Overview

Each year, Canadian Tire Corporation’s ("CTC") Board of Directors and the Management Resources and Compensation Committee ("MRCC") review and approve the Short-Term Incentive Plan ("STIP") design and ensure that it supports the company’s strategic business objectives. The purpose of the STIP is to drive a high-performing culture and to reward participants for their contributions to the company’s success through the achievement of both individual and corporate performance goals. The STIP encompasses all banners, including CTR, CTS, CTB, FGL, Mark’s, Petroleum and the corporate functions.

STIP Objectives

- Support the attainment of annual business objectives by clearly articulating the specific performance results required to achieve these business goals
- Motivate participants to achieve annual individual and company-wide business objectives
- Reward participants for their individual achievements and contributions to the company’s business results

STIP Design Overview

The following illustration depicts how individual STIP awards are determined. Descriptions of each of the five key components have been described on the following page.
STIP Design Overview

1. **Eligible Earnings** - Eligible earnings represent actual base salary earned during the payroll year, as defined by your banner, or portion thereof in the case of new hires, promotions, etc. Eligible earnings include regular pay, vacation pay, statutory holiday pay, and authorized and emergency leave pay.

2. **Target Award Percentage** – Each participant has a target award which is expressed as a percentage of eligible earnings and varies by level. For example, an AVP has a target award percentage of 25%. The maximum award for most roles is 240% of their target award.

3. **Corporate Pool Funding Percentage** – The pool funding percentage is determined based on CTC’s actual performance versus plan on consolidated earnings and consolidated enterprise same store sales growth.

   Consolidated Earnings (weighted at 75%)
   - If CTC achieves its consolidated earnings plan, the payout percentage for this portion of the pool will be 100%.
   - A maximum payout percentage of 200% will be achieved for this portion of the pool if CTC achieves 108% of its consolidated earnings plan.
   - A threshold payout percentage of 35% will be achieved for this portion of the pool if CTC achieves 92% of its consolidated earnings plan.
   - Payout percentages for performance between these results will be calculated on a linear basis.

   Consolidated Enterprise Same Store Sales Growth (weighted at 25%)
   - If CTC achieves its consolidated enterprise same store sales growth plan, the payout percentage for this portion of the pool will be 100%.
   - A maximum payout percentage of 200% will be achieved for this portion of the pool if CTC achieves 130% of its consolidated enterprise same store sales growth plan.
   - A threshold payout percentage of 35% will be achieved for this portion of the pool if CTC achieves 70% of its consolidated earnings plan.
   - Payout percentages for performance between these results will be calculated on a linear basis.

   *Note: There will be no STIP award if consolidated earnings performance is below threshold.*

4. **Individual Multiplier Percentage** – This is a multiplier that can range from 0% to 120% for most roles and is determined based on your annual performance relative to set performance objectives. It is recommended that your annual objectives include 3-4 strategic and/or operational initiatives. Your performance rating will be based on both WHAT you achieved and HOW you achieved it. Please speak with your manager for additional guidance and information on your performance management program.

5. **Individual Discretionary Adjustments** – An adjustment may be applied to ensure the total pool is not exceeded, if necessary.
Partial-Year Performance Ratings

In the case where a participant is not in role for a full performance year, the employee and their manager are still expected to set objectives and fairly assess performance for the plan year or portion thereof. Meaningful objectives and goals can be tailored to accommodate partial year performance, and measured by determining the achievement of milestones or deliverables completed year to date. It is recommended that you refer to your applicable performance management program for more details.

If an employee moves laterally within the organization or is promoted, the current manager is responsible for transferring the employee’s current performance plan to the new manager. If applicable, the employee will add new objectives to their performance plan for their new role. NOTE: An employee should only have one performance plan per performance year. At the end of the performance year, the new manager would take into consideration the previous manager’s feedback to determine the employee’s final rating. Only the final year-end performance rating will be used in the STIP allocation process (i.e. an employee can only have ONE final rating).

If an employee is not assigned a performance rating of 1 to 4 through the performance assessment process, the employee will be defaulted to “No Rating” within the STIP allocation process. This may occur if an employee is considered to be a “New Hire” based on their applicable performance management program criteria or if an employee is on an extended leave of absence for majority of the year. The individual multiplier range for “No Rating” is aligned with a rating of “Performer”.

STIP Allocation & Payout Process

- At the end of the year, individual results will be assessed by each participant’s manager and the individual multipliers and awards will be approved by the applicable Officer. If an individual’s objectives include financial or other measures that require information from other groups (e.g. Finance, Operations, etc.) in order to complete the assessment, it is the accountability of each Manager to ensure they collaborate with these teams in order to coordinate the delivery of these results within the timelines provided for assessment.
- The overall STIP pool will be approved by the MRCC based on CTC’s annual performance (consolidated earnings and consolidated enterprise same store sales growth versus plan).
- Final STIP payouts will be approved by the applicable Officer and MRCC (for Senior Leaders), after which time payouts will be communicated to STIP recipients. Payouts are typically paid in late March or early April.

STIP Eligibility

- Employees at the Senior Leader and Manager Level and designated non-management roles across the company are eligible to participate in the STIP. This excludes PartSource Store Managers, PartSource Associate Store Managers, CTC Automotive Business Support Managers (ABSMs), Mark’s Store General Managers, Mark’s Assistant Managers, Mark’s Department Managers, FGL Store Managers, FGL Assistant Managers, FGL Department Sales Managers and FGL Full-time Store Associates.
- Participants must be actively employed\(^1\) on February 28th of the year following the STIP plan year to be eligible to receive a STIP award. Employees that depart CTC for any reason prior to this February 28th cut-off date are
not eligible to receive a payout for the applicable plan year. This does not apply to employees that transfer to a Dealer, Franchisee or Corporate Store or that depart from the organization where their age plus years of service are equal to or greater than 70, with a minimum of 10 years of service
  o Participants that transfer to a Dealer, Franchisee or Corporate Store during the plan year are eligible to receive a pro-rated STIP award payment upon departure.
  o Participants who depart from the organization where their age plus years of service is equal to or greater than 70, with a minimum of 10 years of service, will receive a pro-rated STIP award payment upon departure, where their departure constitutes a permanent departure from the organization.
• Employees who are promoted from one STIP eligible role to another (e.g. promotion from Manager to AVP or AVP to VP), will receive a pro-rated target award percentage based on the effective date of the move, unless otherwise agreed to in writing.
• Managers who transfer from a non-STIP eligible role to a STIP eligible role (or vice versa) during the year will participate in each role’s specific incentive plan (if applicable), pro-rated for the time spent in each role. The exception to this is for participants of the PartSource Store Manager, PartSource Associate Store Manager, and CTC ABSMs incentive plans. Moves to or from these roles in Q4 (October 1st to December 31st) will result in an award calculated based on the incentive design in which the individual participated prior to their move.
• Participants on leave are eligible to receive STIP if they have eligible earnings for the STIP plan year.

STIP Clawback Provision (Applicable to SVPs and above)

The inclusion of this provision commenced in the 2012 plan year and is only applicable to those individuals who hold the office of Senior Vice-President and above.

If you hold the office of Senior Vice-President or above at CTC, your benefits under the STIP are subject to adjustment or repayment in the event any annual financial statements of the Company are restated, whether or not you have knowledge of the basis for such restatement. This adjustment or repayment will apply to you if you hold the office of Senior Vice-President or a more senior officer on the date of the payment of your STIP award or on the last day of your Active Employment\(^1\) with Canadian Tire if your Active Employment ceases prior to the payment date.

For further information on STIP, please speak to your banner’s HR Business Partner.

\(^1\) “Active Employment” means the period of actual employment, not including any period of notice after the termination of employment, notwithstanding any payments by the Company or any of its subsidiaries to an employee for wrongful dismissal, in lieu of notice or otherwise, unless otherwise agreed to in writing by the Company or its subsidiary in relation to accrued vacation time or in other circumstances specified by the Company or the subsidiary and the applicable statutory notice period under the applicable Employment legislation.