



REFERENCE GUIDE TO YOUR **LONG-TERM INCENTIVE PLANS**

HUMAN RESOURCES

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Table of Contents

Purpose of this Guide.....	3
Overview of Long-Term Incentive Plans	3
Key Terms.....	4
Canadian Tire LTIP Highlights.....	6
Grant Information.....	7
Performance Share Units (PSUs).....	9
Stock Options.....	12
Restricted Share Units (RSUs).....	15
Deferred Share Units (DSUs).....	16
Plan Administration.....	17
Getting Started with Shareworks.....	18

Purpose of this Guide

This guide was developed to help Senior Leaders better understand Canadian Tire's long-term incentive plans (LTIPs) by providing a summary of the plans and answering common questions you may have. It also provides you with all the information you need to manage your plans through Solium, our plan administrator.

This guide is not a legal document. If there is a discrepancy between this guide and the official plan text, the official plan text will take precedent in all cases. For full plan details, consult the plan documents, which you can access online through your Shareworks account.

Please note that neither Canadian Tire nor Solium provides tax advice, and this document should not be considered as such. If you require further information, please consult your accountant and/or tax advisor.

Overview of Long-Term Incentive Plans

Canadian Tire offers long-term incentive plans that recognize the contributions Senior Leaders make to our overall success, and they form a key part of your total rewards package. Specifically, these plans were developed to:

- Encourage a performance-based culture to drive business results
- Promote the attainment of CTC's mid and longer-term strategic business objectives
- Foster an environment of teamwork, accountability and cross-functional collaboration
- Align CTC Senior Leadership objectives with those of its shareholders

LTIP awards are predominately granted in the form of performance share units (PSUs) or stock options, or a combination of both.

Long-term incentive plans are subject to change and can be discontinued or amended at any time by Canadian Tire's Board of Directors.

Key Terms

Refer to the list below for a short description to some of the key terms used throughout this guide.

Canadian Tire Class A Non-Voting Shares (“shares”)

The class of Canadian Tire shares that applies to the long-term incentive plans. Canadian Tire’s common share price is not applicable to these plans.

Exercise Price

The share price at which plan participants can exercise stock options. This share price is set at fair market value when the options are granted, according to the Board approved policy. This is sometimes referred to as the “strike price.”

Performance Multiplier (“multiplier”)

Used in Canadian Tire’s Performance Share Unit plans, it is the factor applied to the units based on specific performance condition(s). A multiplier can be applied at the start of a performance period (front-end) or at the end of a performance period (back-end), depending on the plan design. All active Performance Share Unit plans at Canadian Tire incorporate a back-end performance multiplier.

Performance Share Units (PSUs)

A PSU is an award that is granted to eligible participants, and each unit has a notional value equal to one CTC Class-A Non-Voting Share, subject to conditions and restrictions outlined in the grant agreement plan text. Conditions may be based on the achievement of pre-established performance goals and objectives as well as an applicable vesting period. When the conditions or restrictions are satisfied, the value of the shares will be paid to participants through payroll and will be subject to certain tax withholdings.

Plan Participant (“participant”)

Any employee, including members of Canadian Tire’s Board of Directors, who has an active LTIP with the company.

Senior Leaders

Refers to Canadian Tire employees at the AVP level and above. Senior Leaders are typically eligible to receive LTIP awards at Canadian Tire.

Senior Executives

Refers to Canadian Tire employees at the SVP level and above.

Shareworks

Refers to Solium Capital’s online software application that provides participants with 24/7 access to account holdings, including outstanding awards, vesting periods and transaction history.

Solium Capital (Solium)

The plan administrator for Canadian Tire’s LTIPs. Their online software application, Shareworks, allows you to manage your awards online.

Stock Options (“options”)

Stock options provide the participant the right, but not the obligation, to purchase a CTC Class-A Non Voting Share at a specified price (exercise price) within a stated timeframe.

Vesting Period

Refers to the period during which participants must wait to exercise stock options or receive payouts from their long-term incentive plans.

Canadian Tire LTIP Highlights

SHARE APPRECIATION RIGHT (SAR):

All active Canadian Tire stock options have been granted with a tandem SAR feature that allows the participant to surrender the options and receive a cash payment equal to the in-the-money value of the options (less applicable taxes) in lieu of buying the shares at the exercise price.

LTIP ELIGIBILITY

- Senior Leaders are typically eligible to participate in one or more of the primary long-term incentive plans listed below in the year following their hire or promotion into the senior leadership level.
- Senior Leaders may be eligible to participate in the secondary equity plans listed below, from time to time, as designated by Canadian Tire.

PRIMARY PLANS

- Stock option with tandem **Share Appreciation Right**.
- Performance Share Unit (PSU).

SECONDARY PLANS

- Restricted Share Unit (RSU) – granted in special circumstances only.
- Deferred Share Unit (DSU) – granted to members of Canadian Tire's Board and to Senior Executives in special circumstances.

HOW CAN I GET COPIES OF MY PLAN AGREEMENTS?

You can access official plan agreements and text online by following these steps:

- Log onto your Shareworks account.
- Click the **Stock Option** and **Awards** tab.
- Click the grant name of the agreement you would like to view (e.g. 12-Mar-2014 – Option).

This will bring you to a page where you have the option to view and print your agreement.

Grant Information

Each year, Canadian Tire reviews its Executive Compensation Policy (Policy) with the Management Resources and Compensation Committee (MRCC) of Canadian Tire's Board. The Policy contains the target levels of compensation and composition and design of the executive compensation programs, including the long-term incentive plans.

At least bi-annually, Canadian Tire conducts an extensive review of the market using published proxy and third-party survey data. The company then determines whether any changes are required to the levels and program components to ensure Canadian Tire can attract and retain the leadership talent required to achieve its goals and remain market competitive.

The composition of LTIP grants (i.e. the percentage allocated to either PSUs or options) is based on a Senior Leader's level (e.g. AVP, VP, SVP). Depending on job level, participants may receive PSUs, stock options, or a combination of both. Currently, awards are granted using the following composition (with some exceptions):

- **AVPs:** The LTIP allocation is typically awarded as 100% PSUs.
- **VPs and above:** The LTIP allocation is typically⁽¹⁾ awarded as 60% PSUs and 40% stock options.

(1) Note: In circumstances where a senior leader is given an LTIP allocation above target, the amount of their allocation in excess of target is denominated in PSUs.

DETERMINING LTIP GRANTS FOR INDIVIDUAL LEADERS

Officers of Canadian Tire determine an individual Senior Leader's LTIP grant based on the Senior Leader's level, potential and performance. LTIP grants are calculated as **expected value** or the dollar value of your LTIP award at the time of grant. Both business performance and share price have a significant impact on the actual amount received at the end of the performance period.

WHAT IS EXPECTED VALUE?

Expected value is the expected dollar value of your LTIP award at the time of grant. This dollar value is converted to units prior to grant. This is also sometimes referred to as "grant date value." The actual value received by the participant will depend on performance and share price variables.

Grant Information (continued...)

BLACK-SCHOLES VALUE:

One of the variables used to determine how many stock options are granted to participants. The value (described as a percentage) reflects the theoretical or expected return of the option using several factors including share price, share price volatility, option term, dividends and interest rate.

Determining the number of PSUs granted:

Expected Value / Share Price = # of units granted

Example

$$\frac{\$30,000}{\$95} = 315 \text{ PSUs}$$

Determining the number of stock options granted:

Expected Value / (Share Price X **Black-Scholes Value**) = # of stock options granted

Example

$$\frac{\$20,000}{\$95 \times 20\%} = 1,052 \text{ stock options}$$

Note: The above examples are for illustrative purposes only and are not based on actual grants.

WHAT SHARE PRICE DOES CANADIAN TIRE USE TO DETERMINE HOW MANY OPTIONS/SHARE UNITS I WILL BE GRANTED?

This price is based on the 10 calendar-day weighted average share price that ends on the last business day preceding the Board meeting at which the awards are approved.

Performance Share Units (PSUs)

A Performance Share Unit is an award that is granted to eligible participants. Each unit has a notional value equal to one CTC Class-A Non-Voting Share, subject to conditions and restrictions outlined in the grant agreement plan text. Conditions are based on achievement of pre-established performance goals and objectives, as well as an applicable vesting period. When the conditions or restrictions are satisfied, the value of the shares will be paid to you through payroll, subject to certain tax withholdings.

CORPORATE STIP PAYOUT PERCENTAGE:

This is the Corporate STIP payout percentage resulting from Canadian Tire's actual consolidated net earnings after tax performance versus target for a given fiscal year.

PAY-FOR-PERFORMANCE ALIGNMENT

The PSU plan is a variable compensation vehicle. As such, payouts under this plan are dependent on the achievement of pre-established performance criteria, as determined by Canadian Tire. The end value to the participant is dependent on the multiplier as well as Canadian Tire's share price. The multiplier for PSUs is determined by the average three-year **corporate Short-Term Incentive Plan (STIP) payout percentage**.

VESTING OF PSUs

PSUs vest at the end of a performance period (typically three years) and will be paid out if the minimum performance conditions are met. Your grant agreement will specify the vesting date(s) and/or the performance goals, objectives and other conditions on which the award will be based.

DO I HAVE SHAREHOLDER RIGHTS?

No. PSUs are notional share units, meaning you will receive a cash payout if and when they fully vest and the minimum performance criteria are achieved. PSU awards are settled in cash less applicable tax withholdings.

DETERMINING THE PAYOUT MULTIPLIER

The payout multiplier is determined by the average three-year corporate STIP payout percentage. The following chart outlines the range of payout multipliers based on the average three-year STIP payout percentage.

	PSU Multiplier			
	Below Threshold	Threshold	Target	Maximum
Average 3-year corporate STIP payout percentage	Below 50%	50%	100%	150% or higher
PSU multiplier	0.0	0.35	1.0	1.75

HOW THE PSU PLAN WORKS

Suppose a Senior Leader receives a grant of 100 PSUs at the beginning of a performance period. At the end of the performance period (typically three years from when the grant was made), the value of the PSUs earned is calculated by multiplying the **total number of PSUs** by the **multiplier** as well as the **share price** at the end of the performance period.

For example, if the total number of PSUs is 100, the multiplier is 1.1 and the share price is \$95, the payout calculation would be as follows:

$$100 \text{ units} \times 1.10 \times \$95 \text{ share price} = \$10,450$$

(# of PSUs x multiplier x share price = payout)

PAYING OUT PSU AWARDS

Once PSUs are fully vested and any performance conditions are met, they are typically paid no later than the first payroll date 90 days after the end of the performance period.

TAX IMPLICATIONS OF THE PSU AWARD

PSU payouts are treated as ordinary employment income and are taxed accordingly. Canadian Tire is required to deduct the applicable statutory amounts based on the awards paid.

WHAT SHARE PRICE DOES CANADIAN TIRE USE TO CALCULATE MY PSU PAYOUT?

For the 2011 PSUs, this price is based on the 20-trading day weighted average share price that begins on the first day after the end of the performance period.

Beginning with the 2012 PSUs, this price is based on the 10-calendar day weighted average share price that begins on the first business day after the end of the performance period.

CLAWBACK POLICY

Commencing in 2012, the PSU plan includes a clawback policy that provides for the recoupment of any overpayment of PSU payments impacted by a financial restatement by the Corporation. The clawback may be triggered at the discretion of the Board of Director's, regardless of whether misconduct was involved. The clawback is applicable only to Senior Executives (employees at the SVP level and above).

[OPTION TERM]

Refers to the length of time a participant has to exercise his/her stock option rights. Canadian Tire stock options granted after 2006 have a seven-year term.

[IN-THE-MONEY]

Refers to when the market price at the time of exercise is higher than the exercise price. For example, if the market price is \$25 and the exercise price is \$23, the in-the-money value is \$2 per option. If you have 1,000 options, the total in-the-money value is \$2,000.

[UNDERWATER]

Refers to when the market price, at a particular time, is lower than the grant price.

[BLACKOUT PERIOD]

A timeframe established by the company (as defined by regulatory bodies) during which shares and option transactions are prohibited.

Stock Options

A stock option provides participants with the right, but not the obligation, to purchase a share at a specified price within a stated timeframe known as the **option term**.

VESTING OF STOCK OPTIONS

Stock options follow a time-based vesting schedule, which is outlined in the award agreement. Once the vesting criteria have been met and the participant has the ability to exercise **in-the-money** options, participants may exercise the options whenever they want, subject to blackout period restrictions.

*Note: if the market price falls below the exercise price, the options are considered **underwater** and would not be exercised.*

EXERCISING YOUR STOCK OPTIONS

You have the following choices for exercising your stock options:

- 1. Cash Purchase exercise** – With this selection you are exercising your stock options to acquire the shares (i.e. through a share certificate or electronic transfer of shares to an outside broker). You will be required to send in payment and any applicable taxes and fees.
- 2. Cash Settled Share Appreciation Rights (SAR) exercise** – With this selection, you are choosing to surrender your stock options and receive a cash payment for the exercise of SARs. Please note that any applicable taxes will be deducted from the proceeds before you receive them.

*Note: During a **blackout period**, transactions involving shares and options are prohibited. The Shareworks system will prohibit you from performing transactions during a blackout period.*

Reporting insiders must confirm that they have received written approval from the Senior Vice-President, Secretary and General Counsel or his or her designate when exercising stock options.

How to exercise your stock options through Shareworks

CASH PURCHASE EXERCISE:

1. Log into Shareworks using your account number and login password.
2. Click on the **Stock Options and Awards** tab in the top navigation toolbar.
3. Click on the **Exercise** link for the grant you wish to exercise.
4. Select the type of exercise you would like to complete: **Exercise options and hold the shares.**
5. Enter the number of options you wish to exercise and click **Continue.**

*Note: If you would like to exercise from more than one grant, click on the **Multiple Grants** button to continue.*

6. Specify how you would like to receive your shares and where the shares should be sent (i.e. brokerage account, home address).
7. Review the **Exercise Direction Form**, which outlines the details of your transaction, and click **Continue.**

*Note: You can click the **Print** button to print this page for your records.*

8. Review the final details of your request and click **Submit Exercise** once you are ready to complete the transaction.
9. A confirmation screen will display your confirmation number. Make note of this for your reference.

CASH SETTLED SAR EXERCISE:

1. Log into Shareworks using your account number and login password.
2. Click on the **Stock Options and Awards** tab in the top navigation toolbar.
3. Click on the **Exercise** link for the grant you wish to exercise.
4. Select the type of exercise you would like to complete: **Cash Settled SAR exercise**
5. Enter the number of options you wish to exercise and click **Continue.**

*Note: If you would like to exercise from more than one grant, click on the **Multiple Grants** button to continue.*

6. Review the **Exercise Direction Form**, which outlines the details of your transaction, and click **Continue.**

*Note: You can click the **Print** button to print this page for your records.*

7. Review the final details of your request and click **Submit Exercise** once you are ready to complete the transaction.
8. A confirmation screen will display your confirmation number. Make note of this for your reference.

The Personal Profile and Passwords tab section of your Shareworks account includes helpful guides, such as step-by-step instructions and screen shots, on how to perform a transaction.

How to exercise your stock options through Shareworks

FEE SCHEDULE

Canadian Tire has agreed to pay participant fees for all stock option transactions conducted online or by phone for those wishing to exercise the Cash Settled SAR feature of their stock options. Participants who wish to exercise the Cash Purchase option by phone will be charged \$60 per transaction.

Solium Exercise Fees*	Exercise Type	
	Cash Purchase	Cash Settled SAR
Shareworks Online Transaction	Free	Free
Transaction performed by Participant Services Group	\$60	Free

**Fees are subject to change*

TAX IMPLICATIONS OF STOCK OPTIONS

As Canadian Tire has decided to forgo the tax deduction on stock options benefits, only half of the stock option benefits you receive are taxed. This is a benefit to Canadian Tire participants. Participants are responsible for covering withholding taxes for stock options at the time of exercise.

Tax withholding treatment depends on the exercise option selected:

- **Cash Purchase exercise** – Participants must provide a cheque to Canadian Tire to cover the tax withholding amount. Canadian Tire cannot release the shares to the participant until the tax withholding funds have been received.
- **Cash Settled SAR exercise** – Canadian Tire will deduct the required tax withholdings, and the net proceeds will be paid to participants.

Restricted Share Units (RSUs)

A Restricted Share Unit (RSU) is an award that is granted to eligible participants in special circumstances only.

Each unit has a notional value equal to one CTC Class-A Non-Voting Share, subject to conditions and restrictions outlined in the grant agreement. RSUs are notional share units, which means that participants will receive a cash payout once they are fully vested.

VESTING OF RSUs

Vesting conditions are typically based on the passage of time. When the conditions or restrictions are satisfied, the value of the shares will be paid to participants and will be subject to required tax withholdings.

The RSUs vest and are paid at the end of a specified period (e.g. three years). The grant agreement will specify the vesting date(s) and other conditions on which the award will be based.

TAX IMPLICATIONS OF RSUs

RSU payouts are treated as ordinary employment income and are taxed accordingly. It is required by law that payment of any applicable taxes be withheld when the award is paid.

Deferred Share Units (DSUs)

A Deferred Share Unit (DSU) is a bookkeeping entry that tracks the value of one CTC Class-A Non Voting Share. DSUs are notional share units, which means participants will receive the payout of the value of the units. Dividends on CTC Class-A Non Voting Shares are credited as additional DSUs.

Eligibility for the DSU plan

Only Senior Executives can elect to defer a portion of their annual STIP bonus as DSUs. Board members receive a portion of their annual retainer as DSUs, subject to applicable guidelines.

Eligible parties may elect to participate in the plan by filling out an election notice and providing written direction to the Secretary or Assistant Secretary of Canadian Tire stating:

- That they wish to participate in the DSU plan.
- A dollar amount or percentage of compensation that they wish to direct to the plan.

Contact Human Resources to obtain an election notice.

VESTING AND PAYOUT OF DSUs

All DSUs vest immediately at the time of grant; however, they accumulate over the participant's term of service and are only paid when the participant leaves the company. The value of DSUs are paid as cash and will be subject to required tax withholdings.

TAX IMPLICATIONS OF DSUs

DSU payouts are treated as ordinary employment income and are taxed accordingly. It is required by law that payment of any applicable taxes be withheld when the award is paid.

Plan Administration through Solium Capital

Canadian Tire has partnered with Solium Capital (Solium) to administer all of the long-term incentive plans described in this guide. Solium is dedicated to providing you with full-service assistance and reliable support (see sidebar for full contact information).

The online software application, Shareworks, provides secure portfolio access and is directly linked to the stock markets. Shareworks offers many benefits, including:

Contact Solium

Email or phone Solium's Participant Services Group for assistance.

Toll Free: 1-877-380-7793

International: International Code + 1-403-515-3909

Email: help@solium.com

Online: www.solium.com

Hours: 8 am to 8 pm ET, Monday to Friday

Access anytime, anywhere

Shareworks provides one-stop access to your account holdings, including outstanding awards, vesting periods and transaction history. You can access your account whenever and wherever it's convenient for you.

Information alerts

You will be notified through your company email to check your Shareworks message board for important notifications such as vesting, expiration dates or any other messages you need to be aware of.

Education resources

Frequently Asked Questions (FAQs) and a glossary are located in the **Personal Profile and Passwords** tab in Shareworks. Once you have logged into your account, you can access these to learn more about Shareworks and to find answers to questions you may have.

I'VE LOST MY PERSONAL ACCOUNT NUMBER/PASSWORD. WHAT SHOULD I DO?

If you lose your personal account number, call Solium for assistance at **1-877-380-7793**. If you lose or forget your password, you can have it reset online at www.solium.com/login by clicking the "**Forgot your password?**" link and completing the steps. Solium will then email you a temporary password. You can also phone Solium for assistance.

Getting Started With Shareworks

STEP 1:

Activate your Shareworks account (this should take only 3-5 minutes)

1. Go to **www.solium.com/activate**
2. Select the language in which you wish to complete the activation form.
3. Enter your Company ID: **CTC265** (case sensitive) and Company Password: **solium123** (case sensitive)
4. Complete the short activation form, which requests basic contact information, security identification questions and answers, and optional banking information. **You will need to enter your employee number as seven digits, which may require including zero(s) to the beginning of your ID.**
5. Review and accept the Participant Account Agreement, which outlines the terms and conditions of using Shareworks.
6. A confirmation screen will display once your activation is complete – take note of the confirmation number for your reference. You have completed the online activation at this point and may log off.

STEP 2:

Review your Shareworks account information

Solium will mail your personal account number and passwords to your home address. You will receive two letters in separate mailings for security purposes. You will need both of these letters to log into Shareworks, which you can do at **www.solium.com/login**. If you do not receive these letters, please contact Solium's Participant Services Group at **1-877-380-7793** or **help@solium.com**. The Participant Services Group is available from 8 a.m. to 8 p.m. ET, Monday through Friday.

If you wish to access your account prior to receiving your letters in the mail, you can call the Participant Services Group and they will provide you with your login information. This can be done immediately after you activate your Shareworks account (Step 1).

STEP 3:

Log into Shareworks

You will need the account number and temporary passwords that were mailed to your home address (or obtained by calling the Participant Services Group) to log into Shareworks to manage your personal account.

1. Go to **www.solium.com/login**
2. Enter your account number and temporary login password (case sensitive).

Note: You have two temporary passwords – one to log into your account, and another to conduct transactions. You will be required to reset each password after first use, and you are encouraged to keep different passwords for logging in and for conducting transactions.

3. On your first login only, review and agree to the exchange agreement from the Toronto Stock Exchange that entitles you to receive real-time stock quotes.
4. Also during your first login, you will be asked to confirm that your account is accurate, or submit concerns/questions electronically for resolution. You will see the confirmation prompt at the bottom of your Account Summary page.
5. Answer “no” to the “Professional Subscriber” status question. This only applies to those who are registered to make trades for other people.
6. Once all steps are completed, your account will be fully active.