2,500
Governance and Conduct Review Committee Meeting	\$ 2,000

### Liability Insurance for Directors and Officers

During the year ended December 30, 2006, we bought liability insurance coverage of \$125 million for our directors and officers. This insurance is designed to protect them against liabilities they may face in their capacity as directors or officers of Canadian Tire.

Each loss is subject to a deductible of \$250,000 (\$1 million deductible for securities claims brought by, or on behalf of, a shareholder of Canadian Tire). The directors' and officers' liability insurance does not cover losses arising from illegal conduct, fraud or bad faith.

We paid \$644,050 in policy premiums for the period April 4, 2006 to April 4, 2007, none of which was paid by individual directors and officers. The insurance policy does not differentiate between coverage for directors and coverage for officers, and we cannot estimate the amount of the premium that relates to the group of directors or the group of officers.



## Securities Authorized for Issue under Incentive Plans<sup>(1)</sup>

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
<b>Equity Compensation Plans Approved by Securityholders</b>			
• Stock Option Plan	1,124,591	\$40.62	2,920,723 <sup>(2)</sup>
<b>Equity Compensation Plans Not Approved by Securityholders</b>			
• Canadian Tire's Share Purchase Plan	N/A	N/A	1,022,568 <sup>(2)</sup>
• Canadian Tire's Deferred Profit Sharing Plan			
• Deferred Profit Sharing Plan for Employees of Participating Associate Dealers			
<b>Total</b>	1,124,591	N/A	3,943,291

### Notes

- (1) The figures provided in this table are as of the financial year ended December 30, 2006.
- (2) On March 8, 2007 the Board of Directors re-allocated 1.5 million Class A Non-Voting Shares from the Stock Option Plan to the Canadian Tire Corporation, Limited Deferred Profit Sharing Plan, the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers and the Canadian Tire Corporation, Limited Share Purchase Plan to increase the pool of Class A Non-Voting Shares in connection with these plans.

### Equity Compensation Plans Approved by Securityholders

#### *Stock Option Plan*

For a description of the Stock Option Plan, see *Long-term Incentive Plans — Stock Option Plan* on page 30.

### Equity Compensation Plans Not Approved by Securityholders

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

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

Every year we make an annual payment to the trustees of the plan that equals at least one percent of our previous year's net profits after income tax. We designate to the trustees the amount to be allocated to each of the employees and officers participating in

the plan. The trustees invest not less than 10 percent of the amount allocated to each employee or officer in Class A Non-Voting Shares, with the balance invested in SEI Funds as directed by each employee and officer.

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

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

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

The Canadian Tire Corporation, Limited Deferred Profit Sharing Plan was established under a trust deed dated January 1, 1968 and amended and restated as of January 1, 2001. Stanley W. Pasternak, William Peters and Cameron D. Stewart are the current trustees of the plan. Mr. Pasternak and Mr. Stewart are employees of the Company and hold the positions of Senior Vice-President and Treasurer and Senior Vice-President, Secretary and General Counsel, respectively.

Amendments to the plan can be made with the approval of the Board of Directors except where shareholder approval is required by law or by a regulatory organization having jurisdiction over the Company or its securities, including a securities commission or the TSX.

There are 286,916 Class A Non-Voting Shares reserved for issuance under the plan.

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

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

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

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

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

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

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

1990, replaced on January 1, 1994 and further replaced on July 1, 2004.

The plan can be amended with the approval of the Board of Directors of Canadian Tire and the Canadian Tire Dealers' Association except where shareholder approval is required by law or by a regulatory organization having jurisdiction over the Company or its securities, including a securities commission or the TSX.

There are 492,698 Class A Non-Voting Shares reserved for issuance under the plan.

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

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

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

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

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

Dividends paid on unvested Class A Non-Voting Shares will be reinvested in Class A Non-Voting Shares for the eligible employee.

If the employment of an employee is terminated, except in limited circumstances, he or she:

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

The plan can be amended with the approval of the Board of Directors except where shareholder approval is required by law or by a regulatory organization having jurisdiction over the Company or its securities, including a securities commission or the TSX.

There are 1,660,316 Class A Non-Voting Shares reserved for issuance under the plan.

## Other Information

### Normal Course Issuer Bid

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

We have filed a notice of intention with the TSX to make a normal course issuer bid to purchase up to 1.4 million Class A Non-Voting Shares between February 19, 2007 and February 18, 2008. This is less than 10 percent of the public float of Class A Non-Voting Shares as of February 8, 2007. Canadian Tire's Common Shares are not part of this bid.

We purchased 1,207,300 Class A Non-Voting Shares in 2006 under the notice of intention we filed in February 2006.

### Documents You Can Request

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

- notice of intention to make the 2007 Normal Course Issuer Bid
- MD&A and consolidated financial statements for the financial year ended December 30, 2006. These documents contain financial information and are included in our 2006 Annual Report
- 2007 Annual Information Form and the documents incorporated by reference.

Please write to Cameron D. Stewart at Canadian Tire Corporation, Limited, 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario M4P 2V8.

### Information Available Online

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

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

The contents and the sending of this management information circular have been approved by the Board of Directors of the Company.

Dated as of March 8, 2007  
Toronto, Ontario



Cameron D. Stewart  
Secretary

# Appendix A

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## BE IT RESOLVED THAT:

1. the Board of Directors of Canadian Tire Corporation, Limited (the “Company”) be authorized in its discretion at any time and from time to time and without any approval of any shareholders of the Company (except as hereinafter set out) to amend the Deferred Profit Sharing Plan for Employees of Participating Associate Dealers (the “DPSP”) for any one or more of the following purposes:
  - (a) adding any provisions for the purposes of protecting the participants of the DPSP (the “Participants”);
  - (b) removing any conflicts or any inconsistencies which may exist between any of the terms of the DPSP contained in any plan description and any provisions of any applicable law or regulation, provided that the Canadian Tire Dealers’ Association (the “Association”) and the Company are of the opinion that such amendments will not be materially prejudicial to the interests of the Participants;
  - (c) making any change or correction to the terms of the DPSP contained in any DPSP plan description as to which the Association or the Company shall have been advised by legal counsel that the same are typographical corrections or changes or are required for purpose of curing or correcting any ambiguity or defective or inconsistent provision or clerical omission or mistake or manifest error contained therein;
  - (d) continuing compliance with applicable laws, regulations and requirements or any governmental authorities having jurisdiction over the DPSP or in order to maintain the registration of the DPSP under the provisions of the Income Tax Act (Canada) as amended or otherwise to satisfy the requirements of Canada Revenue Agency or any applicable provincial taxing authority;
  - (e) making any other change or correction to the terms of the DPSP contained in any DPSP plan description as may be necessary or desirable with respect to matters or questions arising thereunder which do not affect the substance thereof and which in the opinion of the Association and the Company it may be expedient to make, if in the opinion of the Association and the Company such change or correction will not be prejudicial to the interests of the Participants generally; and
  - (f) making any other amendment whatsoever to the DPSP which is considered appropriate by the Board of Directors of the Company and approved by the Association, and any one or more class of shareholders of the Company and the Toronto Stock Exchange approves of any such amendment where required at law or by the Toronto Stock Exchange;
2. notwithstanding the foregoing, the approval of amendments to the DPSP which provide for an increase in the number of Class A Non-Voting Shares of the Company which may be issued under the DPSP and all other security based compensation arrangements of the Company, as defined by the Toronto Stock Exchange, shall require the approval of a simple majority of the votes cast by the holders of Common Shares of the Company represented and voted at a special meeting of shareholders of the Company;
3. each of the directors and officers of the Company be and is hereby authorized and directed to do all things and to execute all documents necessary or desirable to give effect to the foregoing.

## Appendix B

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### BE IT RESOLVED THAT:

1. the Board of Directors of Canadian Tire Corporation, Limited (the “Company”) be authorized in its discretion at any time and from time to time and without any approval of any shareholders of the Company (except as hereinafter set out) to amend the Canadian Tire Company, Limited Share Purchase Plan (the “Plan”) for any one or more of the following purposes:
  - (a) re-defining who are Eligible Employees and Designated Employees, each as defined in the Plan;
  - (b) modifying an Eligible Employee’s ability to suspend his or her participation in the Plan;
  - (c) modifying the Company contribution to the Plan, or the calculation thereof;
  - (d) modifying the vesting provisions in connection with the ownership of shares pursuant to the Plan;
  - (e) modifying the brokerage fee;
  - (f) modifying the requirement that cash dividends be reinvested in Class A Non-Voting Shares;
  - (g) modifying the Company’s obligations and/or the rights and obligations of Eligible Employees upon termination of an Eligible Employee’s participation in the Plan;
  - (h) modifying the Company’s obligation to deliver quarterly statements to Eligible Employees and the content of such statements;
  - (i) modifying the Company’s obligations upon termination of the Plan;
  - (j) amending the amending provisions of the Plan;
  - (k) making amendments for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or clerical omission or mistake or manifest error contained in the Plan; and
  - (l) making any other amendment whatsoever which is considered appropriate by the Board of Directors of the Company, provided that such amendment is not prejudicial to the interests of the Eligible Employees generally and any one or more class of shareholders of the Company or the Toronto Stock Exchange approves of any such amendment where required by contract, at law or by the Toronto Stock Exchange;
2. notwithstanding the foregoing, the approval of amendments to the Plan which provide for an increase in the number of Class A Non-Voting Shares of the Company which may be issued under the Plan and all other security based compensation arrangements of the Company, as defined by the Toronto Stock Exchange, shall require the approval of a simple majority of the votes cast by the holders of Common Shares of the Company represented and voted at a special meeting of shareholders of the Company;
3. each of the directors and officers of the Company be and is hereby authorized and directed to do all things and to execute all documents necessary or desirable to give effect to the foregoing.

## Appendix C

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### BE IT RESOLVED THAT:

1. the Board of Directors of Canadian Tire Corporation, Limited (the “Company”) be and is hereby authorized to amend and restate the Stock Option Plan of the Company to reflect the changes set out in the Amended and Restated Stock Option Plan attached hereto as Schedule A and thereafter to further amend the Amended and Restated Stock Option Plan in its discretion at any time and from time to time in accordance with paragraph 4(1) thereof;
2. each of the directors and officers of the Company be and is hereby authorized and directed to do all things and to execute all documents necessary or desirable to give effect to the foregoing.



# Schedule "A"

## CANADIAN TIRE CORPORATION, LIMITED AMENDED AND RESTATED STOCK OPTION PLAN

WHEREAS the Corporation is desirous of establishing a stock option plan for the purpose of rewarding certain officers and employees of the Corporation and for the purpose of encouraging such officers and employees to participate in the future growth, development and success of the Corporation's enterprises through ownership of shares of the Corporation;

AND WHEREAS the Corporation is empowered to establish a stock option plan and has taken all necessary steps and procedures to authorize the establishment of the Plan, subject to the approvals hereinafter referred to;

### NOW THEREFORE THIS INSTRUMENT WITNESSETH AS FOLLOWS:

1. In this Plan, unless there is something in the subject matter or context inconsistent therewith,

- (a) ~~(a)~~ "Act" means the Business Corporations Act (Ontario);
- (b) "Black Out Expiration Term" means the 10 business day period commencing immediately after the expiration of a Black Out Period;
- (c) "Black Out Period" means a period of time self-imposed by the Corporation during which trading in securities of the Corporation by certain Employees of the Corporation is not permitted;
- (d) ~~(b)~~ "Class A Non-Voting Shares" means the Class A Non-Voting Shares in the capital of the Corporation;
- (e) ~~(c)~~ "Corporation" means Canadian Tire Corporation, Limited, a company incorporated under the laws of the Province of Ontario, with its registered office in the City of Toronto, in the said Province, and includes any successor of such company;
- (f) ~~(d)~~ "Employee" means a person employed on a full or part time basis by the Corporation or a Subsidiary;
- (g) ~~(e)~~ "Exchange" means the ~~TSE~~ TSX and any other stock exchange that the shares of the Corporation are listed on from time to time;
- (h) "Insider of the Corporation" means an insider of the Corporation within the meaning of the Securities Act (Ontario);
- (i) ~~(f)~~ "Market Price" means the weighted average price at which Class A Non-Voting Shares of the Corporation trade on the ~~TSE~~ TSX during the ten day period prior to

and including the last business day before the date of determination of such price;

- (j) ~~(g)~~ "Option" means a right provided in accordance with the Plan pursuant to which an Employee is entitled to subscribe for any unissued Class A Non-Voting Shares;
  - (k) ~~(h)~~ "Option Agreement" means an agreement between the Corporation and an Employee pursuant to which an Option is granted;
  - (l) ~~(i)~~ "Optionee" means an Employee or former Employee who has been granted an Option pursuant to an Option Agreement;
  - (m) ~~(j)~~ "Plan" means the Stock Option Plan set out herein, as amended, and includes any and every instrument supplemental or ancillary hereto;
  - (n) ~~(k)~~ "Subsidiary" means a subsidiary of the Corporation as defined in the Act;
  - (o) ~~(l)~~ "TSE" TSX means the Toronto Stock Exchange;
  - (p) ~~(m)~~ "Voting Shares" means any shares of the Corporation carrying voting rights under all circumstances or under some circumstances that have occurred and are continuing;
  - (q) ~~(o)~~ words importing the singular number shall include the plural and vice versa and words importing the masculine gender shall include the feminine gender and neuter and vice versa and words importing persons shall include firms, corporations and other legal entities and vice versa; and
  - (r) ~~(p)~~ the Plan shall be construed in accordance with the laws of the Province of Ontario.
2. The Board of Directors of the Corporation may from time to time authorize the granting of Options to Employees in accordance with the terms of the Plan with respect to such aggregate number of Class A Non-Voting Shares as may be approved by them, provided that the maximum number of Class A Non-Voting Shares issuable pursuant to the Plan from and after March 8, 2007 shall not exceed ~~11,000,000~~ 2,545,314 Class A Non-Voting Shares (excluding any Class A Non-Voting Shares surrendered pursuant to the terms of an Option Agreement), and further provided that the percentage of Class A Non-Voting Shares subject to an Option in favour of any one Employee shall not exceed five per cent of the number of issued and outstanding Class A Non-Voting Shares from time to time.

3. The option price per Class A Non-Voting Share shall be determined from time to time by the Board of Directors of the Corporation but shall not, in relation to any Option, be less than the Market Price of the Class A Non-Voting Shares on the date on which such Option is granted.
4. Option Agreements shall be entered into with each Optionee and shall specify the terms upon which Options are granted and the time and manner of exercise of Options granted pursuant thereto, consistent with the terms of the Plan, provided that:
  - (a) no Option shall extend for a period of more than ten years from the date upon which it is granted except where permitted by paragraph 4(l);
  - (b) the option price for all Class A Non-Voting Shares taken up on the exercise of each Option shall be paid in full at the time of such exercise;
  - (c) no Optionee shall have any rights as a shareholder of the Corporation in respect of the Class A Non-Voting Shares subject to any Option until such shares have been taken up, paid for in full and issued;
  - (d) Class A Non-Voting Shares not taken up and paid for under any Option prior to the expiry or earlier termination thereof may again be optioned pursuant to the Plan;
  - (e) the time or times during which Options may be exercised may be limited from time to time by the Board of Directors of the Corporation for particular Optionees, any group or groups of Optionees or for Optionees generally and such limitations may apply to any or all Class A Non-Voting Shares subject to an Option, notwithstanding any other term of this Plan;
  - (f) Options may only be exercised by the Optionee or by his or her legal personal representatives;
  - (g) in the event an Optionee becomes incapacitated to the extent of being unable to perform his or her duties with the Corporation or a Subsidiary, the Option may be exercised by the Optionee or his or her legal personal representatives, (A) as to any or all of the optioned shares in respect of which such Option has not then been exercised, (B) up to and including (but not after) the earlier of the expiration of the Option and the date three years following the date on which the Optionee ceases to be employed by the Corporation or a Subsidiary;
  - (h) in the event of the death of the Optionee, the Option may be exercised by the Optionee's legal personal representatives, (A) as to any or all of the optioned shares in respect of which such Option has not then been exercised, (B) up to and including (but not after) the earlier of the expiration of the Option and the date three years following the date of death of the Optionee;
  - (i) in the event an Optionee retires after having attained the age of sixty years, the Option may be exercised by the Optionee or his or her legal personal representatives as specified in the applicable Option Agreement;
  - (j) in the event an Optionee retires to become a Canadian Tire Associate Dealer, the Option may be exercised by the Optionee or his or her legal personal representatives, (A) as to any or all of the optioned shares in respect of which such Option is exercisable at the date of retirement, (B) up to and including (but not after) the earlier of the expiration of the Option and the date one year following the date of such retirement; ~~and~~
  - (k) ~~(k)~~ in the event an Optionee ceases to be employed by the Corporation or a Subsidiary for any reason other than as set out in subparagraphs 4(g), (h), (i) or (j), the Option may be exercised by the Optionee or his or her legal personal representatives, (A) as to any or all of the optioned shares in respect of which such Option is exercisable at the date the Optionee ceases to be employed by the Corporation or a Subsidiary, (B) up to and including (but not after) the earlier of the expiration of the Option and the date thirty days following the date on which the Optionee ceases to be so employed; and
  - (l) in the event the time or times during which Options may be exercised by Optionees are restricted due to a Black Out Period (Class A Non-Voting Shares pursuant to such Options cannot be traded during a Black Out Period), such time shall be extended by the Corporation (without the approval of the Board of Directors) for the Black Out Expiration Term. For greater certainty, in the event the time or times during which Options may be exercised by Optionees expires immediately after the expiration of a Black Out Period, the Black Out Expiration Term will be reduced by the number of days between the expiration of the exercise time or times and the end of the Black Out Period.
5. No Class A Non-Voting Shares will be reserved for issuance pursuant to the Plan if the number of Class A Non-Voting Shares reserved for issuance pursuant to the Plan, together with Class A Non-Voting Shares reserved (and unissued) pursuant to all of the Corporation's previously established or proposed share compensation arrangements, could result, at any time, in the issuance, within a one-year period, of a number of Class A Non-Voting Shares exceeding ten percent

of the outstanding issue. For the purpose of this paragraph 65, “outstanding issue” shall be determined on the basis of the number of Class A Non-Voting Shares that are outstanding immediately prior to the share issuance in question, excluding Class A Non-Voting Shares issued pursuant to share compensation arrangements over the preceding one-year period.

6. ~~6.~~ Appropriate adjustments in the number of Class A Non-Voting Shares in respect of which Options may be granted under the Plan and in the number of Class A Non-Voting Shares and the price per share stipulated in any Option Agreement may be made by the Board of Directors of the Corporation in the Option Agreement, by board resolution or otherwise, to give effect to alterations in the number or class of or change in the shares of the Corporation resulting from any subdivision, consolidation or reclassification of, or other change in, the Class A Non-Voting Shares of the Corporation or the amalgamation, consolidation or merger of the Corporation, or other relevant changes in the capital of the Corporation.

7. ~~7.~~-(a) The Board of Directors of the Corporation may from time to time alter or amend the Plan (or an Option Agreement or entitlement subject to the Plan) upon receipt of requisite approval from the Exchange ~~provided that~~ for the purpose of:

- (i) modifying any or all of the matters referred to in subparagraph 4(a) to (l) of the Plan;
- (ii) effecting early expiration of Options generally or Options granted to one or more Optionees or groups of Optionees;
- (iii) accelerating the vesting of Options generally or Options granted to one or more Optionees or groups of Optionees;
- (iv) modifying the manner of determining the minimum option price of any Option generally or Options granted to one or more Optionees or groups of Optionees;
- (v) amending the Black Out Period or the Black Out Expiration Term for Options generally or Options granted to one or more Optionees or groups of Optionees;
- (vi) otherwise amending any Option Agreement or entitlement subject to the Plan;
- (vii) amending this paragraph 7;

(viii) making amendments for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or clerical omission or mistake or manifest error contained in the Plan; and

(ix) making any other amendment whatsoever to the Plan which is considered appropriate by the Board of Directors of the Corporation.

(b) Notwithstanding subparagraph 7(a), the Board of Directors of the Corporation may not:

- (i) ~~(i)~~ without the approval of the shareholders given by a resolution passed at a special meeting of shareholders called to consider such alteration or amendment, increase the maximum aggregate number of Class A Non-Voting Shares that may be optioned and issued under the Plan as provided in paragraph 2 hereof ~~shall not be increased~~ when taken together with all other security based compensation arrangements as defined by the TSX (except only as may be appropriate under the provisions of paragraph 5 hereto) and the manner of determining the minimum option price of any Option shall not be altered, reduce the exercise price for Options held by Insiders of the Corporation or extend the term of Options held by Insiders of the Corporation; and
- (ii) ~~(ii)~~ not make any amendments of the Plan which prejudice the rights of Optionees under existing Option Agreements will be made without first obtaining the approval of the Optionees who are parties to such Option Agreements.

(bc) The Board of Directors of the Corporation may at any time terminate the Plan with respect to any Class A Non-Voting Shares not at the time subject to any Option but such termination shall in no way affect the right of an Optionee with respect to an Option outstanding at the time of such termination.

8. ~~8.~~ Subject to the foregoing provisions, the Board of Directors of the Corporation may determine from time to time the form of and the terms and conditions to be included in any Option Agreement, including the terms of any limitations referred to in subparagraph 4(e).

9. ~~9.~~ The decision of the Board of Directors of the Corporation with respect to any matter under the Plan shall be binding upon the Corporation and on all Employees and Optionees.

10. ~~10.~~ The terms of the Plan and the granting of Options pursuant to the Plan shall be subject to the approval of the Exchange and any other regulatory authorities as may be necessary or desirable.
11. ~~11.~~ In addition to the approval set out in paragraph 9 hereof, the terms of the Plan and the granting of Options pursuant to the Plan shall be subject to the approval of the holders of at least a majority of the then outstanding Voting Shares of the Corporation given at the first meeting of such shareholders at which the Plan and the granting of Options are presented for approval and, notwithstanding any other term hereof, no Option shall be exercised prior to such approval being given.
12. ~~12.~~ Nothing in the Plan shall be construed to give any Employee any right to be granted an Option.

DATED as of the ~~1st~~10th day of ~~June~~May, ~~2000~~2007.

# Appendix D

## CANADIAN TIRE CORPORATION, LIMITED BOARD OF DIRECTORS MANDATE

### 1. PRIMARY ROLE OF THE BOARD

The directors (collectively the “Board”) of Canadian Tire Corporation, Limited (the “Corporation”) are responsible for the stewardship of the Corporation. The Ontario Business Corporations Act (the “OBCA”), the statute which governs the Corporation, provides that the stewardship responsibility of the Board consists primarily of the duty to manage or supervise the management of the business and affairs of the Corporation. The OBCA further authorizes the Board, subject to certain exceptions, to delegate to an officer or officers of the Corporation powers to manage the business and affairs of the Corporation. As authorized by the OBCA and for the purpose of effectively discharging the Board’s stewardship responsibility,

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

### 2. THE ROLE OF BOARD COMMITTEES

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

### 3. STANDARD OF CONDUCT

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

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

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

care, diligence and skill that a reasonably prudent person would exercise.

### 4. CATEGORIES OF BOARD DUTIES

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

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

The Board acknowledges and accepts the following Ordinary Course Duties:

#### Financial Reporting and Disclosure

- A. Governments, securities commissions, stock exchanges and other agencies and instrumentalities having jurisdiction over the Corporation (collectively the “Regulators”) have promulgated and will continue to promulgate laws, regulations, rules, policies and other requirements relating to financial reporting and disclosure by the Corporation (collectively the “Financial Reporting Rules”). The Board must take, or require the Audit Committee of the Board (the “Audit Committee”) to take, Diligent Action to gain and maintain reasonable assurance that the senior officers of the Corporation (“Management”), the Board and the Corporation meet all financial reporting and disclosure obligations (“Financial Reporting Obligations”) imposed on them by the Financial Reporting Rules. The Board recognizes that the most significant Financial Reporting Obligations are as follows:
  - (a) Management must prepare (1) comparative financial statements of the Corporation relating separately to each financial year of the Corporation (the “Current Year”) and the financial year of the Corporation next preceding the Current Year (the “Preceding Year”), and (2) Management discussion and analysis (“MD&A”) relating to such financial statements;
  - (b) Management must prepare (1) comparative interim financial statements of the Corporation relating separately to each of the three-month, six-month and nine-month periods of the Current Year and the Preceding Year, and (2) MD&A relating to such financial statements;



(c) each comparative financial statement of the Corporation specified in subsection (a) above (a “Current Annual Statement”), each comparative interim financial statement of the Corporation specified in subsection (b) above (a “Current Quarterly Statement”) and the MD&A relating to such financial statements must:

- (i) in the case of each Current Annual Statement and each Current Quarterly Statement (a “Current Financial Statement”), present fairly, in all material respects, the financial position of the Corporation, the results of its operations and its cash flows in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”);
  - (ii) be made up and certified as required by the Financial Reporting Rules;
  - (iii) in the case of each Current Annual Statement, be accompanied by a report thereon (the “Required Report”) prepared in accordance with the Financial Reporting Rules by a firm of chartered accountants (the “external auditor”) which is objective and independent;
  - (iv) be filed with Regulators in compliance with the Financial Reporting Rules; and
  - (v) be sent to holders of the Corporation’s securities in compliance with the Financial Reporting Rules;
- (d) in compliance with and subject to the Financial Reporting Rules, the Board must place before each annual meeting of shareholders of the Corporation and send to each shareholder of the Corporation each Current Annual Statement;
- (e) subject to and in compliance with the Financial Reporting Rules, where a material change (as defined in the Financial Reporting Rules) occurs in the affairs of the Corporation, the Corporation must
- (i) forthwith issue a news release authorized by a member of Management disclosing the nature and substance of the material change (a “Material Change News Release”), and
  - (ii) file a report of such material change (a “Material Change Report”) with Regulators as soon as practicable (and in any event within ten days) of the date on which the material change occurs; and
- (f) all financial information concerning the Corporation which is disseminated to the public by or on behalf of the

Corporation must be accurate, complete and fairly presented.

**B.** The Board must also take Diligent Action to:

- (a) gain and maintain reasonable assurance that the composition, authority and responsibilities of the Audit Committee conform to and comply with the Financial Reporting Rules;
- (b) nominate a firm of objective and independent chartered accountants (the “proposed auditor”) for appointment as the external auditor by the holders of Common Shares of the Corporation;
- (c) fix the compensation and the terms of engagement of the external auditor; and
- (d) gain and maintain reasonable assurance that the Corporation is in compliance with its obligations under tax, employment and similar laws and regulations (“Employment Obligations”).

**C.** The Board shall empower and require the Audit Committee to:

- (a) recommend to the Board
  - (i) the proposed auditor to be nominated by the Board for appointment as the external auditor by the holders of Common Shares of the Corporation; and
  - (ii) the compensation of the external auditor;
- (b) take Diligent Action to oversee the work of the external auditor in preparing and issuing a Required Report and performing other audit, review and attest services for the Corporation;
- (c) take Diligent Action to resolve disagreements between Management and the external auditor regarding financial reporting;
- (d) when it is appropriate to do so, pre-approve all non-audit services proposed to be provided to the Corporation or its subsidiary entities by the external auditor; for purposes of this mandate,
  - (i) “audit services” means the professional services rendered by the external auditor for the audit and review of the Corporation’s financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements, and
  - (ii) the term “non-audit services” means services other than audit services;



- (e) review the Corporation's financial statements, related MD&A and related annual and interim news releases before the Corporation publicly discloses such information;
  - (f) take Diligent Action to gain and maintain reasonable assurance that the Corporation has adequate procedures in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements;
  - (g) establish procedures for
    - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters ("Financial Complaints"),
    - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters ("Financial Concerns"), and
    - (iii) the reporting to the Audit Committee of all such Financial Complaints and Financial Concerns;
  - (h) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditor; and
  - (i) review annually the expenses of the Chairman of the Board and the CEO for the purpose of gaining reasonable assurance as to the reasonableness of such expenses.
- D.** Upon the demand of the external auditor, the Board shall:
- (a) furnish to the external auditor
    - (i) such information and explanations, and
    - (ii) such access to records, documents, books, accounts and vouchers of the Corporation and its subsidiaries as the Board is reasonably able to furnish and as are, in the opinion of the external auditor, necessary to enable the external auditor to make the examination (the "Required Examination") of the Corporation's financial statements required by the Financial Reporting Rules and to make the Required Report; and
  - (b) obtain from the present or former directors, officers, employees and agents of any subsidiary of the Corporation and furnish to the external auditor the information and explanations
    - (i) that such present or former directors, officers, employees and agents are reasonably able to furnish, and
    - (ii) that are, in the opinion of the external auditor, necessary to enable the external auditor to make the Required Examination and the Required Report.
- E.** The Board shall delegate to the Audit Committee the power and authority to communicate directly with the external auditor and the Corporation's Risk and Control Services Group (the "internal auditor").
- Strategic Planning**
- A.** The Board must require the CEO, in collaboration with the Board, to develop and to present to the Board:
- (a) the primary objective(s) which the CEO proposes to pursue in managing the business and affairs of the Corporation (the "Primary Objective(s)"), and
  - (b) a plan which the CEO proposes to implement which is designed to enable the Corporation to achieve the Primary Objective(s) (the "Strategy") and which takes into account, amongst other things, the Corporation's strengths and weaknesses, the opportunities for and threats to the Corporation's business and the Board's risk tolerance level.
- B.** The Board must take Diligent Action to gain reasonable assurance as to:
- (a) the appropriateness of the Primary Objective(s);
  - (b) whether the Strategy, if executed, is reasonably likely to enable the Corporation to achieve the Primary Objective(s); and
  - (c) whether the Strategy is reasonably capable of being executed by Management.
- C.** If the Board gains reasonable assurance as to the appropriateness of the Primary Objective(s), the Board may approve the Primary Objective(s) (the "Approved Primary Objective(s)").
- D.** If the Board gains reasonable assurance that (1) the Strategy, if executed, is reasonably likely to enable the Corporation to achieve the Approved Primary Objective(s), and (2) the Strategy is reasonably capable of being executed by Management, then the Board may approve the Strategy (the "Approved Strategy").
- E.** The Board must take Diligent Action to monitor Management's implementation of the Approved Strategy and the Corporation's progress toward achieving the Approved Primary Objective(s).

- F.** If at any time the Board is of the opinion that
- (a) the Approved Primary Objective(s) is or are no longer appropriate,
  - (b) an Approved Strategy is no longer reasonably capable of being executed by Management, or
  - (c) an Approved Strategy is no longer reasonably likely to enable the Corporation to achieve the Approved Primary Objective(s),

the Board must require the CEO to develop and present to the Board revised Primary Objective(s) and/or a revised Strategy, as the case may be, and the Board must then deal with the revised Primary Objective(s) and/or revised Strategy in the manner specified in sections B, C, D and E above.

### **Risk Management**

The Board must take, or require the Social Responsibility and Risk Governance Committee of the Board (the “SRRG”) to take, Diligent Action to gain and maintain reasonable assurance that the strategic, operational, reporting and compliance risks of the Corporation’s business (“Risks”) are identified in a timely manner and are effectively assessed, monitored and managed. In particular, the Board must take, or require the SRRG to take, Diligent Action to gain and maintain reasonable assurance that:

- (a) Management develops for the Corporation a formalized, disciplined and integrated enterprise risk management process (“ERM”) (1) which can reasonably be expected to enable Management to identify in a timely manner and to effectively assess, monitor and manage Risks, and (2) which is reasonably capable of being implemented and sustained by Management;
- (b) Management develops a policy (the “ERM Policy”) which accurately sets out the risk philosophy of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring and managing Risks;
- (c) Management fully implements and sustains the ERM in compliance with the ERM Policy;
- (d) the ERM Policy continues to set out accurately the risk philosophy of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring and managing Risks;
- (e) in a timely manner, Management identifies the most significant Risks (“Principal Risks”), including those Risks related to or arising from the Corporation’s weaknesses, the threats to the Corporation’s business and the assumptions underlying the Approved Strategy;

- (f) the insurance coverages maintained by the Corporation relating to Principal Risks are adequate; and
- (g) Management directly and effectively assesses, monitors and manages Principal Risks in compliance with the ERM Policy.

### **Human Resources**

- A.** The Board must take, or require the Management Resources and Compensation Committee of the Board (the “MRCC”) to take, Diligent Action to gain and maintain reasonable assurance that there exist within the Corporation effective policies and practices to enable the Corporation to attract, develop and retain the human resources required by the Corporation to meet the Primary Objective(s). In particular, the Board must take, or require the MRCC to take, Diligent Action to gain and maintain reasonable assurance that:
- (a) the Corporation’s overall compensation philosophy for all employees balances the objectives (the “Compensation Objectives”) of (i) attracting, developing and retaining highly competent employees, (ii) appropriately and fairly incenting and rewarding strong performance by employees and the Corporation in both the short term and the longer term, and (iii) maintaining the Corporation’s employee costs at a competitive level;
  - (b) the compensation program for members of Management consists of an appropriate combination (an “Appropriate Compensation Combination”) of base salary, a short term incentive plan, a longer term incentive plan and other benefits;
  - (c) the Corporation establishes and maintains an appropriate succession plan (a “Succession Plan”) which identifies the potential short-term and longer-term successors to the CEO and the holders of all other Management and senior manager’s positions in the Corporation; and
  - (d) the Corporation establishes and maintains effective policies and practices (“Training Policies and Practices”) which, in conjunction with the Succession Plan, provide for training, monitoring and continuously improving the skills of senior managers and employees.
- B.** The Board must also take, or require the MRCC to take, Diligent Action to:
- (a) establish and maintain a clear written position description for the CEO which reflects the Board’s delegation to the CEO of the powers and authority to manage the business and affairs of the Corporation and which delineates the CEO’s responsibilities;

- (b) employ as the CEO a person whom the Board believes is capable of managing the business and affairs of the Corporation in a manner which will enable the Corporation to achieve the Primary Objective(s);
- (c) approve the terms and conditions of the CEO's employment by the Corporation, including any changes to such terms and conditions;
- (d) establish, maintain and implement a formal process for annually assessing the performance of the CEO, taking into account the CEO's position description and the goals and objectives of the Corporation which have been approved by the Board and which the CEO is responsible for meeting; and
- (e) after consultation with the CEO, appoint all other officers of the Corporation and approve the terms and conditions of each such officer's employment by the Corporation, including any changes to such terms and conditions.

**C. The Board shall:**

- (a) establish, maintain and communicate to the CEO a policy which defines the limits of the CEO's powers, authority and accountability to the Board in managing the business and affairs of the Corporation; and
- (b) require the MRCC to:
  - (i) recommend for Board approval comprehensive compensation and benefit programs for the CEO, for other members of Management and for other senior managers, including the criteria (which shall incorporate relevant corporate goals and objectives) against which the performance of the Corporation, the CEO, other members of Management and other senior managers will be evaluated for purposes of any incentive plans ("Incentive Plans") included in such compensation programs;
  - (ii) advise the Board of the MRCC's evaluation of the actual performance of the Corporation, the CEO, each other member of Management and each other senior manager against the criteria approved by the Board for purposes of the Incentive Plans, and make recommendations to the Board with respect to compensation levels (including the CEO's compensation level) based on such evaluations; and
  - (iii) review and make recommendations to the Board respecting any proposed public disclosure of executive compensation by the Corporation before the Corporation publicly discloses such information.

**Governance Structures and Practices**

**A. The Board must be reasonably assured that**

- (i) the composition and structures of the Board and Board committees (the "Governance Structures"), and
- (ii) Board and Board committee practices (the "Governance Practices") enable the Board to discharge the Board's duties in a highly effective manner. To that end, the Board shall establish and maintain Governance Structures and Governance Practices which include, amongst other things, the following:
  - (a) a majority of the Directors shall be independent; for purposes of this mandate, a Director is independent if
    - (i) the Director has no direct or indirect relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of the Director's independent judgment; and
    - (ii) the Director is not an individual who is considered to have a material relationship with the Corporation under the terms of section 1.4 of Multilateral Instrument 52-110 Audit Committees;
  - (b) the Chairman of the Board shall be an independent Director and shall not be a member of Management;
  - (c) every member of the MRCC and the Governance Committee shall be an independent Director and every member of the Audit Committee shall be "independent" within the meaning of sections 1.4 and 1.5 of Multilateral Instrument 52-110 Audit Committees;
  - (d) the Board, as a whole, shall possess the competencies and skills required to enable the Board to discharge the Board's duties;
  - (e) the number of Directors constituting the Board shall facilitate effective decision-making by the Board;
  - (f) each new Director shall engage in a comprehensive orientation process ("Comprehensive Orientation Process") directed to enabling the new Director to understand fully (i) the role of the Board and all Board committees, (ii) the contribution that every Director is expected to make to governing the Corporation, including the commitment of time and energy expected of every Director, and (iii) the nature and operation of the Corporation's business and affairs;

- (g) all Directors shall be provided with continuing education opportunities (“Continuing Education Opportunities”) to maintain and enhance Directors’ skills and abilities as directors and to permit Directors’ knowledge and understanding of the nature and operation of the Corporation’s business and affairs to remain current;
- (h) the form and amount of the Directors’ compensation shall be appropriate;
- (i) the Governance Committee of the Board (the “Governance Committee”) shall be responsible for developing and recommending to the Board the Corporation’s approach to corporate governance, including a set of corporate governance principles and guidelines specifically applicable to the Corporation;
- (j) the Governance Committee shall be responsible for:
  - (i) identifying individuals qualified to become new Directors; and
  - (ii) after considering the competencies and skills that
    - (1) the Board believes to be necessary for the Board, as a whole, to possess, (2) the Board believes each existing Director to possess, and (3) any proposed new nominee will bring to the Board, recommending to the Board qualified individuals as nominees for election to the Board at a meeting of shareholders of the Corporation or for appointment by the Board to fill casual vacancies in the Board;
- (k) as a part, or by means, of regularly scheduled meetings of the Board, the Board shall hold separate meetings of the Directors at which no member of Management is in attendance (“In-Camera Meetings”);
- (l) the Board shall establish and maintain a written mandate for the Board and a written charter for each Board committee; the charter for each Board committee shall clearly establish the committee’s purpose and responsibilities, committee member qualifications, member appointment and removal processes, structure and operations (including any authority of the committee to delegate powers to individual members and subcommittees) and the manner in which the committee will report to the Board;
- (m) the Board shall establish and maintain clear written position descriptions for the Chairman of the Board and the Chairman of each Board committee;
- (n) the Board shall establish and maintain a clear written position description for an individual Director which shall set out the expectations and responsibilities of a Director, including basic duties and responsibilities with respect to attendance at Board and Board committee meetings and advance review of meeting materials;
- (o) the Board shall establish, maintain and implement appropriate formal processes for regularly assessing (i) the effectiveness of the Board, taking into account the Board’s mandate, (ii) the effectiveness of the Chairman of the Board, taking into account the Chairman of the Board’s position description, (iii) the effectiveness and contribution of each Board committee, taking into account such committee’s charter, (iv) the effectiveness of the Chairman of each Board committee, taking into account such committee Chairman’s position description, and (v) the effectiveness and contribution of each individual Director, taking into account the position description for an individual Director as well as the competencies and skills which such Director is expected to bring to the Board;
- (p) the Board shall keep the Governance Committee advised of the Board’s views as to (i) the competencies and skills which the Board, as a whole, should possess, and (ii) the competencies and skills which each existing Director possesses;
- (q) the Board shall establish and maintain a process by which any Director may, at the expense of the Corporation, engage independent counsel or other advisors to provide advice to the Director with respect to the Director’s discharge of his or her duties as a Director;
- (r) the Board shall confer on each Board committee the authority (1) to engage independent counsel and other outside advisors as the committee deems necessary to carry out its duties, and (2) to set and (at the expense of the Corporation) pay the compensation for any independent counsel or other outside advisor engaged by the committee; and
- (s) the Board shall impose on each Board committee the obligation to report promptly to the Board all conclusions and decisions reached by the committee as a result of taking the Diligent Action and discharging the other duties imposed on the committee by the Board.

## Governance Culture

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

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

## Miscellaneous Duties

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

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

- (b) require waivers of compliance with the Code of Business Conduct granted for the benefit of any Director or member of Management to be granted only by the Board or an appropriately empowered Board committee;
- (c) gain and maintain reasonable assurance as to the integrity, comprehensiveness and effectiveness of those elements of the Corporation (including its resources, management information systems, processes, culture, structure and tasks) which, taken together (the “Internal Controls”), support the Corporation’s personnel in meeting the Corporation’s objectives and obligations, including the Financial Reporting Obligations;
- (d) establish, maintain and monitor compliance with a written communications policy for the Corporation (the “Communications Policy”); the Communications Policy must, amongst other things, establish and assign accountability for monitoring Internal Controls relating to the issuance of Material Change News Releases and the filing with Regulators of Material Change Reports;
- (e) to the extent feasible, gain and maintain reasonable assurance (i) as to the integrity of the CEO and the other members of Management, and (ii) that the CEO and the other members of Management create and maintain a culture of integrity throughout the Corporation;
- (f) gain and maintain reasonable assurance that appropriate policies and processes relating to protection of the environment and to the health and safety of the Corporation’s employees, customers and other stakeholders (“E, H&S Policies”) exist and are implemented throughout the Corporation;
- (g) require the CEO to develop, and to present to the Board for assessment and approval, a statement of the philanthropic activities in which the Corporation will engage;
- (h) gain and maintain reasonable assurance that appropriate policies and processes governing the Corporation’s philanthropic activities (“Charitable Policies”) exist and are implemented; and
- (i) gain and maintain reasonable assurance that Management, the Board and the Corporation comply with the applicable laws, regulations, rules, policies and other requirements promulgated by Regulators relating to the following matters (the “Corporate Rules”):
  - (i) the composition of the Board;
  - (ii) calling and holding of meetings of the Board;



- (iii) the composition of Board committees;
- (iv) the disclosure of conflicts of interest by Directors and members of Management;
- (v) securities registers and registers of transfers of securities;
- (vi) the calling and holding of meetings of shareholders;
- (vii) soliciting proxies, including providing shareholders with forms of proxy, information circulars and notices of meetings;
- (viii) filing forms of proxy, information circulars and notices of meetings with Regulators; and
- (ix) filing annual information forms and material contracts with Regulators.

### **Diligence Policy**

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

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

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

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



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

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

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

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

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

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

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

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

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

### 2. Composition of Committee

- (a) The Committee shall be appointed annually by the Board and consist of at least five (5) members from among the directors of the Corporation, each of whom shall be an independent director as defined under the applicable requirements of the securities regulatory authorities as adopted or amended and in force from time to time and free from any relationship that, in the opinion of the Board, could interfere with the exercise of his or her independent judgment 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 Management and Experts

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

- (a) financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and

(b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

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

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

In contributing to the Committee’s discharging of its duties under this mandate, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee’s duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the 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 members will act in accordance with the Corporation’s Code of Conduct for Employees and Directors. The Committee expects the management of the Corporation to operate in compliance with the Corporation’s Code of Conduct for Employees and Directors and with corporate policies; with laws and

regulations governing the Corporation; and to maintain strong financial reporting and control processes.

#### (2) Communications

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

#### (3) Financial Literacy

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

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

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

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

#### (5) Meeting Agenda

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

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

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

#### (7) External Resources

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

#### (8) In Camera Meetings

At each meeting of the Committee, the members of the Committee shall meet in private session with the

external auditors; with management; and with the Committee members only. The Committee shall meet in private session with the Internal Auditor 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.

**(13) Committee Chairman's Job Description**

The Committee shall develop and recommend to the Board a job description for the Chairman of the Committee. The Committee shall review and update the Chairman's job description on a regular basis for approval by the Board.

**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, of the Corporation's profit sharing plans and, for the purpose of reporting to the Board in connection with its ongoing suitability as a recipient of financial support of the Corporation and as a trade mark licensee of the Corporation, of the Canadian Tire Foundation for Families;
- (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 prospectuses, take-over bid circulars, issuer bid circulars, directors' circulars, rights offering circulars, material change reports of a financial nature, earnings news releases, management's discussion and analysis, annual information forms, as well as any earnings guidance; in circumstances where events render it impractical for the Board or the Audit Committee to review any such news releases and material change reports with management prior to issuing or filing such news releases and material change reports, authority to review and approve such news releases and material change reports may be exercised by the Chairman of the Audit

Committee and the Chairman of the Board, acting together; 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 judgments, 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 judgments 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) regularly assess the Corporation's system of internal financial controls and the Corporation's control environment to gain reasonable assurance that such controls are effective and efficient and to assist the Board in assessing whether senior management has created a culture of integrity and an effective control environment throughout the organization;
- (2) review the plans of the internal and external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;

- (3) receive regular reports from management, the external auditors and the Corporation's legal advisors on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

#### *Disclosure Controls and Deviations*

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

#### *Compliance with Laws and Regulations*

- (1) review regular reports from management and others (e.g. internal and external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:
  - (a) tax and financial reporting laws and regulations;
  - (b) legal withholding requirements;
  - (c) environmental protection laws and regulations;
  - (d) other laws and regulations which expose directors to liability;
- (2) review reports from the Social Responsibility and Risk Governance 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 provisions 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 \$250,000 in fees, or the service is of a sensitive or unusual nature, the Chairman shall consult with the Committee before approving the service. The Chairman has the responsibility to inform the Committee of all pre-approved services at its next meeting;
- (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;
- (6) in consultation with management, review and approve the annual compensation payable to the Internal Auditor.

#### *Other Responsibilities*

- (1) periodically review the form, content and level of detail of financial reports to the Board;
- (2) review annually the expenses of the Chairman of the Board and the Chief Executive Officer for the purpose of gaining reasonable assurance as to the reasonableness of such expenses;

- (3) after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources;
- (4) review in advance the appointment of the Corporation's senior financial executives;
- (5) investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
- (6) review reports from the Internal Auditor, the external auditors, and/or other Committee Chairmen on their review of compliance with the Corporation's Code of Conduct, and the Corporation's policies on political donations and commissions paid to suppliers or others;
- (7) review and approve the Corporation's policies with respect to the hiring of partners, employees and former partners and employees of the current and former external auditors;
- (8) (a) establish procedures for:
  - (i) the confidential receipt, retention and treatment of complaints received by the Corporation regarding the Corporation's accounting, internal accounting controls or auditing matters; and
  - (ii) the confidential anonymous submission, retention and treatment of concerns by employees regarding questionable accounting or auditing matters; and(b) require that all such matters be reported to the Committee together with a description of the resolution of the complaints or concerns.

#### *Accountability*

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





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