



**NOTICE OF ANNUAL GENERAL
MEETING OF SHAREHOLDERS**

AND

**MANAGEMENT PROXY CIRCULAR OF
RONA INC.**

2007



**NOTICE OF ANNUAL GENERAL
MEETING OF SHAREHOLDERS**

To the Holders of Common Shares:

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders (the “**Meeting**”) of RONA inc. (the “**Company**”) will be held in Le Grand Salon of Fairmont The Queen Elizabeth, 900 René Lévesque Boulevard W., Montreal, on Tuesday, May 8, 2007 at 4:00 p.m. (local time) for the purposes of:

- (a) receiving the financial statements of the Company for the year ended December 31, 2006, together with the auditors’ report thereon;
- (b) electing thirteen (13) directors for the ensuing year;
- (c) appointing auditors for the ensuing year and authorizing the directors to fix their compensation;
- (d) adopting a resolution (the full text of which is reproduced in Schedule “A” to this Management Proxy Circular) approving amendments to the Company’s share option plan; and
- (e) transacting such other business as may properly come before the Meeting.

Boucherville, Quebec, March 12, 2007

By order of the Board of Directors,

France Charlebois (signed)
Corporate Secretary and Chief Legal Officer

Shareholders may exercise their rights by attending the Meeting or by completing a form of proxy. If you are unable to attend the Meeting in person, please complete, date and sign the enclosed form of proxy and return it in the envelope provided for that purpose. Proxies must be received by Computershare Investors Services Inc. (9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1) no later than 5:00 p.m. (local time) on Monday, May 7, 2007. Your shares will be voted in accordance with your instructions as indicated on the form of proxy or, if no instructions are given on the form of proxy, the proxy holder will vote “FOR” each of the matters indicated at items (b), (c) and (d) hereinabove.



MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation of proxies for use at the annual general meeting of shareholders of RONA inc. (the “Company” or “RONA”) to be held on Tuesday, May 8, 2007 at the place and time and for the purposes set forth in the accompanying notice of meeting, and at any adjournments thereof (the “Meeting”).

Except as otherwise indicated, the information contained herein is given as of March 12, 2007, and all dollar amounts set forth herein are expressed in Canadian dollars.

SOLICITATION OF PROXIES

The enclosed proxy is being solicited by the management of the Company. The solicitation is being made primarily by mail, but proxies may also be solicited by telephone, fax or other personal contact by directors, officers or other employees of the Company. The entire cost of the solicitation will be borne by the Company.

APPOINTMENT OF PROXY

The persons named as proxy holders in the enclosed form of proxy are directors and/or officers of the Company. Each shareholder is entitled to appoint a person, who need not be a shareholder, other than the persons designated in the enclosed form of proxy, to represent him or her at the Meeting. In order to appoint such other person, the shareholder should insert such person’s name in the blank space provided on the form of proxy and delete the names printed thereon or complete another proper form of proxy and, in either case, deliver the completed form of proxy to Computershare Investors Services Inc. (9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1) no later than 5:00 p.m. (local time) on Monday, May 7, 2007. A proxy need not be a shareholder.

REVOCAION OF PROXY

A shareholder who executes and returns the accompanying form of proxy may revoke the same: (a) by instrument in writing executed by the shareholder, or by his or her attorney authorized in writing, and deposited either (i) at the offices of the Company, to the attention of the Corporate Secretary and Chief Legal Officer of the Company, at 220 chemin du Tremblay, Boucherville, Quebec, Canada J4B 8H7, at any time up to and including 5:00 p.m. (local time) on Monday, May 7, 2007, or (ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof or (b) in any other manner permitted by law. If the shareholder is a legal person, any such instrument of revocation shall be executed by a duly authorized officer or attorney thereof.

EXERCISE OF VOTING RIGHTS BY PROXIES

The persons named as proxies will vote or withhold from voting the shares in respect of which they are appointed, or will vote for or against any particular matter in accordance with the instructions of the shareholders appointing them. In the absence of such instructions, such shares will be voted IN FAVOUR of the matters identified as items (b), (c) and (d) of the attached notice of Meeting. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of Meeting, and with respect to other business which may properly come before the Meeting or any adjournment thereof. As of the date hereof, management of the Company knows of no such amendment, variation or other business to come before the Meeting. If any such amendment or other business properly comes before the Meeting or any adjournment thereof, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgment.

NOTICE TO BENEFICIAL HOLDERS OF SHARES

The information set forth in this section should be reviewed carefully by non-registered shareholders of the Company. Shareholders who do not hold their shares in their own name (the “Beneficial Shareholders”) should note that only proxies deposited by shareholders who appear on the records maintained by the Company’s registrar and transfer agent as registered holders of shares will be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a shareholder by a broker, those shares are, in all likelihood, *not* registered in the shareholder’s name. Such shares are more likely registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

National Instrument 54-101 of the Canadian Securities Administrators requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the form of proxy provided directly to registered shareholders by the Company. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications (“ADPIC”) in Canada. ADPIC typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to ADPIC, or otherwise communicate voting instructions to ADPIC (by way of the Internet or telephone, for example). ADPIC then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder who receives an ADPIC voting instruction form cannot use that form to vote shares directly at the Meeting. The voting instruction forms must be returned to ADPIC (or instructions respecting the voting of shares must otherwise be communicated to ADPIC) well in advance of the Meeting in order to have the shares voted. If you have any questions respecting the voting of shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting shares registered in the name of his or her broker (or an agent of such broker), a Beneficial Shareholder may attend the Meeting as proxy holder for the registered shareholder and vote the shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their shares as proxy holder for the registered shareholder should enter their own names in the blank space on the proxy form provided to them by their broker (or the broker’s agent) and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker (or the broker’s agent).

All references to shareholders in this Circular and the accompanying form of proxy and notice of Meeting are to registered shareholders unless specifically stated otherwise.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Holders of Common Shares have voting rights at the Meeting. As at March 9, 2007, 115,271,293 Common Shares were issued and outstanding. Each Common Share entitles the holder thereof to one vote at any meeting of shareholders of the Company.

Holders of Common Shares whose names are registered on the list of shareholders of the Company as at the close of business (local time) on March 9, 2007, being the date set by the Company for the determination of the registered holders of Common Shares who are entitled to receive the notice of Meeting (the “**Record Date**”), will

be entitled to exercise the voting rights attaching to the Common Shares in respect of which they are so registered at the Meeting, or any adjournment thereof, if present or represented by proxy thereat.

ELECTION OF DIRECTORS

The Articles and General By-Laws of the Company provide that the Board of Directors of the Company (the “**Board of Directors**” or the “**Board**”) shall be made up of a minimum of three (3) and a maximum of thirty (30) directors as determined from time to time by resolution of the Board of Directors. The Board of Directors has currently set the number of directors at thirteen (13). The provisions of the General By-Laws provide that the mandate of directors will be of one year and will end on the date of the annual meeting following their election or when their successors are elected.

The Board proposes the thirteen (13) persons named hereinafter as nominees for election as directors. Eleven (11) of the thirteen (13) nominees for election as directors of the Company are current directors.

Mr. André H. Gagnon will retire, after serving on the Board of Directors since March 1972, at the close of the Meeting, and will not seek re-election as a director. Mr. Simon Cloutier, one of the Company’s directors, died in August 2006. Information relating to Mr. Gagnon and Mr. Cloutier therefore does not appear below along with the information regarding the thirteen (13) proposed nominees for election as directors of the Company. Nevertheless, because Mr. Gagnon acted as Chairman of the Board of Directors up to the Meeting and Mr. Cloutier acted as director during part of the Company’s last financial year, information concerning them appears in the other sections of this Circular that pertain to the members of the Board. The current Board of Directors proposes that Mrs. Doris Bradstreet Daughney and Mr. Robert Sartor be elected as directors of the Company for the ensuing year.

If the proposed nominees are elected to the Board of Directors, the current Board of Directors proposes that Mr. Jean Gaulin be nominated as Chairman of the Board in replacement of Mr. Gagnon. Mr. Gaulin qualifies as an independent director under the standards of independence of the Canadian Securities Administrators.

The following table sets forth the name, age, province or state and country of residence, position with the Company and principal occupation of each of the current directors of the Company who are candidates for re-election at the Meeting and those of the two (2) new candidates proposed for election as directors of the Company. The table also indicates the date at which a person became a director of the Company, as well as the number of Common Shares and Deferred Share Units of the Company (“**DSUs**”) beneficially owned, directly or indirectly, or over which control or direction is exercised by each such person. Finally, it describes the level of attendance of directors to Board and committee meetings and the value of total compensation received by each individual to act as director of the Company.

Except where authority to vote with respect to the election of directors is withheld, the persons named in the enclosed form of proxy or voting instruction form intend to vote FOR the election of the nominees whose names are hereinafter set forth. If prior to the Meeting, any nominee is unable or, for any reason, becomes unwilling to serve as a director, it is intended that the discretionary power granted by the form of proxy or voting instruction form shall be used to vote for any other person or persons as directors, unless the shareholder has specified in the form of proxy or voting instruction form that his or her shares are to be withheld from voting on the election of directors. The Board of Directors and the management of the Company have no reason to believe that any of the said nominees will be unable or unwilling to serve, for any reason, if elected to office.

As you will note from the enclosed form of proxy or voting instruction form, shareholders may vote for each director individually.

Nominees

DORIS BRADSTREET DAUGHNEY											
Age 56 British Columbia, Canada Director Since: – ⁽¹⁾ Independent and Financially Literate		Mrs. Daughney is Chair, President, Chief Executive Officer and a member of the audit committee and compensation and governance committee of BC Pavilion Corporation (public tourism management). Mrs. Daughney is also a member of the board of directors and audit committee of Saxon Financial Inc. (investment management), and a member of the board of directors of Echelon Home Products Inc. (home appliances), and Echelon Home Products Ltd. (home appliances).									
Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director:							
Member of: –		– –		<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><i>Year</i></th> <th style="text-align: right;"><i>Value (\$)</i></th> </tr> </thead> <tbody> <tr> <td>2006</td> <td style="text-align: right;">–</td> </tr> <tr> <td>2005</td> <td style="text-align: right;">–</td> </tr> </tbody> </table>		<i>Year</i>	<i>Value (\$)</i>	2006	–	2005	–
<i>Year</i>	<i>Value (\$)</i>										
2006	–										
2005	–										
Securities Held :											
<i>Year</i>	<i>Common Shares (#)</i>	<i>Deferred Share Units (“DSUs”) (#)</i>	<i>Total Common Shares and DSUs (#)</i>	<i>Total Market Value of Common Shares and DSUs (\$)</i>	<i>Minimum Required (within 5 years) (\$)</i>						
2006	–	–	–	–	120,000						
2005	–	–	–	–	–						

(1) Mrs. Daughney is a new candidate proposed for election as a director of the Company.

LOUISE CAYA											
Age 41 Quebec, Canada Director Since: May 2002 Not Independent		Mrs. Caya is a member of the board of directors, Vice-President and Controller of Industrie Fabco Inc. (prefabricated kiosks and shelters). Mrs. Caya is also a member of the board of directors, Vice-President and Secretary of Thomas Caya (1982) inc. (hardware store).									
Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director⁽¹⁾:							
Member of:				<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><i>Year</i></th> <th style="text-align: right;"><i>Value (\$)</i></th> </tr> </thead> <tbody> <tr> <td>2006</td> <td style="text-align: right;">52,500</td> </tr> <tr> <td>2005</td> <td style="text-align: right;">51,000</td> </tr> </tbody> </table>		<i>Year</i>	<i>Value (\$)</i>	2006	52,500	2005	51,000
<i>Year</i>	<i>Value (\$)</i>										
2006	52,500										
2005	51,000										
<ul style="list-style-type: none"> • Board of Directors • Development Committee 		10/10	100%								
		7/7	100%								
Securities Held :											
<i>Year</i>	<i>Common Shares (#)</i>	<i>DSUs (#)</i>	<i>Total Common Shares and DSUs (#)</i>	<i>Total Market Value of Common Shares and DSUs (\$)</i>	<i>Minimum Required (within 5 years) (\$)</i>						
2006	1,600 ⁽²⁾	–	1,600	33,600	120,000						
2005	1,600 ⁽²⁾	–	1,600	34,320	–						

(1) For further details, please see “Compensation of Directors”, at page 10 of this Circular.

(2) Mrs. Caya also has a 50% interest in a company that holds 111,228 Common Shares.

PIERRE DUCROS

Age 67
Quebec, Canada
Director Since: May 2005
Independent and Financially Literate

Mr. Ducros is a member of the board of directors, human resources committee and corporate governance committee (chair) of Emergis Inc. (electronic commerce), a member of the board of directors and audit committee of TELUS Corporation (telecommunications), a member of the board of directors, audit committee and corporate governance committee of Cognos Incorporated (software)⁽¹⁾, a member of the board of directors and corporate governance committee of Manulife Financials (financial services) and a member of the board of directors and communications committee of the Canadian Institute for Advanced Research (collaborative advanced research). Mr. Ducros is President of Pierre Ducros & Associates.

Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director ⁽²⁾ :		
Member of:				<i>Year</i>	<i>Value (\$)</i>	
• Board of Directors		10/10	100%	2006	60,500	
• Nominating and Governance Committee (Chair)		6/6	100%	2005	30,500	
• Audit Committee		8/8	100%			
Securities Held:						
<i>Year</i>	<i>Common Shares (#)</i>	<i>DSUs (#)</i>	<i>Total Common Shares and DSUs (#)</i>	<i>Total Market Value of Common Shares and DSUs (\$)</i>	<i>Minimum Required (within 5 years) (\$)</i>	
2006	2,000	2,176	4,176	87,696		
2005	2,000	–	2,000	42,900	120,000	

- (1) On June 14, 2006, the Ontario Securities Commission issued a management and insider cease trade order on Cognos Incorporated as a result of the late filing in Canada of its annual financial statements, management discussion and analysis related to those financial statements and annual information form due to an ongoing review by the Staff of the Division of Corporate Finance of the U.S. Securities and Exchange Commission (“SEC”) that could have had an impact on the manner in which the company allocates revenue. The SEC Staff review was completed on July 20 2006, with the conclusion that the Staff did not object to the company’s revenue recognition policy under SOP 97-2 “*Software Revenue Recognition*”, after which the company remedied to its late filings. The management and insider cease trade order was lifted in August 2006.
- (2) For further details, please see “Compensation of Directors”, at page 10 of this Circular.

ROBERT DUTTON

Age 51
Quebec, Canada
Director Since: March 1990
Not Independent

Mr. Dutton is President and Chief Executive Officer of RONA. Mr. Dutton is a member of the board of directors and corporate governance committee of Quebecor Inc. (communications), and a member of the board of directors and audit committee of Sobeys Inc. (merchandising – food stores). Mr. Dutton has been the President and Chief Executive Officer since 1992. Prior to that, Mr. Dutton held many positions within the Company, including Executive Vice-President and Chief Operating Officer from 1990 to 1992.

Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director:		
Member of the Board of Directors		10/10	100%	<i>Year</i>	<i>Value (\$)</i>	
				2006	–	
				2005	–	
Securities Held:						
<i>Year</i>	<i>Common Shares (#)</i>	<i>DSUs (#)</i>	<i>Total Common Shares and DSUs (#)</i>	<i>Total Market Value of Common Shares and DSUs (\$)</i>	<i>Minimum Required (within 5 years) (\$)</i>	
2006	492,472	–	492,472	10,341,912		
2005	492,472	–	492,472	10,563,524	2,025,000	

JEAN GAULIN

Age 64
Texas, United States of America
Director Since: May 2004
Independent and Financially Literate

Mr. Gaulin is the Lead Director of RONA. He is a member of the board of directors, nominating and corporate governance committee (chair) and audit committee of Crane Co. (diversified industrial products), a member of the board of directors, human resources committee (chair), and risks and audit committee of National Bank of Canada, a member of the board of directors and human resources committee (chair) of Groupe St-Hubert Inc. (food), a member of the board of directors, human resources committee and corporate governance committee of Saputo Inc. (food), and a member of the board of directors and audit committee (chair) of Bombardier Recreational Products (recreational vehicles). Between 1999 and 2002, Mr. Gaulin was Chairman and Chief Executive Officer of Ultramar Diamond Shamrock (energy).

Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director ⁽¹⁾ :		
Member of				<i>Year</i>	<i>Value (\$)</i>	
• Board of Directors		10/10	100%	2006	58,250	
• Governance Committee		2/2	100%	2005	60,375	
• Human Resources and Compensation Committee		5/5	100%			
Securities Held:						
<i>Year</i>	<i>Common Shares (#)</i>	<i>DSUs (#)</i>	<i>Total Common Shares and DSUs (#)</i>	<i>Total Market Value of Common Shares and DSUs (\$)</i>	<i>Minimum Required (within 5 years) (\$)</i>	
2006	35,000	–	35,000	735,000	120,000	
2005	20,000	–	20,000	429,000		

(1) For further details, please see “Compensation of Directors”, at page 10 of this Circular.

JEAN-GUY HÉBERT

Age 60
Quebec, Canada
Director Since: May 2002⁽¹⁾
Not Independent

Mr. Hébert is a member of the board of directors and President of several companies, including Maximat Inc. (holding company), Maximat Granby Inc. (holding company), Horizon Devcow Inc. (real estate), Gestion Jean Guy Hébert Inc. (holding company) and 9060-4976 Québec inc. (operating a store under the RONA L’entrepôt banner (Granby)).

Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director ⁽²⁾ :		
Member of				<i>Year</i>	<i>Value (\$)</i>	
• Board of Directors		10/10	100%	2006	52,500	
• Development Committee		7/7	100%	2005	51,000	
Securities Held:						
<i>Year</i>	<i>Common Shares (#)</i>	<i>DSUs (#)</i>	<i>Total Common Shares and DSUs (#)</i>	<i>Total Market Value of Common Shares and DSUs (\$)</i>	<i>Minimum Required (within 5 years) (\$)</i>	
2006	43,200 ⁽³⁾	945	44,145	927,045	120,000	
2005	43,200 ⁽³⁾	–	43,200	926,640		

(1) Mr. Hébert was also a director of the Company from 1986 to 2001.

(2) For further details, please see “Compensation of Directors”, at page 10 of this Circular.

(3) Mr. Hébert also holds indirectly 143,496 Common Shares through his interest in Maximat Inc., and has minority interests in certain companies which hold an additional number of 34,418 Common Shares (32,559 in 2005).

J. SPENCER LANTHIER

Age 66
Ontario, Canada
Director Since: May 2006
Independent and Financially Literate

Mr. Lanthier is a member of the board of directors, corporate governance committee and finance and audit committee (chair) of the TSX Group Inc. (securities exchange), a member of the board of directors and audit committee (chair) of Gerdau Ameristeel Corporation (steel manufacturer), a member of the board of directors and audit and finance committee (chair) of Emergis Inc. (electronic commerce), a member of the board of directors, audit committee (chair) and human resources committee of Ellis-Don Inc. (construction), a member of the board of directors, audit committee (chair) and pension committee of Torstar Corporation (newspapers), a member of the board of directors, audit committee and corporate governance committee of Zarlink Semiconductor Inc. (semiconductor), and a member of the board of directors and advisory board of Birch Hill Equity Partners III, LP (equity investments). Mr. Lanthier is a retired partner of KPMG Canada and has acted as Chairman and Chief Executive of KPMG Canada and was a member of the KPMG International executive committee and board of directors from 1993 to 1999.

Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director ⁽¹⁾ :		
Member of				Year		Value (\$)
• Board of Directors		6/6	100%	2006		53,750
• Audit Committee (Chair)		5/5	100%	2005		–
Securities Held:						
Year	Common Shares (#)	DSUs (#)	Total Common Shares and DSUs (#)	Total Market Value of Common Shares and DSUs (\$)	Minimum Required (within 5 years) (\$)	
2006	5,000	991	5,991	125,811	120,000	
2005	–	–	–	–	–	

(1) For further details, please see “Compensation of Directors”, at page 10 of this Circular.

ALAIN MICHEL

Age 57
Quebec, Canada
Director Since: May 2005
Independent and Financially Literate

Mr. Michel is Corporate Director and Chairman of the board of directors of Groupe Cari-All inc. (shopping carts manufacturer), a member of the board of directors and audit committee (chair) of NB Capital Corporation (financial services), DiagnoCure Inc. (biotechnology), and IPL Inc. (plastic), and a member of the board of directors and audit committee of La Survivance (insurance). From 2001 to 2005, Mr. Michel was also Management Consultant at the Caisse de dépôt et placement du Québec (investment). From 1992 to 2000, he was Senior Vice-President and Chief Financial Officer of Group Videotron Ltd. (telecommunications).⁽¹⁾

Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director ⁽²⁾ :		
Member of				Year		Value (\$)
• Board of Directors		10/10	100%	2006		50,250
• Audit Committee		8/8	100%	2005		27,750
Securities Held:						
Year	Common Shares (#)	DSUs (#)	Total Common Shares and DSUs (#)	Total Market Value of Common Shares and DSUs (\$)	Minimum Required (within 5 years) (\$)	
2006	4,000	1,818	5,818	122,178	120,000	
2005	4,000	–	4,000	85,800	–	

(1) Mr. Michel was director of Cable Satisfaction International Inc. which, in July 2003, applied for protection under the Companies’ Creditors Arrangement Act. The plan of arrangement and reorganization proposed by Cable Satisfaction International Inc. was unanimously approved at the meeting of the company’s creditors held on March 16, 2004 and was sanctioned by the Quebec Superior Court on March 19, 2004.

(2) For further details, please see “Compensation of Directors”, at page 10 of this Circular.

JAMES PANTELIDIS

Age 61
Ontario, Canada
Director Since: May 2004
Independent

Mr. Pantelidis is Chairman of the board of directors of Consumers' Waterheater Income Fund (energy heating) and of Parkland Income Fund (energy downstream) and he is a member of the board of directors, human resources and governance committee and investment committee (chair) of Industrial Alliance Insurance and Financial Services Inc. (financial services). From 2002 to 2006, Mr. Pantelidis was a member of the board of directors of Fishercast Global Corporation (die casting) and served as Chairman and Chief Executive Officer from 2004 to 2006. From 2002 to 2003, he was President and Chief Executive Officer of J.P. Associates (private equity and strategic consulting). Between 1999 and 2001, he was Chairman and Chief Executive Officer of Bata Ltd. (retail and shoes manufacturing) and from 1996 to 1998 he was Executive Vice-President at Petro-Canada (energy).⁽¹⁾

Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director ⁽²⁾ :		
Member of				<i>Year</i>		<i>Value (\$)</i>
<ul style="list-style-type: none"> • Board of Directors • Human Resources and Compensation Committee • Development Committee 		10/10	100%	2006		54,000
		4/5	80%	2005		51,750
		3/4	75%			
Securities Held:						
<i>Year</i>	<i>Common Shares (#)</i>	<i>DSUs (#)</i>	<i>Total Common Shares and DSUs (#)</i>	<i>Total Market Value of Common Shares and DSUs (\$)</i>	<i>Minimum Required (within 5 years) (\$)</i>	
2006	4,000	946	4,946	103,866		
2005	4,000	–	4,000	85,800	120,000	

- (1) Mr. Pantelidis made a private equity investment in Tattoo Footwear Inc. and joined the board of that company in 2003. In the 12-month period following the sale of his shares and departure from the board, the company went into receivership.
- (2) For further details, please see "Compensation of Directors", at page 10 of this Circular.

ROBERT SARTOR

Age 49
Alberta, Canada
Director Since: –⁽¹⁾
Independent and Financially Literate

Mr. Sartor is a member of the board of directors, President and Chief Executive Officer of The Forzani Group Ltd. (sporting goods retailer)⁽²⁾ and from 1997 to 2003, he was President, Commercial Development and Chief Financial Officer of that company.

Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director:		
Member of: –		–	–	<i>Year</i>		<i>Value (\$)</i>
				2006		–
				2005		–
Securities Held :						
<i>Year</i>	<i>Common Shares (#)</i>	<i>DSUs (#)</i>	<i>Total Common Shares and DSUs (#)</i>	<i>Total Market Value of Common Shares and DSUs (\$)</i>	<i>Minimum Required (within 5 years) (\$)</i>	
2006	–	–	–	–	120,000	
2005	–	–	–	–		

- (1) Mr. Sartor is a new candidate proposed for election as a director of the Company.
- (2) Mr. Sartor was a member of the board of directors of Hartland Pipeline Services Ltd., which was petitioned into bankruptcy in December 1999 following proceedings initiated under the Companies' Creditors Arrangement Act in November 1999.

LOUIS A. TANGUAY

Age 69
Quebec, Canada
Director Since: May 1999
Independent

Mr. Tanguay is a member of the board of directors and corporate governance and human resources committee of Aéroports de Montréal, a member of the board of directors and audit committee of Bell Aliant (telecommunications), a member of the board of directors, audit committee and corporate governance and human resources committee (chair) of Medisys Health Group Inc. (healthcare), a member of the board of directors and audit committee (chair) of Saputo Inc. (food), a member of the board of directors of Simpler Networks Inc. (telecom network equipment manufacturing), a member of the board of directors, corporate governance committee, audit committee and compensation committee (chair) of SR Telecom Inc. (telecom network equipment manufacturing), and a member of the board of directors and audit committee of Canbras Communications Corp. (communications). Mr. Tanguay was also a member of the board of directors and corporate governance and human resources committee (chair) of Bell Nordiq Group Inc. (telecommunications) until the company was taken private at the end of January 2007. From 1998 to 2001, Mr. Tanguay was President and Chief Executive Officer of Bell Canada International.

Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director ⁽¹⁾ :		
Member of:				<i>Year</i>	<i>Value (\$)</i>	
• Board of Directors		10/10	100%	2006	56,000	
• Human Resources and Compensation Committee (Chair)		5/5	100%	2005	50,750	
• Nominating and Governance Committee		6/6	100%			
Securities Held:						
<i>Year</i>	<i>Common Shares (#)</i>	<i>DSUs (#)</i>	<i>Total Common Shares and DSUs (#)</i>	<i>Total Market Value of Common Shares and DSUs (\$)</i>	<i>Minimum Required (within 5 years) (\$)</i>	
2006	30,000	1,926	31,926	670,446	120,000	
2005	30,000	–	30,000	643,500		

(1) For further details, please see “Compensation of Directors”, at page 10 of this Circular.

JOCELYN TREMBLAY

Age 65
Quebec, Canada
Director Since: May 1998
Independent

Mr. Tremblay is a member of the board of directors and human resources and compensation committee of Groupe St-Hubert Inc. (food), and a member of the board of directors of Industries Lassonde Inc. (fruit beverages), Fruits & Passion Boutiques inc. (beauty products) and Laboratoire Oméga Ltée (pharmaceutical products). Mr. Tremblay is also President and Chief Executive Officer of Vins Arista inc. (Groupe Lassonde) (wine merchant) and Vice-President, Corporate Affairs, Vins Philippe Dandurand inc. (wine agent). From 1986 to 1998 he was President and Chief Executive Officer of Société des Alcools du Québec (SAQ).

Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director ⁽¹⁾ :		
Member of:				<i>Year</i>	<i>Value (\$)</i>	
• Board of Directors		10/10	100%	2006	54,750	
• Human Resources and Compensation Committee		5/5	100%	2005	51,000	
• Nominating and Governance Committee		6/6	100%			
Securities Held:						
<i>Year</i>	<i>Common Shares (#)</i>	<i>DSUs (#)</i>	<i>Total Common Shares and DSUs (#)</i>	<i>Total Market Value of Common Shares and DSUs (\$)</i>	<i>Minimum Required (within 5 years) (\$)</i>	
2006	6,000	1,891	7,891	165,711	120,000	
2005	6,000	–	6,000	128,700		

(1) For further details, please see “Compensation of Directors”, at page 10 of this Circular.

JEAN-ROCH VACHON

Age 62
Arizona, United States of America
Director Since: May 2006
Independent and Financially Literate

Mr. Vachon is Chair of the board of directors and a member of the audit committee and human resources committee of La Madeleine Holdings (restaurant) and Chair of the board of directors of Investissements J.R.V. (holding). Mr. Vachon is also a member of the board of directors of Bridor Inc. (bakery) and Groupe St-Hubert Inc. (food). From 1996 to 1999, he was Chairman of Cantrex Group Inc. (furniture and electronic) and from 1990 to 1996, he was Chairman and Chief Executive Officer of Smitty's Super Valu Inc. (retail).

Board/Committee Membership:		Attendance:		Value of Total Compensation Received as Director ⁽¹⁾ :		
Member of:				<i>Year</i>	<i>Value (\$)</i>	
• Board of Directors		6/6	100%	2006	37,250	
• Audit Committee		5/5	100%	2005	–	
• Development Committee (Chair)		4/4	100%			
Securities Held:						
<i>Year</i>	<i>Common Shares (#)</i>	<i>DSUs (#)</i>	<i>Total Common Shares and DSUs (#)</i>	<i>Total Market Value of Common Shares and DSUs (\$)</i>	<i>Minimum Required (within 5 years) (\$)</i>	
2006	5,000	1,123	6,123	128,583	120,000	
2005	–	–	–	–		

(1) For further details, please see “Compensation of Directors”, at page 10 of this Circular.

COMPENSATION OF DIRECTORS

In 2006, the Company’s policy was to pay each director who was not an employee of the Company an annual amount of \$30,000 and directors’ fees of \$1,500 per meeting of the Board of Directors and Board committees. Each chair of a committee of the Board of Directors was also entitled to an additional annual amount of \$2,000, except for the Chair of the Audit Committee, who was entitled to an additional annual amount of \$5,000 until the third quarter of 2006 and \$10,000 thereafter. The Chairman of the Board (the “**Chairman**” or the “**Chair**”) is entitled to an additional annual compensation of \$100,000.

In 2006, the Board has adopted shareholding guidelines pursuant to which each non-employee director of the Company, including the Chairman, is required, within the latest of five (5) years of (i) his or her election to the Board or (ii) the adoption of the shareholding guidelines, to acquire Common Shares of the Company and/or DSUs having a combined value of at least four (4) times his or her director annual cash retainer (excluding Chairman and committee chair retainers and director fees per meeting). Each non-employee director is required to continue to hold such value in Common Shares and/or DSUs throughout the remainder of his or her other tenure as a director.

Director	Director and Board Chairman Cash Retainer (\$)	Director Fees (Attendance to Meetings) (\$)	Committee Chair Cash Retainer (\$)	Value of Total Compensation Received (Including DSUs) (\$)	Value of DSUs Granted on the Date of Grant (\$)	Percentage of Total Compensation received in DSUs
Pierre Brodeur ⁽¹⁾	11,250	15,000	750	27,000	–	–
Louise Caya	30,000	22,500	–	52,500	–	–
Simon Cloutier ⁽²⁾	18,750	12,750	–	31,500	–	–
Pierre Ducros	30,000	28,500	2,000	60,500	45,750	75.6 ⁽⁵⁾
Robert Dutton	–	–	–	–	–	–
André H. Gagnon	130,000	12,000	–	142,000	–	–
Jean Gaulin	30,000	23,250	5,000	58,250	–	–
Jean-Guy Hébert	30,000	22,500	–	52,500	19,875	37.9 ⁽⁶⁾
J. Spencer Lanthier ⁽³⁾	30,000	18,750	5,000	53,750	20,875	38.8 ⁽⁷⁾
Alain Michel	30,000	20,250	–	50,250	38,250	76.1 ⁽⁸⁾
Louis A. Tanguay	30,000	24,000	2,000	56,000	40,500	72.3 ⁽⁹⁾

Director	Director and Board Chairman Cash Retainer (\$)	Director Fees (Attendance to Meetings) (\$)	Committee Chair Cash Retainer (\$)	Value of Total Compensation Received (Including DSUs) (\$)	Value of DSUs Granted on the Date of Grant (\$)	Percentage of Total Compensation received in DSUs
Jocelyn Tremblay	30,000	24,750	–	54,750	39,750	72.6 ⁽¹⁰⁾
Jean-Roch Vachon ⁽⁴⁾	18,750	17,250	1,250	37,250	23,625	63.4 ⁽¹¹⁾
James Pantelidis	30,000	24,000	–	54,000	19,875	36.8 ⁽¹²⁾
TOTAL	358,7500	265,500	16,000	558,7500	248,500	34.0

(1) Director until the Annual General Meeting of Shareholders held on May 9, 2006.

(2) Simon Cloutier died in August 2006.

(3) Director since the Annual General Meeting of Shareholders held on May 9, 2006.

(4) Director since the Annual General Meeting of Shareholders held on May 9, 2006.

(5) 100% since the second quarter of 2006.

(6) 50% since the second quarter of 2006.

(7) 50% since the second quarter of 2006.

(8) 100% since the second quarter of 2006.

(9) 100% since the second quarter of 2006.

(10) 100% since the second quarter of 2006.

(11) 100% since the third quarter of 2006.

(12) 50% since the second quarter of 2006.

MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the supervision of the management of the Company's business and affairs, with the objective of maximizing long-term value. The Board approves all matters expressly required by its mandate under the *Companies Act* (Quebec) and other applicable legislation and the Company's Articles and General By-Laws. When authorized by the Company's applicable legislation, the Board may assign to Board committees the prior review of any issues it is responsible for. Board committee recommendations are subject to Board approval. The Board has delegated the approval of certain matters to management pursuant to its schedule of authority, as amended from time to time. In spite of the fact that directors may be elected by the shareholders to bring a special expertise or point of view to Board deliberations, they are not chosen to represent a particular constituency. All decisions of each member of the Board must be made in the best interest of the Company. Board members are expected to attend all meetings of the Board and to review all meeting materials in advance. Board members are also expected to take an active role in Board decision-making.

The responsibilities of the Board of Directors are described in the charter of the Board of Directors attached as Schedule "D" to this Circular. Pursuant to such charter, meetings of the Board are held at least quarterly, and as required. In addition, a special meeting of the Board is held, at least annually, to review the Company's strategic plan. Independent directors meet regularly without management and non-independent directors present. The quorum at meetings of the Board is a majority of directors in office. Finally, the Board of Directors must review its charter at least once a year and make any appropriate changes.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has four (4) committees: the Audit Committee, the Human Resources and Compensation Committee, the Nominating and Governance Committee and the Development Committee. The responsibilities and composition of the committees of the Board of Directors can be summarized as follows:

The Audit Committee is responsible for assisting the Board of Directors in its oversight of (i) the production of reliable financial information, (ii) the identification of the principal risks associated with the Company's activities and the implementation of appropriate systems to manage these risks, (iii) the internal control and management information systems of the Company, (iv) the Company's financial compliance with the various authorities and legislation, (v) the competencies, independence and work of the external and internal auditors, and (vi) the performance of the other responsibilities set out in the committee's mandate as well as those delegated to the committee by the Board of Directors.

The responsibilities of the Audit Committee are described in detail in the committee's charter attached as Schedule "E" to this Circular.

The Audit Committee is currently chaired by J. Spencer Lanthier and consists of four (4) outside directors, all of whom are independent and financially literate. Other than J. Spencer Lanthier, the other members of the committee are currently Messrs. Pierre Ducros, Alain Michel and Jean-Roch Vachon.

All the members of the Audit Committee have acquired relevant experience through their education, as members of other boards of directors and also as executive officers of various companies. Moreover, a number of them are or have been members of the audit committees of other public companies. More specifically, (i) J. Spencer Lanthier was a partner of KPMG Canada, has acted as Chairman and Chief Executive Officer of KPMG Canada and was a member of the KPMG International executive committee and board of directors from 1993 to 1999; (ii) Pierre Ducros was President and Chief Executive Officer of DMR Inc. for a period of twenty-three (23) years and serves on the audit committee of Cognos Incorporated and TELUS Corporation; (iii) Alain Michel has a Master's degree in Commerce and was Senior Vice-President and Chief Financial Officer of Group Videotron Ltd; and (iv) Jean-Roch Vachon has served on the board of directors and audit committee of several private and public companies since 1982, and was Chairman of Cantrex Group Inc. from 1996 to 1999.

The Human Resources and Compensation Committee is responsible for assisting the Board of Directors in discharging its responsibilities regarding recruitment, evaluation, compensation and succession planning for the Company's executive officers and other employees. The responsibilities of the Human Resources and Compensation Committee include, among other things, (i) recommending to the Board of Directors the principles and rules regarding the recruitment, hiring and evaluation of the President and Chief Executive Officer (the "**President and CEO**") and executive officers reporting to the latter, (ii) recommending to the Board of Directors all compensation plans or policies applicable to senior management executives and key employees of the Company, (iii) recommending to the Board of Directors a development and succession plan for senior management and ensuring its implementation, (iv) recommending to the Board of Directors the hiring and conditions of employment or, if applicable, the termination of the employment of the President and CEO, (v) determining and obtaining the Board of Directors' approval for the position description of the President and CEO, (vi) at the start of each year, determining and obtaining the Board of Directors' approval for the objectives of the President and CEO and, at the end of each year or at the start of the following year, determining the extent to which such objectives have been attained and recommending to the Board the President and CEO's compensation based on this assessment, (vii) recommending to the Board of Directors the hiring, position description and conditions of employment of senior management reporting to the President and CEO, (viii) recommending and obtaining the Board of Directors' annual approval for the compensation of senior management reporting to the President and CEO, (ix) recommending to the Board of Directors' any material change to the Company's organizational structure, (x) ensuring the implementation of all human resources policies and ensuring that the Company complies with applicable legislation and regulations, (xi) approving the annual report on executive compensation which appears in the Circular, and (xii) reviewing the structure of the Company's and its subsidiaries' pension plans.

The Human Resources and Compensation Committee is currently chaired by Mr. Louis A. Tanguay and consists of four (4) outside directors, all of whom are independent. Other than Mr. Tanguay, the members of the committee are currently Messrs. Jean Gaulin, James Pantelidis and Jocelyn Tremblay.

Over the course of financial year 2006, the Human Resources and Compensation Committee worked with Mercer Human Resource Consulting to evaluate and provide recommendations on the overall competitive positioning of the Company's compensation plans for executives. As part of this process, the committee reviewed proxy compensation data for a peer group of Canadian retail companies similar in size to the Company (based on annual revenues and market capitalization). In addition, the committee considered market data from a number of different compensation surveys which reflect the marketplace within which the Company competes for executive talent. As a result of this market review, certain components of the Company's executive compensation plans have been revised or updated over the course of financial year 2006 and new executive share ownership guidelines have been implemented. These revised plans are described in the "Report on Executive Compensation" at page 20 of this Circular.

The Nominating and Governance Committee is responsible for assisting the Board of Directors in the development of the Company's approach to matters of corporate governance, selection of new director nominees, directors' compensation and for assessing the effectiveness of the Board of Directors and its committees, their respective chairs and each director. The responsibilities of the Nominating and Governance Committee include, among other things, (i) recommending and obtaining the Board of Directors' approval for corporate governance policies and guidelines in compliance with laws and regulations and ensuring their implementation within the Company, (ii) recommending to the Board of Directors and periodically reviewing a code of conduct for directors, officers and employees, and ensuring its implementation within the Company, (iii) reviewing the size of the Board of Directors to ensure optimal decision-making and effectiveness and, as required, making appropriate recommendations to the Board of Directors, (iv) recommending a process for assessing the performance of the Board of Directors as a whole, the committees of the Board of Directors, the Chairman of the Board and the committee chairs and the contribution of individual directors, and seeing to its implementation, (v) recommending the competencies, skills and personal qualities required on the Board in order to create added value, taking into account the opportunities and risks faced by the Company and subsequently identifying and recommending to the Board new director nominees, (vi) implementing an orientation and continuing education policy for directors, (vii) recommending directors' compensation, (viii) ensuring that a statement of corporate governance practices is disclosed and that such statement is in conformity with applicable laws and regulations, (ix) advising the management of the Company on matters relating to the conduct of annual and special meetings of shareholders, (x) reviewing and authorizing requests of directors, made in connection with the discharge of their duties, to engage outside advisers at the Company's expense, and (xi) reviewing the Company's liability insurance coverage for directors and officers of the Company.

The Nominating and Governance Committee is currently chaired by Mr. Pierre Ducros and consists of four (4) outside directors, all of whom are independent. Other than Mr. Ducros, the members of the committee are currently Messrs. Jean Gaulin, Louis A. Tanguay and Jocelyn Tremblay.

The Development Committee is generally responsible for assisting the Board of Directors in the development of the Company's approach to real estate matters. The responsibilities of the Development Committee include, among other things, (i) reviewing real estate investment opportunities submitted by management and, more specifically, the acquisition, lease or building of new stores to add to the Company's network of stores where the total investment is in excess of \$10 million, (ii) recommending and obtaining the Board of Directors' approval for the investments reviewed by the Committee, (iii) monitoring the financial status of real estate sites (including reviewing budgets and comparative financial statements), and (iv) periodically recommending and obtaining the Board of Directors' approval for real estate development plans.

The Development Committee is currently chaired by Mr. Jean-Roch Vachon and consists of four (4) members, two of whom are not independent. Other than Mr. Vachon, the members of the committee are currently Mrs. Louise Caya, Mr. Jean-Guy Hébert and Mr. James Pantelidis.

COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table

The following table sets forth, for the three (3) financial years ended December 31, 2006, December 25, 2005 and December 26, 2004, the aggregate compensation paid by the Company to the President and CEO of the Company, the Executive Vice-President and Chief Financial Officer and each of the three (3) most highly compensated executive officers (the “**Named Executive Officers**”) during such financial years. The figures for 2004 have been adjusted to take into account the two-for-one stock split effective on March 22, 2005.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation ⁽¹⁾			All Other Compensation (\$)
		Salary (\$)	Bonus ⁽³⁾ (\$)	Other Annual Compensation ⁽⁴⁾ (\$)	Awards		Payouts ⁽²⁾	
					Securities Under Options/SARs granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
Robert Dutton President and CEO	2006	644,615	504,200	—	150,000	—	—	—
	2005	623,462	545,000	—	—	—	—	—
	2004	544,423	495,000	—	200,000	—	398,340	—
Claude Guévin Executive Vice-President and Chief Financial Officer	2006	299,519	99,825	—	60,152	—	—	527,016 ⁽⁵⁾
	2005	274,712	117,000	—	—	—	—	769,257 ⁽⁶⁾
	2004	259,769	106,263	—	40,000	—	120,600	378,064 ⁽⁷⁾
Pierre Dandoy Executive Vice-President, Big Box Stores	2006	274,808	96,195	—	20,000	—	—	—
	2005	264,807	114,750	—	—	—	—	—
	2004	254,827	108,000	—	20,000	—	—	—
Claude Bernier Executive Vice-President, Proximity and Specialized Stores	2006	264,615	88,935	—	20,000	—	—	—
	2005	244,808	105,750	—	—	—	—	—
	2004	234,827	99,000	—	20,000	—	102,240	—
Normand Dumont Executive Vice-President, Merchandising	2006	244,423	78,045	—	20,000	—	—	—
	2005	214,326	81,000	—	—	—	—	—
	2004	182,885	61,670	—	20,000	—	91,260	—

- (1) There are no shares or units subject to resale restrictions.
- (2) The Long-Term Incentive Plan was adopted on January 12, 1999 and was terminated on January 24, 2002 following the adoption by the Board of Directors of the Initial Plan (as defined under “Compensation of Executive Officers – Share Option Plans — Share Option Plan dated January 24, 2002”). No further units will be issued and no further payouts will be made pursuant to such Long-Term Incentive Plan.
- (3) Bonus paid based on the performance of the previous year.
- (4) Perquisite benefits are not in excess of \$50,000 or 10% of total base salary and bonuses paid to each Named Executive Officer for the years indicated and thus are not reported in this column.
- (5) An amount of \$527,016 was paid to Mr. Guévin in 2006, representing the fourth (4th) of four (4) installments of a special cash bonus granted by the Company to Mr. Guévin following the approval of the Board of Directors on August 27, 2002.
- (6) An amount of \$769,257 was paid to Mr. Guévin in 2005, representing the third (3rd) of four (4) installments of a special cash bonus granted by the Company to Mr. Guévin following the approval of the Board of Directors on August 27, 2002.
- (7) An amount of \$378,064 was paid to Mr. Guévin in 2004, representing the second (2nd) of four (4) installments of a special cash bonus granted by the Company to Mr. Guévin following the approval of the Board of Directors on August 27, 2002.

The following table sets forth, for the financial year ended December 31, 2006, the aggregate value of all remuneration awarded by the Company to the Named Executive Officers. The figures below include the expected value of all long term incentive awards made under the Company’s stock option plan, as well as pension benefits earned during the year.

Total Remuneration

Name	Salary (\$)	Bonus ⁽¹⁾ (\$)	Long Term Incentive Plan – Black Scholes Value of Option Grants (\$)	Pension Plans ^{(2) (3)} (\$)	Other annual and all other compensation ⁽⁴⁾ (\$)	Total Compensation (\$)
Robert Dutton	644,615	504,200	1,144,575	377,000	—	2,670,390
Claude Guévin	299,519	99,825	497,791 ⁽⁵⁾	71,882	527,016 ⁽⁶⁾	1,496,033
Pierre Dandoy	274,808	96,195	152,610	66,781	—	590,394
Claude Bernier	264,615	88,935	152,610	63,639	—	569,799
Normand Dumont	244,423	78,045	152,610	58,044	—	533,122

(1) Bonus paid in 2006 based on 2005 performance.

(2) Annual current service cost accrued under the defined benefits arrangements for the President and CEO.

(3) Accrued amounts in 2006 under the defined contribution arrangements for the Named Executive Officers other than the President and CEO.

(4) Perquisite benefits are not in excess of \$50,000 or 10% of total base salary and bonuses paid to each Named Executive Officer and thus are not reported in this column.

(5) Includes the third (3rd) and fourth (4th) of four (4) installments of a special stock options grant by the Company to Mr. Guévin following the approval of the Board of Directors on August 27, 2002.

(6) An amount of \$527,016 was paid to Mr. Guévin in 2006, representing the fourth (4th) of four (4) installments of a special cash bonus granted by the Company to Mr. Guévin following the approval of the Board of Directors on August 27, 2002.

Long Term Incentive Programs

RONA offers long-term incentives in the form of stock option grants to designated executives and employees. The Company administers two (2) separate stock option plans: the Initial Plan (as defined below), which was established prior to RONA's initial public offering (the "IPO"), and the 2002 Plan (as defined below) which was established for all grants subsequent to the IPO. Certain RONA executives continue to hold options which were granted under the Initial Plan, however all current stock option grants are made under the 2002 Plan. The vesting of grants made in 2006 under the 2002 Plan is tied to increases in the market value of Common Shares and all option grants are reviewed and approved by the Human Resources and Compensation Committee.

Share Option Plans

Share Option Plan dated January 24, 2002

On January 24, 2002, the Board of Directors set up a share option plan for designated members of senior management of RONA and its subsidiaries (the "Initial Plan"). The Initial Plan was set up by the Company in order (a) to induce its participants to take measures to favour growth in shareholder value and to have them benefit from that growth and the Company's success, (b) to induce its participants to take necessary measures to create favourable conditions for the Company to make a public offering before January 1, 2006 (which objective was achieved on November 5, 2002) and (c) to establish a direct link between the interests of participants and those of shareholders. The persons eligible to receive options for the purchase of Common Shares were members of senior management of the Company and its subsidiaries who were designated from time to time by the Board of Directors.

The maximum number of options issuable under the Initial Plan was 3,740,000, representing 5.1% of the outstanding Common Shares as at January 1, 2002 and 3.2% as at March 12, 2007. The Board of Directors had full discretion to grant options to eligible designated members of senior management. The exercise price of each option was set at \$3.47 per share. A total of 2,920,000 options were granted by the Board of Directors pursuant to the Initial Plan and 1,578,500 were outstanding as at March 12, 2007, representing respectively 2.5% and 1.4% of the outstanding Common Shares as at March 12, 2007. No further options will be granted pursuant to the Initial Plan.

Any option granted under the terms of the Initial Plan will expire on January 1, 2012 and may be exercised at any time prior thereto. All holders of options granted under the Initial Plan have agreed not to dispose of shares received upon the exercise of the said options (the "Underlying Shares") except in accordance with the following schedule: (a) 15% of the balance of the Underlying Shares on or after May 5, 2003 (the "First Release Date"); (b) 30% of the balance of the Underlying Shares on or after the first (1st) anniversary of the First Release Date; (c) 50% of the balance of the Underlying Shares on or after the second (2nd) anniversary of the First Release Date;

and (d) 100% of the balance of the Underlying Shares on or after the third (3rd) anniversary of the First Release Date.

A participant who voluntarily terminates his or her employment or who is dismissed for cause ceases to be eligible under the plan and his or her options become void and null. However, in the case of a termination of employment for another reason or in case of death or retirement of a participant, such participant or his or her legal representatives may exercise his or her options within three (3) months of the termination or retirement and within six (6) months of the death, subject to certain conditions described in the plan.

The rights of a participant regarding the options granted under the Initial Plan cannot be assigned nor transferred other than by testamentary provision or pursuant to the applicable laws of succession.

Share Option Plan dated October 24, 2002

On October 24, 2002, the Board of Directors approved a new share option plan (the “**2002 Plan**”) for designated senior executives of the Company and its subsidiaries and for certain outside directors (the “**Participants**”). Since March 8, 2007, non-employee directors of the Company can no longer receive options under the 2002 Plan. The 2002 Plan was approved by the shareholders of the Company on May 14, 2003, at the annual meeting.

The purpose of the 2002 Plan is to provide the Company with a share-related mechanism to attract and motivate designated members of management and of the Board of Directors whose skills, performance and loyalty to the Company are necessary to its success, image, reputation or activities.

The total number of Common Shares which may be issued pursuant to the 2002 Plan is 6,600,000, representing 9% of the outstanding Common Shares as at October 24, 2002 and 5.7% of the outstanding Common Shares as at March 12, 2007. A total of 1,700,852 options were granted by the Board of Directors pursuant to the 2002 Plan and 1,538,802 were outstanding as at March 12, 2007, representing respectively 1.5% and 1.3% of the outstanding Common Shares as at March 12, 2007. As at such date, a total of 4,899,148 Common Shares remained issuable under the 2002 Plan, representing 4.3% of the outstanding Common Shares.

The exercise price of any option granted under the 2002 Plan must be equal or superior to the weighted average price of the Common Shares traded on the Toronto Stock Exchange, such price to be calculated by aggregating the value of each transaction during the five (5) trading days immediately preceding the day on which such option is granted and dividing the said value by the total number of Common Shares traded during the said period. The terms and number of Common Shares covered by each option as well as the vesting periods of such options are determined by the Board of Directors upon the recommendation of its Human Resources and Compensation Committee at the time the options are granted to beneficiaries but will not be more favourable than those permitted by the applicable regulatory authorities. Other than in the case of a Blackout Extension Term, as described under “Amendment to 2002 Plan” on page 26 of this Circular, the expiry date of an option shall be the date so fixed by the Board or described in the 2002 Plan, provided that such date is not later than the tenth (10th) anniversary of the date of grant.

The 2002 Plan contains the following restrictions: (i) the maximum number of Common Shares which may be reserved for issuance to any one person under the 2002 Plan or under other share compensation arrangement of the Company shall not exceed 5% of the outstanding Common Shares at the time of grant, (ii) the maximum number of Common Shares issuable to insiders at any time pursuant to the 2002 Plan or other share compensation arrangements of the Company shall not exceed, unless duly approved by the shareholders, 10% of the outstanding Common Shares, and (iii) the maximum number of Common Shares issued under the 2002 Plan or any other share compensation arrangement of the Company during a period of one year shall not exceed (a) 10% of the outstanding Common Shares in the case of Common Shares to be issued to insiders or (b) 5% of the outstanding Common Shares in the case of Common Shares to be issued to any one insider and its associates.

The rights of a participant with respect to options granted under the 2002 Plan may not be assigned or transferred except by testamentary provision or pursuant to the applicable laws of succession.

On March 8, 2007, the Board approved certain amendments to the 2002 Plan, which do not require the approval of the Company's shareholders. Among such amendments, the Board adopted a new definition of Change of Control. Options granted under the 2002 Plan may be exercised and do vest immediately in the event of a Change of Control, which is now defined as a change in control of the Company of a nature that would be required to be reported pursuant to Canadian securities legislation or regulations, provided that, except in limited circumstances, a Change of Control will be deemed to have occurred if (i) any person or entity or group of persons or entities become the beneficial owner of more than 50% of the combined voting power of the Company's outstanding securities entitled to vote in the election of directors of the Company, (ii) a majority of members of the Company's Board is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board, (iii) any person or entity, or group of persons or entities acquires assets from the Company or its subsidiaries representing more than 50% of the total gross fair market value of all of the assets of the Company and its subsidiaries, taken as a whole, (iv) the Company is part to an amalgamation, merger or consolidation with or into another person or entity, except if a majority of the members of the board of directors of the surviving or resulting person or entity immediately after the transaction are individuals who were members of the Company's Board prior to such transaction, or (v) the Board determines that a particular event constitutes or constituted a Change of Control. Except in limited circumstances described in the 2002 Plan, options granted pursuant to the 2002 Plan may also be exercised and will vest immediately in the event of a disposition of retail stores of the Company and its subsidiaries representing more than 50% of the revenues derived from all retail stores of the Company and its subsidiaries, taken as a whole, for a period of twelve (12) consecutive months, or elements of the distribution business of the Company and its subsidiaries representing more than 50% of the revenues derived from the distribution business of the Company and its subsidiaries, taken as a whole, for a period of twelve (12) consecutive months.

Pursuant to another amendment, non-employee directors of the Company are no longer eligible to receive grants of options under the 2002 Plan. The amendments adopted by the Board also provide that the Board will determine the conditions of options granted on or after March 8, 2007. Previously, the 2002 Plan required that certain predetermined conditions be satisfied prior to the vesting of any options granted under the plan, including the condition that the Common Shares had to trade at or above a premium of 8% over the exercise price at the time of grant for at least twenty (20) consecutive business days during any given vesting period. Subject to such conditions, 25% of any grant vested after twelve (12) months, 50% after twenty-four (24) months, 75% after thirty-six (36) months and 100% vested after forty-eight (48) months after the date of grant. Options granted prior to March 8, 2007, are still subject to these vesting conditions.

Options expire thirty (30) business days after the date a participant ceases to be an employee or director of the Company if such participant terminates his or her employment voluntarily or is terminated for cause, ninety (90) business days after the participant ceases to be an employee or director of the Company in other cases and six (6) months after the participant dies. Prior to the amendments made by the Board, those periods were of thirty (30) days, three (3) months and six (6) months, respectively.

Finally, the Board of Directors adopted other minor changes including amendments to certain definitions. Hence, the "date of grant" definition now refers to a "date at which the option is granted by the Board, or, in the case the option is granted during a Blackout Period or within five business days following the Blackout Period, the sixth business day following the end of such Blackout Period."

Reference is made to "Amendment to 2002 Plan", at page 26 of this Circular, regarding proposed amendments to the 2002 Plan requiring the approval of the Company's shareholders.

Long-Term Incentive Program to be Adopted in 2007

Over the course of 2006, the Human Resources and Compensation Committee conducted an extensive review of the Company's incentive plans, to ensure that executive interests are well aligned with the Company's strategic objectives and with shareholder interests. Based on this review, the Company has proposed the adoption of a new long-term incentive program (LTIP) which will be implemented in 2007. Under the terms of this new program, RONA intends to grant to eligible executives 50% of their awards in the form of stock options (issued under the 2002 Plan) which would generally vest over four (4) years from the date of grant (25% per year), and the

other 50% in the form of share units (granted under a new share unit plan to be implemented in 2007), subject to applicable regulatory approvals.

Options Granted During the Most Recently Completed Financial Year

During the financial year ended December 31, 2006, no options were granted by the Company under the Initial Plan and 463,652 options were granted to Named Executive Officers under the 2002 Plan, as described in the table below.

Name	Securities, Under Options/SARs Granted (#)	Percent of Total Options/SARs Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
Robert Dutton	150,000	32.4%	\$21.21	\$20.68	February 2016
Claude Guévin	25,000 17,576 ⁽¹⁾ 17,576 ⁽²⁾	5.4% 3.8% 3.8%	\$21.21 \$26.87 \$21.78	\$20.68 \$20.68 \$21.75	February 2016 February 2016 September 2016
Pierre Dandoy	20,000	4.3%	\$21.21	\$20.68	February 2016
Claude Bernier	20,000	4.3%	\$21.21	\$20.68	February 2016
Normand Dumont	20,000	4.3%	\$21.21	\$20.68	February 2016

- (1) Third (3rd) of four (4) installments of a special stock options grant by the Company to Mr. Guévin following the approval of the Board of Directors on August 27, 2002.
- (2) Fourth (4th) of four (4) installments of a special stock options grant by the Company to Mr. Guévin following the approval of the Board of Directors on August 27, 2002.

Aggregated Option Exercises During the Year and Financial Year-end Option Values

A total of 368,400 options were exercised by the beneficiaries under the Initial Plan during the year ended December 31, 2006. 32,150 options were exercised by the beneficiaries under the 2002 Plan during the same year. The following tables show, for each of the Initial Plan and the 2002 Plan, the total number of options exercised by the Named Executive Officers during the year ended December 31, 2006, the total number of unexercised options held by them as at December 31, 2006 and the value of such options at that date.

Initial Plan

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2006 (#)		Value of Unexercised In-the-Money Options at December 31, 2006 (\$) ⁽¹⁾	
			Exercisable ⁽²⁾	Unexercisable	Exercisable ⁽²⁾	Unexercisable
Robert Dutton	N/A	N/A	960,000	N/A	16,828,800	N/A
Claude Guévin	N/A	N/A	120,000	N/A	2,103,600	N/A
Pierre Dandoy	80,000	1,526,620	70,000	N/A	1,227,100	N/A
Claude Bernier	N/A	N/A	200,000	N/A	3,506,000	N/A
Normand Dumont	N/A	N/A	60,000	N/A	1,051,800	N/A

- (1) The aggregate value of unexercised in-the-money options at financial year-end is the difference between the exercise or base price of the options and the closing price of the Common Shares on the Toronto Stock Exchange on December 31, 2006, which was \$17.53 per share. This value has not been, and may never be, realized. Actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.
- (2) The Underlying Shares may not be sold by the holders thereof before the dates mentioned under "Compensation of Executive Officers – Share Option Plans – Share Option Plan dated January 24, 2002".

2002 Plan

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2006 (#)		Value of Unexercised In-the-Money Options at December 31, 2006 (\$) ⁽¹⁾	
			Exercisable ⁽²⁾	Unexercisable	Exercisable ⁽²⁾	Unexercisable ⁽²⁾
Robert Dutton	N/A	N/A	230,000	360,000	1,245,450	513,150
Claude Guévin	N/A	N/A	40,000	100,152	208,800	89,200
Pierre Dandoy	N/A	N/A	21,050	40,350	111,451	46,950
Claude Bernier	N/A	N/A	21,050	40,350	111,451	46,950
Normand Dumont	N/A	N/A	18,800	39,600	96,342	41,914

- (1) The aggregate value of unexercised in-the-money options at financial year-end is the difference between the exercise or base price of the options and the closing price of the Common Shares on the Toronto Stock Exchange on December 31, 2006, which was \$6.715 per share for the options granted during the financial year ended December 28, 2003 and \$0.735 per share for the options granted during the financial year ended December 26, 2004. This value has not been, and may never be, realized. Actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.
- (2) Options granted under the 2002 Plan during the financial years ended December 31, 2006, December 25, 2005, December 26, 2004 and December 28, 2003 can only be exercised when the conditions provided in the 2002 Plan have been met.

Securities Authorized for Issuance under Equity Compensation Plans

The table below provides, as at December 31, 2006, additional information with respect to the Company's long term incentive programs.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights (\$)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) ⁽¹⁾
Equity compensation plans approved by security holders	3,162,479	10.16	5,095,148
Equity compensation plans not approved by security holders	—	—	—
Total	3,162,479	10.16	5,095,148

- (1) Since no further options will be granted pursuant to the Initial Plan, the remaining securities available for issuance under the Initial Plan are not included in the total. Please see "Compensation of Executive Officers – Share Option Plans – Share Option Plan dated January 24, 2002", on page 15 of this Circular for further details.

Employment Agreements

The Company has employment contracts in place with each of the Named Executive Officers. The annual base salary and bonus of the Named Executive Officers is described under "Compensation of Executive Officers – Summary Compensation Table" on page 14 of this Circular. The Named Executive Officers also participate in the stock option plans of the Company and in the Company's pension plans.

The employment contracts with each Named Executive Officer provide for severance payments in the event of termination of employment corresponding to twenty-four (24) months of base salary for Mr. Dutton, and eighteen (18) months of base salary for all other Named Executive Officers (except in the case of termination by the Company for cause, or voluntary termination by the Named Executive Officer). These employment contracts also provide for severance payments corresponding to thirty-six (36) months of base salary plus target bonus for Mr. Dutton and twenty-four (24) months of base salary plus target bonus for the other Named Executive Officers upon the Named Executive Officer's employment being terminated (either by the Company or by the Named Executive Officer) within the first eight (8) months following a change of control of the Company. Upon the occurrence of a change of control of the Company, the employment contracts further allow for the immediate vesting of any outstanding and unvested awards granted under the Company's stock option plans.

These employment contracts also include non-compete and non-solicitation clauses that remain in force for the duration of the Named Executive Officer's employment with the Company and for twelve (12) months thereafter (eighteen (18) months for Mr. Dutton), in addition to the customary confidentiality clauses, for all Named

Executive Officers (including Mr. Dutton). Pursuant to the employment contracts, each Named Executive Officer also agrees to comply with the share ownership requirements adopted by the Board. Such share ownership requirements are described on page 22 of this Circular.

Pension Plans

Pension Plan for the President and CEO

The pension plan for the President and CEO consists of a basic defined benefit registered pension plan and a supplemental plan, which is also a defined benefit plan. The purpose of these plans is to provide the President and CEO, upon retirement, with income in the form of a lifetime annuity equal to 2% per year of service, multiplied by the final average compensation, with no offset for any payment from the Canada and Quebec pension plans. The final average compensation is defined as the average of the best three (3) years of annual compensation (annual compensation in a given year being equal to the salary paid in this specific year, plus the bonus related to this specific year).

For years of service prior to January 1, 2000, final average compensation is limited to \$350,000. For the years of service between January 1, 2000 and December 31, 2001, final average compensation is limited to \$700,000. Such maximum amount is no longer applicable for subsequent years.

No contribution is required from the President and CEO. Both the basic and the supplemental plan offer the same guarantee in case of death.

As at December 31, 2006, the President and CEO had accrued a total of 29.5 years of credited service, for total annual pension benefits of \$293,000 payable at retirement. The normal retirement age is 65, with an optional early retirement age of 55. At age 55, the President and CEO will have accumulated 32.75 years of credited service, for total estimated annual pension benefits of \$402,000. The pension payable from the supplemental plan is not indexed.

Pension Value Disclosure for the President and CEO

Name	2006 Annual Current Service Cost	Accrued Obligations at December 31, 2006	Annual Pension Benefits Payable Upon Retirement
Robert Dutton	\$377,000 ⁽¹⁾	\$5,003,000 ⁽¹⁾⁽²⁾	\$402,000 ⁽²⁾⁽³⁾

- (1) Annual current service costs and the amount of accrued obligations were determined using the same methods and assumptions as those used for the notes to the financial statements (GAAP- Section 3461 CICA).
- (2) These amounts are net of the impact of all accrued additional voluntary contributions.
- (3) Benefits payable at age 55.

Pension Plan for Other Officers

The pension plan for the other officers is made up of a basic defined contribution registered plan and a supplemental plan which is also a defined contribution plan. The purpose of the basic registered plan is to accumulate, on an annual basis beginning on January 1, 2000, the maximum amount allowed by the tax authorities (\$19,000 in 2006). The purpose of the supplemental plan, when combined with the basic registered plan, is to provide officers, upon retirement, with pension income from the accumulation, on an annual basis beginning on January 1, 2000, of 18% of the annual compensation paid to the officer during a given year, together with the annual return thereon (annual compensation being defined as the sum of the salary and bonus paid (up to the target bonus) in a specific year).

These plans include vesting criteria for the employer’s contribution and restrictions relating to non-competition clauses.

REPORT ON EXECUTIVE COMPENSATION

The Human Resources and Compensation Committee recommends and obtains the approval of the Board for all compensation plans or policies applicable to senior management including those whose compensation is set

forth under the in the “Compensation of Executive Officers – Summary Compensation Table” on page 14 of this Circular. The compensation package for senior RONA officers is designed to achieve the following primary objectives:

- To attract and retain executives with the experience and skills required to achieve the Company’s strategic and organizational objectives;
- To motivate executives to achieve goals that are aligned with the Company’s strategic objectives and which are expected to enhance shareholder value over the longer term; and
- To provide compensation plans which are consistent with best practices in corporate governance.

The Company’s executive compensation policy is to provide total compensation that is competitive with the median of its peer group when specific financial and operational objectives are met. Total compensation may be higher when results exceed the objectives, and lower when results are below target.

In order to comply with this policy, the various compensation components are positioned as follows:

- **Base salary** is targeted at the market median, with adjustments above and below median to reflect specific circumstances such as experience in the role and individual performance;
- **Annual short-term incentive** targets are set at the median of the market for performance that meets objectives, with the possibility of exceeding target incentive payments when results exceed targets and earning below target or zero (0) incentive payments when results are below target;
- **Long-term incentive** grants are made at market median levels, and include performance vesting criteria to ensure that incentive awards vest only when the Company’s performance exceeds a pre-established minimum threshold; and
- **Pension and benefits** are set at market competitive levels.

The peer group used to benchmark the compensation of the Company’s Named Executive Officers includes companies in the Canadian retail and distribution sector, as shown in the following table.

Peer group used for Named Executive Officer compensation benchmarking purposes

<ul style="list-style-type: none"> ▪ Sobeys ▪ Jean Coutu Group ▪ Alimentation Couche-Tard ▪ Canadian Tire ▪ Hudson’s Bay Company 	<ul style="list-style-type: none"> ▪ Metro ▪ Maple Leaf Foods ▪ Sears Canada ▪ Shoppers Drug Mart ▪ Saputo 	<ul style="list-style-type: none"> ▪ Cott Corporation ▪ TransForce Income Fund ▪ Brick Group Income Fund ▪ Reitmans Canada
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Base Salary

Each year, the Human Resources and Compensation Committee reviews the individual salaries of senior executives and makes adjustments when required to ensure that compensation remains market competitive, and to reflect individual performance, responsibility and experience, as well as the contribution expected from each officer.

Annual Short-Term Incentive Program

RONA believes short-term incentive rewards should be paid to senior executives for their contribution to the overall performance of RONA and for meeting objectives in their individual business units. The degree of attainment of these target objectives is assessed and reviewed by the Human Resources and Compensation Committee. The annual incentive payouts for each senior executive were based on actual results when compared to their objectives.

A threshold level of net income before taxes is established at 95% of the objective of net income before taxes. If all objectives are 100% met, target bonus is paid out. If the objective of net income before taxes is exceeded, bonuses could be multiplied up to a maximum of 2.0 times the target level.

**Weightings and Payout Matrix Assigned in 2006 to Each Performance Objective
for the President and CEO**

Objective	Weighting	Minimum Performance Threshold	Performance Maximum
EBT (Earnings before tax)	80% (and multiplier)	95% of target	133% of target
Individual Performance	20%	n/a	100% of target

**Weightings and Payout Matrix Assigned in 2006 to Each Performance Objective
for the Named Executive Officers Other than the Chief Executive Officer**

Objective	Weighting	Minimum Performance Threshold	Performance Maximum
EBT (Earnings before tax)	Multiplier	95% of target	133% of target
Corporate Performance	35%		
▪ <i>EBITDA</i>		90% of target	100% of target
▪ <i>Same store sales growth</i>		Previous year	100% of target
Business Unit Performance	35%		
▪ <i>Sector financial performance</i>		Sector specific	100% of target
▪ <i>Customer service (survey)</i>		Above previous year or corporate average	n/a
Individual Performance	30%	n/a	100% of target

Stock Option Plan (2002 Plan)

RONA offers long-term incentives in the form of stock option grants to designated executives and employees. The grants are tied to increases in the market value of Common Shares and all options are granted by the Human Resources and Compensation Committee. For further details on such stock option grants, please see “Compensation of Executive Officers – Long Term Incentive Programs”, on page 15 of this Circular, and “Amendment to 2002 Plan”, on page 26 of this Circular.

Share Ownership Requirements

The Board has adopted guidelines for executives that require share ownership, based on each executive’s position and compensation. These guidelines have been established based on the Company’s belief that share ownership by executives further aligns the interests of the management team with those of shareholders. Executives are required to maintain share ownership levels that meet or exceed the guidelines shown in the following table. According to such guidelines, any Company shares acquired through the exercise of share options, or through the vesting of share unit awards under the Company’s long-term incentive programs, must be held until the guidelines are met.

Executive Position	Multiple of Base Salary
President and CEO	3.0
Executive Vice-Presidents	1.0

Compensation of the President and CEO

Periodically, the Human Resources and Compensation Committee will, with the help of external consultants, perform a market study to establish whether the compensation level is aligned with the market as defined in the compensation policy (the peer group used is the same as the one used for other executives). More than 50% of the target compensation of the President and CEO is made up of compensation at-risk, which is paid out when performance objectives are attained (short-term incentives and long-term incentives). The table below shows the total remuneration of the President and CEO for the last three (3) years.

Year	Salary (\$)	Bonus ⁽¹⁾ (\$)	Long Term Incentive Plan – Black Scholes Value of Option Grants (\$)	Pension Plans - Annual Current Service Cost (\$)	Other annual and all other compensation ⁽²⁾ (\$)	Total Compensation (\$)
2006	644,615	504,200	1,144,575	377,000	—	2,670,390
2005	623,462	545,000	0 ⁽³⁾	243,000	—	1,411,462
2004	544,423	495,000	1,409,190	203,000	—	2,651,613

(1) Bonus paid in the year based on the performance of the previous year.

(2) Perquisite benefits are not in excess of \$50,000 or 10% of total base salary and bonuses paid to each Named Executive Officer and thus are not reported in this column.

(3) No grant in 2005.

Each year, the Human Resources and Compensation Committee determines and obtains the approval of the Board for the performance objectives of the President and CEO for the upcoming year, and the level of attainment of the performance objectives set at the beginning of the previous year.

In the event that the Company attains or exceeds these objectives, the President and CEO was entitled in 2005 to receive a bonus under the Company's annual incentive plan of between 66 2/3% and 100% of his or her base salary. The bonus paid in 2006 (and reported for 2006 in the "Compensation of Executive Officers – Summary Compensation Table" on page 14 of this Circular) was based on the Company's performance in 2005. In 2005, the President and CEO's performance objectives were surpassed and therefore the bonus paid in 2006 represented 81% of his or her base salary.

The following table summarizes the performance indicators used in calculating the President and CEO's annual incentive paid in 2006, as well as the actual performance levels that were attained.

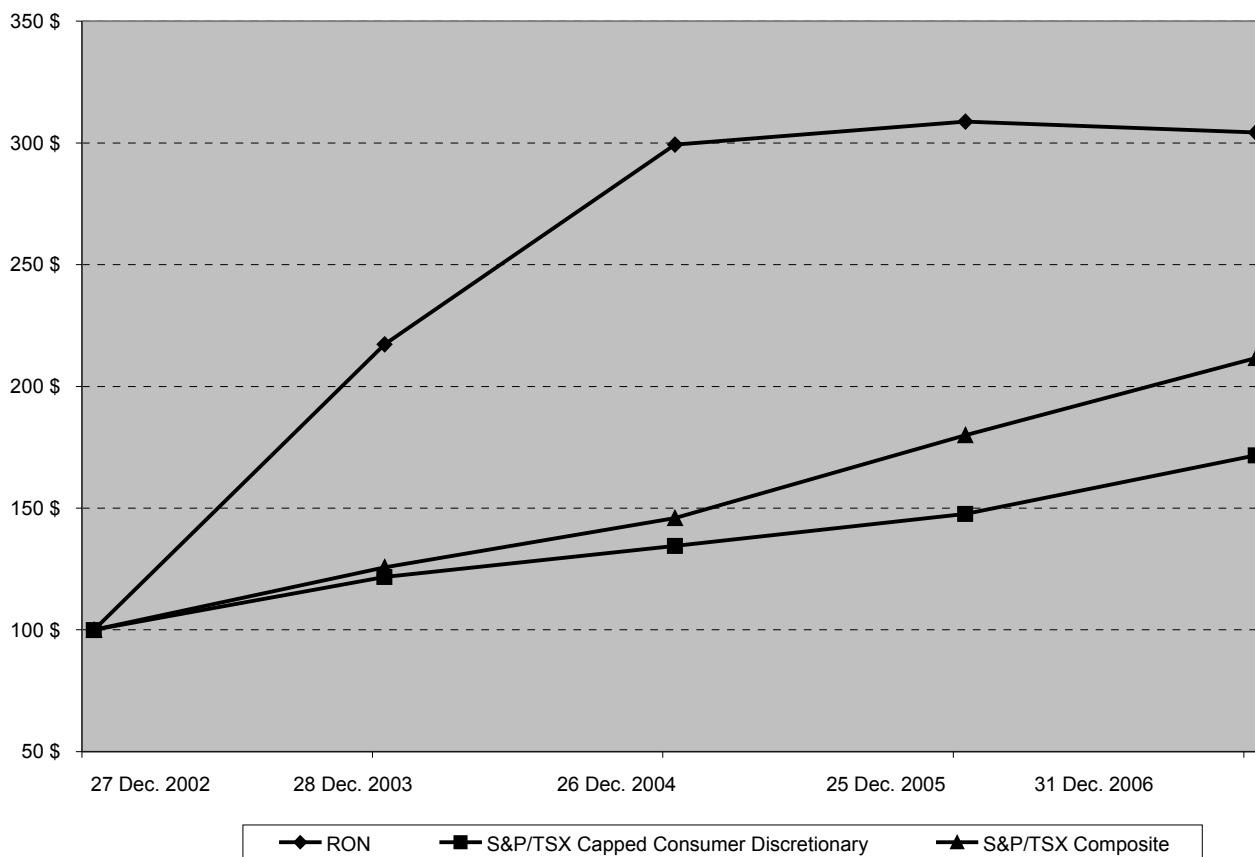
2005 Objectives	2005 Weighting	2005 Results / Comments	Level of attainment
EBT (Earnings before tax)	Multiplier	EBT was \$260.6 million (+22.7% over previous year)	Exceeded Target
EBITDA (Earnings before interest, taxes, depreciation, and amortization)	85%	EBITDA was \$332.3 million (+19.9% over previous year)	Exceeded Target
Individual Performance	15%	n/a	Met Target

Each year, the Human Resources and Compensation Committee also determines and obtains the approval of the Board for grants to the President and CEO under the Company's long term incentive programs. In 2006, the President and CEO received a grant of 150,000 stock options, with an expected value of \$1,144,575 (based on the Black Scholes value of the options on the date of grant). These options include performance vesting criteria, which are described in "Compensation of Executive Officers – Share Option Plans", on page 15 of this Circular and are intended to directly align the interests of the President and CEO with those of shareholders.

On behalf of the Human Resources and Compensation Committee:

Louis A. Tanguay, Chair
Jean Gaulin
James Pantelidis
Jocelyn Tremblay

The following graph compares the cumulative total return on \$100 invested in Common Shares of RONA since December 27, 2002 with the cumulative total return of two (2) indexes of the Toronto Stock Exchange for the same period.



	FINANCIAL YEARS ENDED ⁽¹⁾				
	December 27, 2002	December 28, 2003	December 26, 2004	December 25, 2005	December 31, 2006
The Company	\$100.00	\$217.25	\$299.35	\$308.84	\$304.35
S&P/TSX Capped Consumer Discretionary	\$100.00	\$121.80	\$134.63	\$147.65	\$171.75
S&P/TSX Composite	\$100.00	\$125.75	\$146.04	\$179.97	\$211.76

(1) The table shows cumulative total return from December 27, 2002.

INDEBTEDNESS

As at March 12, 2007, the aggregate indebtedness towards RONA of all current and former directors, executive officers and employees of RONA and its subsidiaries is nil.

In the last few years, loans were granted to certain officers pursuant to a financial assistance program adopted by the Company in order to facilitate their subscription to Common Shares offered pursuant to the subscription plan for the benefit of certain executive officers that was put in place in June 1997 and which is no longer in force. These loans were repayable within a period of five (5) years (extended for an additional five-year period) by way of payroll deductions lump sums paid by officers and were interest free. As at December 31, 2006, all such loans had been repaid.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors is of the view that maintaining effective corporate governance practices is an important factor which contributes to the general success of the Company. The Company complies with the applicable Canadian legislation and regulations such as National Instrument 58-101 (the “**Corporate Governance Disclosure Instrument**”), Multilateral Instrument 52-110 (the “**CSA Audit Committee Rules**”) and National Policy 58-201 of the Canadian Securities Administrators (collectively the “**Canadian Corporate Governance Standards**”). The Company’s disclosure addressing each of the guidelines set forth in the Corporate Governance Disclosure Instrument is set out in Schedule “C” to this Circular.

DIRECTORS AND OFFICERS’ LIABILITY INSURANCE

The Company provides insurance for the benefit of its directors and officers against liability that may be incurred by them in these capacities. The current policy limit is \$50,000,000. Such insurance is subject to a maximum deductible of \$150,000 per loss, as well as specific exclusions which are usually contained in policies of this nature. The Company pays a total annual premium of \$285,000, which premium has not been specifically allocated between the directors as a group and the officers as a group.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the Company’s knowledge, except as otherwise specified in this Circular, no material transactions involving the Company or any of its subsidiaries have been entered into since the beginning of the last financial year of the Company, or are proposed to be entered into, in which any director or member of management of the Company, or any subsidiary, insider, nominee or shareholder holding over 10% of the voting shares of the Company, or any of their associates or affiliates has had or expects to have a material interest.

APPOINTMENT OF AUDITORS

Raymond Chabot Grant Thornton, Chartered Accountants (“**Raymond Chabot**”), are the auditors of the Company. **Except where authorization to vote with respect to the appointment of auditors is withheld, the persons named in the enclosed form of proxy or voting instruction form intend to vote FOR the reappointment of Raymond Chabot, as auditors of the Company, to hold office until the close of the next annual meeting of shareholders at such compensation as may be fixed by the directors.**

AUDITORS’ FEES

The Company paid \$1,201,000 as audit fees⁽¹⁾ to Raymond Chabot, during the financial year ended December 31, 2006. During the same year, the Company also paid to Raymond Chabot, the amounts of \$152,000 in audit-related fees⁽²⁾, \$28,000 in tax fees⁽³⁾ and \$383,000 in other fees⁽⁴⁾.

For the year ended December 25, 2005, the Company paid to Raymond Chabot \$821,000 in audit fees⁽¹⁾, \$131,000 in audit-related fees⁽²⁾, \$51,000 in tax fees⁽³⁾ and \$380,000 in other fees⁽⁴⁾.

(1) **Audit fees.** These fees include the fees and disbursements for audit services and for the review of the interim financial statements.

(2) **Audit-related fees.** These fees include the fees and disbursements for services reasonably related to the performance of the audit or review of the Company’s financial statements that are not reported under “Audit fees”.

(3) **Tax fees.** These fees include the fees and disbursements for services related to tax compliance, tax advice, and tax planning.

(4) **Other fees.** These fees include fees and disbursements for services other than those described under “Audit fees”, “Audit-related fees” and “Tax fees”, and relate mainly to due diligence mandates.

AMENDMENT TO 2002 PLAN

On March 8, 2007, the Board of Directors approved certain amendments to the 2002 Plan (the “**Proposed Amendments**”), subject to the approval of regulatory authorities and of the shareholders of the Company.

The Proposed Amendments include an amendment procedure pursuant to which the Board of Directors may amend any of the provisions of the 2002 Plan or amend the terms of any then outstanding award of options under the 2002 Plan, provided, however, that the Company shall obtain shareholder approval for:

- i. any amendment to the maximum number of Common Shares issuable under the 2002 Plan, other than pursuant to any amendments to the share capital of the Company;
- ii. any amendment which would allow non-employee directors to participate under the 2002 Plan;
- iii. any amendment which would permit any option granted under the 2002 Plan to be transferable or assignable other than by will or pursuant to succession laws;
- iv. any amendment resulting in the addition of a cashless exercise feature, payable in cash or in Common Shares, which does not provide for a full deduction of the number of underlying securities from the 2002 Plan reserve;
- v. any amendment resulting in the addition, in the 2002 Plan, of deferred or restricted share unit provisions or any other provisions pursuant to which participants may receive Common Shares while no cash consideration is received by the Company;
- vi. any reduction in the exercise price of an option after the option has been granted to a participant or any cancellation of an option and the substitution of that option by a new option with a reduced exercise price granted to the same participant, other than pursuant to any amendments to the share capital of the Company;
- vii. any extension to the term of an option beyond the original expiry date, subject to the provisions applicable to blackout periods;
- viii. any amendment resulting in an increase to the maximum number of Common Shares that may be granted to (i) insiders under the 2002 Plan and other share compensation arrangements of the Company or (ii) to any one insider and such insider’s associates in any one-year period, other than pursuant to any amendments to the share capital of the Company; and
- ix. the addition in the 2002 Plan of any form of financial assistance and any amendment to a financial assistance provision which is more favourable to participants.

The Board may, subject to receipt of requisite regulatory approval, where required, in its sole discretion, make all other amendments to the 2002 Plan or to any award of options under the 2002 Plan that are not contemplated above, including, without limitation, the following:

- i. amendments of a “housekeeping” or clerical nature as well as any amendment clarifying any provision of the 2002 Plan;
- ii. a change to the vesting provisions of an option or of the 2002 Plan;
- iii. a change to the termination provisions of an option or of the 2002 Plan which does not entail an extension beyond the original expiry date;
- iv. any change required pursuant to any amendment to the share capital of the Company; and
- v. suspending or terminating the 2002 Plan.

The amendment procedure further states that no amendment, suspension or termination shall, except with the written consent or the deemed consent of the participants concerned, affect the terms and conditions of any options previously granted under the 2002 Plan, to the extent that such options have not then been exercised, unless the rights of the participants shall then have terminated in accordance with the 2002 Plan.

Also on March 8, 2007, the Board of Directors approved, subject to shareholder and regulatory approval, amendments to the 2002 Plan providing for an extension of ten (10) business days from the end of a Blackout Period (which is defined as a period self-imposed by the Company during which directors and certain employees of the Company shall not trade the Common Shares) if the expiry date of an option falls within the Blackout Period or within ten (10) business days after the end of the Blackout Period (a “**Blackout Extension Term**”). Furthermore, should a new Blackout Period be imposed during a Blackout Extension Term, the Blackout Extension Term will be further extended at the end of the new Blackout Period so that the number of days during which participants will be able to trade securities of the Company will amount to a total of ten (10) business days.

Before such Proposed Amendments come into force, a resolution to approve them must be adopted by not less than a majority of votes cast in its favour by the shareholders in person or represented by proxy at the Meeting. The text of such resolution is attached as Schedule “A” to this Circular.

The Board of Directors recommends that the shareholders vote in favour of the approval of the resolution. **Unless contrary instructions are indicated on the form of proxy or the voting instruction form, the persons designated in the enclosed form of proxy or voting instruction form intend to vote FOR the adoption of the Proposed Amendments.**

ADDITIONAL INFORMATION

The Company has been a reporting issuer under the securities laws of Quebec since 1984 and under the securities laws of all provinces of Canada since November 5, 2002 and is therefore required to file its financial statements, its MD&As and its management proxy circulars with the various securities commissions in such provinces. These documents include financial information about the Company. The Company also files its annual information form with such securities commissions. Copies of the Company’s latest annual information form, audited financial statements, MD&As and any interim financial statements filed since the date of the latest audited financial statements, are available on request from the Corporate Secretary and Chief Legal Officer of the Company or by consulting the SEDAR web site at www.sedar.com. The Company may require the payment of a reasonable charge when the request is made by a person other than a holder of securities of the Company.

APPROVAL OF CIRCULAR

The contents and sending of this Circular have been approved by the Board of Directors of the Company.

Boucherville, Quebec, March 12, 2007.

By order of the Board of Directors,

France Charlebois (signed)
Corporate Secretary and Chief Legal Officer

SCHEDULE "A"

RESOLUTION APPROVING THE PROPOSED AMENDMENTS TO THE 2002 PLAN

"RESOLVED:

1. THAT the Company be and it is hereby authorized to amend the Share Option Plan dated October 24, 2002 (the "**2002 Plan**") of the Company in favour of members of senior management of the Company and its subsidiaries, in the manner described in the Management Proxy Circular of the Company dated March 12, 2007;
2. THAT any director or officer of the Company be, and each is hereby authorized and directed, for and on behalf of the Company, to sign and execute all documents, to conclude any agreements and to do and perform all acts and things deemed necessary or advisable in order to give effect to this resolution, including compliance with all securities laws and regulations; and
3. THAT the Board of Directors of the Company be, and it is hereby authorized to cause all measures to be taken, such further agreements to be entered into and such further documents to be executed as may be deemed necessary or advisable to give effect to and fully carry out the intent of this resolution."

SCHEDULE “B”

RECORD OF ATTENDANCE BY DIRECTORS

For the 12-month period ended December 31, 2006

Number and % of meetings attended							
Director	Board	Audit Committee	Human Resources and Compensation Committee	Nominating and Governance Committee	Development Committee	Committees (total)	Overall Attendance
Pierre Brodeur ⁽¹⁾	4/4 (100%)	—	—	4/4	3/3	7/7 (100%)	11/11 (100%)
Louise Caya	10/10 (100%)	—	—	—	7/7	7/7 (100%)	17/17 (100%)
Simon Cloutier ⁽²⁾	5/5 (100%)	—	—	—	5/5	5/5 (100%)	10/10 (100%)
Pierre Ducros	10/10 (100%)	8/8	—	6/6	—	14/14 (100%)	24/24 (100%)
Robert Dutton	10/10 (100%)	—	—	—	—	—	10/10 (100%)
André H. Gagnon ⁽³⁾	10/10 (100%)	8/8	5/5	5/6	7/7	25/26 (96%)	35/36 (97%)
Jean Gaulin	10/10 (100%)	3/3	5/5	2/2	—	10/10 (100%)	20/20 (100%)
Jean-Guy Hébert	10/10 (100%)	—	—	—	7/7	7/7 (100%)	17/17 (100%)
J. Spencer Lanthier ^{(4),(5)}	6/6 (100%)	5/5	—	—	—	5/5 (100%)	11/11 (100%)
Alain Michel	10/10 (100%)	8/8	—	—	—	8/8 (100%)	18/18 (100%)
James Pantelidis	10/10 (100%)	3/3	4/5	—	3/4	10/12 (83%)	20/22 (90%)
Louis A. Tanguay	10/10 (100%)	—	5/5	6/6	—	11/11 (100%)	21/21 (100%)
Jocelyn Tremblay	10/10 (100%)	—	5/5	6/6	—	11/11 (100%)	11/11 (100%)
Jean-Roch Vachon ⁽⁵⁾	6/6 (100%)	5/5	—	—	4/4	9/9 (100%)	15/15 (100%)

- (1) Pierre Brodeur ceased to be a director at the Annual General Meeting of Shareholders held on May 9, 2006.
- (2) Simon Cloutier died in August 2006.
- (3) The Chairman may attend all Board committee meetings but does not receive attendance fees for his presence at such meetings.
- (4) Between February 20, 2006 and May 9, 2006, prior to being elected as director, J. Spencer Lanthier attended most of the Board and committee meetings as a guest.
- (5) J. Spencer Lanthier and Jean-Roch Vachon are directors since the Annual General Meeting of Shareholders held on May 9, 2006.

Board and Board Committee Meetings	Number of meetings held
Board (8 regular; 2 special)	10
Audit Committee (5 regular; 3 special)	8
Human Resources and Compensation Committee (3 regular; 2 special)	5
Nominating and Governance Committee (4 regular; 2 special)	6
Development Committee (0 regular; 7 special)	7

* * * * *

**SCHEDULE “C”
STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

**Corporate Governance Practices
at the Company**

Corporate Governance Guidelines

1. Board of Directors

(a) Disclose the identity of directors who are independent.

Independence - Of the current twelve (12) members of the Board, eight (8) directors are “independent” within the meaning of the Corporate Governance Disclosure Instrument. They are Messrs. Pierre Ducros, Jean Gaulin, J. Spencer Lanthier, Alain Michel, James Pantelidis, Louis A. Tanguay, Jocelyn Tremblay and Jean-Roch Vachon. Ten (10) of the thirteen (13) Board nominees proposed in the Circular are independent.

(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

Four (4) directors of the Company do not qualify as “independent” within the meaning of the Corporate Governance Disclosure Instrument. They are Mrs. Louise Caya and Messrs. André H. Gagnon, Jean-Guy Hébert and Mr. Robert Dutton.

	Independence Status of Current Directors			Reason for Non-Independent Status
	Management	Independent	Not Independent	
Louise Caya			√	Mrs. Caya is a dealer-owner
Pierre Ducros		√		
Robert Dutton	√		√	Mr. Dutton is the Chief Executive Officer of the Company
André H. Gagnon			√	Mr. Gagnon is a dealer-owner
Jean Gaulin		√		
Jean-Guy Hébert			√	Mr. Hébert is a dealer-owner
J. Spencer Lanthier		√		
Alain Michel		√		
James Pantelidis		√		
Louis A. Tanguay		√		
Jocelyn Tremblay		√		
Jean-Roch Vachon		√		

(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.

Majority of Independent Directors – Eight (8) of our twelve (12) current directors are independent. Ten (10) of the thirteen (13) Board nominees proposed in the Circular are independent.

(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

Outside Directorships - The directorships of all director nominees are described on pages 4-10 of this Circular.

(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.

(f) 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. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.

(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.

In camera sessions - With the nomination of a Lead Director, in 2006, meetings of directors without the presence of non-independent directors and management have taken place at each meeting of the Board. Starting at the next meeting of the Board of Directors, should Mr. Jean Gaulin be elected Chairman in replacement of Mr. André H. Gagnon (please see "Election of Directors", at page 3 of this Circular), such meetings will be chaired by an independent Chairman.

The members of the Audit Committee, who are all independent, also meet at each regularly-scheduled committee meeting without management present.

Independent Chair of the Board - Jean Gaulin is the Lead Director of the Company. He is independent within the meaning of the Corporate Governance Disclosure Instrument. Pursuant to the mandate of the Lead Director, the Lead Director is the ex-officio Vice-Chairman of the Board. The Lead Director's key role is to take all reasonable measures to ensure that the Board (i) has procedures and methods in place to enable it to function independently; and (ii) carries out its duties in this regard effectively. The Lead Director chairs all meetings of independent directors. He takes reasonable measures to ensure that these meetings are conducted in such a way as to promote discussions and allow for the efficient and effective review and discussion of the issues submitted to the independent directors. Should Mr. Jean Gaulin be elected Chairman in replacement of Mr. André H. Gagnon (please see "Election of Directors", at page 3 of this Circular), starting at the next meeting of the Board of Directors, the Chairman will be independent.

Record of Attendance - The record of attendance of directors to Board and committee meetings is set forth as Schedule "B" of this Circular.

More information about each director can be found on pages 4-10 of this Circular.

2. **Board Mandate** – Disclose the text of the board’s written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

The Board has adopted a formal Board charter, which is attached hereto as Schedule “D”.

The mandate of the Board states that the Board is responsible for the supervision of the management of the Company’s business and affairs, with the objective of maximizing long-term corporate value.

3. **Position Descriptions**

(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.

Mandate of the Chairman of the Board - The Board has adopted formal mandates for the Chairman of the Board and Board committee chairs. The mandate of the Chairman of the Board states that his or her key role is to take all reasonable measures to ensure that the Board (i) has procedures and methods in place to enable it to function independently of management; (ii) carries out its duties effectively; and (iii) clearly understands and respects the boundaries between the responsibilities of the Board and those of management.

Mandate of Committee Chair - The mandate of committee chairs provides that each committee chair takes reasonable measures to ensure that the committee carries out its duties effectively and fully discharges its mandate. The responsibilities of the committee chairs include taking reasonable measures to ensure that the committee’s work runs smoothly, providing essential leadership to that effect and ensuring that committee members receive all the necessary information to perform their role fully.

(b) Disclose whether or not the board and President and CEO have developed a written position description for the President and CEO. If the board and President and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the President and CEO.

Mandate of the Chief Executive Officer - The Board has adopted a formal mandate for the President and CEO.

The President and CEO is responsible for the management of the Company’s strategic and operational plan and for the execution of the resolutions and policies of the Board.

The Human Resources and Compensation Committee, together with the President and CEO, develops each year objectives that the President and CEO is responsible for meeting. The Human Resources and Compensation Committee evaluates the President and CEO’s performance in light of such objectives and any other criterion deemed relevant and recommends the President and CEO’s compensation based on this evaluation.

4. **Orientation and Continuing Education**

- (a) Briefly describe what measures the board takes to orient new directors regarding
- i. the role of the board, its committees and its directors; and
 - ii. the nature and operation of the issuer's business.

Orientation Program - The Nominating and Governance Committee is responsible for implementing an orientation and continuing education policy for directors.

New directors are provided with an extensive information package on the Company's business, its strategic and operational business plans, its operating performance, its governance system and its financial position. Also, new directors are invited to meet individually with the Chairman, the President and CEO and other senior executives, if necessary, to discuss these matters.

The Board ensures that prospective candidates fully understand the role of the Board and its committees and the contribution that individual directors are expected to make, including, in particular, the personal commitment that the Company expects of its directors.

- (b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

Continuing Education - The Nominating and Governance Committee monitors and reviews the Company's continuing education programs for directors. Senior management makes regular presentations to the Board on the main areas of the Company's business.

5. **Ethical Business Conduct**

- (a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:

Code of Ethics - The Company adopted a Code of Conduct on August 9, 2005 (the "**Code of Conduct**").

- i. disclose how a person or company may obtain a copy of the code;
- ii. describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and

The Code of Conduct is accessible on the Company's web site at www.rona.ca. A paper copy is also available, on request, from the Corporate Secretary and Chief Legal Officer of the Company.

The Nominating and Governance Committee is responsible for ensuring the implementation of the Code of Conduct within the Company. The Code of Conduct is distributed to and signed by each of the Company's employees when he or she is hired. Under the code, all employees of the Company must report any activity which appears to be in breach of the Code of Conduct or laws and regulations in force.

iii. provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

(b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

No such material change report has ever been filed by the Company.

Process for Dealing with Conflicts of Interests - In accordance with applicable law, when a conflict of interest arises, a director is requested to disclose his or her interest and abstain from voting on the matter. If considered appropriate, the Chairman of the Board may invite the director to leave the room during any discussion concerning such matter.

Reporting Process - The Board has adopted various corporate policies to encourage and promote a culture of ethical business conduct, including the Policy on complaints regarding accounting, internal accounting controls or auditing matters available on the Company's web site at www.rona.ca.

6. Nomination of Directors

(a) Describe the process by which the board identifies new candidates for board nomination.

General - The Nominating and Governance Committee is responsible for recommending and obtaining the approval of the Board on the competencies, skills and personal qualities required on the Board in order to create added value, taking into account opportunities and risks faced by the Company. The committee identifies, with the Chairman of the Board, candidates qualified to become Board members and recommends that the Board selects director nominees for the next annual meeting of shareholders. It also assesses and reviews annually the performance and effectiveness of the Board, Board committees, the Board and committee chairs and individual directors. In certain circumstances, the committee may retain independent advisors to assist it in carrying out its duties.

(b) 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.

Composition of the Nominating and Corporate Governance Committee - The Nominating and Governance Committee is composed exclusively of outside directors, all of whom are "independent" within the meaning of the Corporate Governance Disclosure Instrument.

- (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

Responsibilities of the Nominating and Governance Committee - The Board has adopted a formal mandate for the Nominating and Governance Committee.

The responsibilities of the committee are described on page 13 of this Circular. The majority of its members constitute a quorum at meetings of the committee. The committee reports to the Board periodically on its meetings and its recommendations.

7. Compensation

- (a) Describe the process by which the board determines the compensation for the issuer's directors and officers.

Compensation Determination Process - The compensation of the directors and senior managers is determined annually by the Board based on the reviews and recommendations of its Nominating and Governance Committee and its Human Resources and Compensation Committee, respectively. The Board has determined that such compensation realistically reflects the responsibility and risks undertaken by the Company's directors and senior managers and serves to align the interests of the directors and senior managers with the interests of the shareholders of the Company. See page 10 of this Circular for information about the compensation received by directors.

- (b) 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.

Composition of the Human Resources Committee - The Human Resources and Compensation Committee currently consists exclusively of outside directors, all of whom are "independent" within the meaning of the Corporate Governance Disclosure Instrument.

- (c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

Responsibilities of the Human Resources and Compensation Committee - The Board has adopted a formal mandate for the Human Resources and Compensation Committee.

The responsibilities of the committee are described on page 12 of this Circular. The majority of its members constitute a quorum at meetings of the committee. The committee reports to the Board periodically on its meetings and its recommendations.

(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

8. Other Board Committees – If the board has standing committees other than the audit, compensation and nominating committees identify the committees and describe their function.

9. Assessments – 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. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

The CSA Audit Committee Rules state that the audit committee must be composed of a minimum of three (3) members, who must be "independent" directors (as defined in those rules).

The CSA Audit Committee Rules state that each audit committee member must be financially literate.

Compensation Consultant - During financial year 2006 and with respect to 2007, the committee has retained the services of Mercer Human Resource Consulting to provide advice on the competitiveness and appropriateness of compensation programs for the President and CEO and top executive officers (please see "Committees of the Board of Directors"). During those periods, Mercer Human Resource Consulting has not been retained to perform any other work for the Company.

Please see pages 11-13 of this Circular for more information on the responsibilities of the Development Committee.

Assessment Process - On an annual basis, the Nominating and Governance Committee of the Board assesses the performance and effectiveness of the Board as a whole, the Board committees, the Chairman of the Board, Board committee chairs and individual directors. Questionnaires are distributed to each director for the purpose of evaluating the Board's responsibilities and functions and the performance of the Board's committees. The results of the questionnaires are compiled on a confidential basis to encourage full and frank commentary and are discussed at the next regular meeting of the Nominating and Governance Committee. The Nominating and Governance Committee chair then presents the committee's findings and recommendations to the Board.

The Chairman meets annually with each director to discuss such director's performance and such director's assessment of the Board committees and other directors' performance.

Composition of the Audit Committee - The Audit Committee consists exclusively of outside directors, who are "independent" as contemplated under the CSA Audit Committee Rules.

Financial Literacy of Audit Committee Members - The Board has adopted the following definition of "financial literacy": "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 Company's financial statements". All four (4) directors who constitute the Audit Committee are "financially literate" within the meaning of such definition.

The CSA Audit Committee Rules state that the audit committee must have a written charter that sets out its mandate and responsibilities.

The CSA Audit Committee Rules state that the audit committee must recommend to the Board of Directors: (a) the external auditor to be nominated for the purposes of preparing or issuing an auditors' report or performing other audit, review or attest services for the issuer; and (b) the compensation of the external auditor.

The CSA Audit Committee Rules state that the audit committee must be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditors report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.

The CSA Audit Committee Rules state that the audit committee must pre-approve all non-audit services to be provided to the issuer or its subsidiary entities by the issuer's external auditor.

The CSA Audit Committee Rules state that the audit committee must review the issuer's financial statements, MD&A and annual and interim earnings press releases before the issuer publicly discloses this information. These rules also mention that the audit committee must be satisfied that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the issuer's financial statements, other than the public disclosure referred to in the preceding sentence, and must periodically assess the adequacy of those procedures.

Responsibilities of the Audit Committee - The mandate of the Audit Committee, attached hereto as Schedule "E" to this Circular, describes explicitly the role and oversight responsibilities of the committee.

Appointment of External Auditors - The mandate of the Audit Committee states that the committee is responsible for recommending to the Board the appointment or discharge of the external auditors as well as their compensation.

Relations with External Auditors - The mandate of the Audit Committee provides that the committee is directly responsible for overseeing the work of the external auditors and discussing with them the quality and not just the acceptability of the Company's accounting principles, including any written communications between the Company's management and the external auditors and management's actions following the recommendations of the external auditors. The committee also oversees the resolution of disagreements between management and the external auditors regarding financial reporting.

Pre-Approval of Non-Audit Services - The mandate of the Audit Committee states that the committee has sole authority to pre-approve all non-audit services that management intends to entrust to the external auditors.

Review of Financial Information Documents - The mandate of the Audit Committee provides that the committee is responsible for reviewing the annual and interim financial statements of the Company as well as external auditors' report, MD&A and press releases related thereto. The committee also reviews the procedures in place for the review of financial information extracted or derived from the financial statements and periodically assessing the adequacy of those procedures.

The CSA Audit Committee Rules state that an audit committee must establish procedures for: (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

The CSA Audit Committee Rules state that the audit committee must review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.

The CSA Audit Committee Rules state that the audit committee must have the authority: (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties; (b) to set and pay the compensation for any advisors employed by the audit committee; and (c) to communicate directly with the internal and external auditors.

Complaints on Accounting or Other Matters - The mandate of the Audit Committee provides that the committee must establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission of concerns by employees of the Company regarding accounting or auditing matters. Please refer to the Policy on complaints regarding accounting, internal accounting controls or auditing matters available on the Company's web site at www.rona.ca. The Company has also adopted a similar policy for its employees.

External Auditors Hiring Policy - The mandate of the Audit Committee provides that the committee is responsible for reviewing hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.

Engagement of Independent Counsel - According to the mandate of the Audit Committee, the committee may, as the need arises, engage any outside advisors to assist it in carrying out its duties, set the fees and other conditions of their engagement and obtain the necessary funds from the Company to pay such fees.

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SCHEDULE “D”

CHARTER OF THE BOARD OF DIRECTORS

The Board of Directors (the “Board”) is responsible for the supervision of the management of the Company’s business and affairs, with the objective of maximizing long-term corporate value.

The Board approves all matters expressly required herein, under the *Companies Act* (Quebec) and other applicable legislation and the Company’s articles and by-laws. The Board may assign, when authorized by the Company’s applicable legislation, to board committees the prior review of any issues it is responsible for. Board committee recommendations are subject to Board approval. The Board has delegated the approval of certain matters to management pursuant to its Schedule of Authority, as amended from time to time.

In spite of the fact that directors may be elected by the shareholders to bring a special expertise or point of view to Board deliberations, they are not chosen to represent a particular constituency. All decisions of each Board member must be made in the best interest of the Company.

The Board expects directors to be present at all meetings of the Board and to review meeting materials in advance. The Board also expects directors to take an active role in Board decision-making.

Mandate

The responsibilities of the Board include:

With respect to strategic planning

- Adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other matters, the opportunities and risks of the business.

With respect to human resources and performance assessment

- Choosing the President and Chief Executive Officer (“President and CEO”) and approving the appointment of other executive officers.
- Monitoring and assessing the performance of the President and CEO and ensuring that these same processes are conducted by the President and CEO for the other officers reporting directly to him.
- Approving the compensation of executive officers (particularly the President and CEO) and the compensation policy for the other employees of the Company, taking into consideration expectations and objectives fixed by the Board.
- To the extent feasible, satisfying itself as to the integrity of the President and CEO and the other executive officers and that the President and CEO and other executive officers create a culture of integrity throughout the Company.
- Monitoring the succession planning process for executive officers and the Board of Directors.
- Reviewing the size and composition of the Board and its committees taking into account competencies, skills and personal qualities of each member of the Board of Directors.
- Approving the list of Board nominees for election by shareholders.

With respect to financial matters and internal control

- Monitoring the reliability and quality of the Company's financial statements and the appropriateness of their disclosure.
- Reviewing the general content of, and the Audit Committee's report on the financial aspects of, the Company's Annual Information Form, Annual Report, Management Proxy Circular, Management's Discussion and Analysis, prospectuses, and any other document required to be disclosed or filed by the Company before its public disclosure or filing with regulatory authorities in Canada.
- Approving operating and capital budgets, the issue of securities and, subject to the Schedule of Authority of the Company, any significant transaction out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures.
- Determining dividend policies and procedures.
- Identifying the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage these risks.
- Monitoring the Company's internal control and management information systems.
- Monitoring the Company's compliance with applicable legal and regulatory requirements.
- Reviewing at least annually the Company's communications policy and monitoring the Company's communications with analysts, investors and the public.

With respect to corporate governance matters

- Taking reasonable measures to ensure the competent and ethical operation of the Company.
- Developing the Company's approach with respect to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Company.
- Adopting and periodically reviewing the Company's code of conduct and taking reasonable steps to see to it that this code is respected.
- Ensuring the annual performance assessment of the Board, Board committees, Board and committee chairs and individual directors.
- Adopting and periodically reviewing the policy for orientation and continuing education of directors.
- Adopting and periodically reviewing a policy for receiving feedback or comments concerning the Company from stakeholders.

With respect to pension matters

- Monitoring governance structure, funding, and investment policies for the Company's pension plans.
- Monitoring the investment management of the pension funds.

Composition

- The articles and By-Laws of the Company provide that the Board shall consist of three to thirty directors, as determined from time to time by resolution of the Board of Directors. The Board is composed of a

majority of individuals who qualify as independent directors, as determined by the Board in accordance with the applicable rules of the Canadian Securities Administrators.

Board Meetings and Quorum

- The Board shall meet as the need arises, but at least quarterly; in addition, a special meeting of the Board is held, at least annually, to review the Company's strategic plan.
- Independent directors meet regularly without management and non-independent directors present. The lead director chairs these meetings.
- A majority of the current directors shall constitute a quorum at meetings of the Board.

Review of the Charter

The Board of Directors shall review this Charter at least once a year and make any appropriate amendments.

Assessment of the Board's Performance

Each year, the members of the Board shall assess and review the Board's performance.

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SCHEDULE “E”
CHARTER OF THE AUDIT COMMITTEE

The Audit Committee (the “**Committee**”) is responsible for assisting the Board of Directors of the Company (the “**Board**”) in its oversight of the following items: (i) the production of reliable financial information, (ii) the identification of the principal risks associated with the Company’s activities and the implementation of appropriate systems to manage these risks, (iii) the internal control and management information systems of the Company, (iv) the Company’s financial compliance with the various authorities and legislation, (v) the competencies, independence and work of the external and internal auditors, and (vi) the performance of the other responsibilities set out in the Committee’s mandate as well as those delegated to the Committee by the Board.

The Audit Committee may communicate directly with the internal and external auditors at any time.

Mandate

The responsibilities of the Committee include:

With respect to the review of financial information

- Reviewing the following documents with management and the external auditors:
 - annual and interim financial statements;
 - external auditors’ reports: the audit report in the case of the annual financial statements and the interim review report in the case of the interim financial statements of the first three quarters;
 - annual and interim management’s discussion and analysis;
 - annual and interim earnings press releases;
 - financial information contained in prospectuses and the annual information form.
- Recommending the approval of the above-mentioned documents by the Board before their public disclosure.
- Reviewing the procedures in place for the review of financial information extracted or derived from the financial statements other than the public disclosure provided for above and periodically assessing the adequacy of those procedures.
- Reviewing with management and the external auditors:
 - the Company’s financial reporting prepared in accordance with generally accepted accounting principles;
 - proposals for changes and choice of new accounting principles and policies of the Company;
 - the reasonableness of provisions, reserves and estimates that may have a material effect on financial reporting;
 - material decisions made in connection with the presentation of the financial statements;
 - communication with the Autorité des marchés financiers.
- Reviewing the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

- Monitoring the application and update, as necessary, of the Company's disclosure policy.

With respect to oversight of the external auditors

- Ensuring that the external auditors report directly to the Committee.
- Recommending to the Board the appointment or discharge of the external auditors as well as their compensation.
- Having sole authority to pre-approve all non-audit services that management intends to entrust to the external auditors.
- Reviewing with the external auditors the external audit plan as well as the qualifications, independence and objectivity of the external auditors, including written statements of all relationships the external auditors have with the Company which could have an effect on independence and objectivity and recommending measures the Board of Directors should take to ensure the independence of the external auditors.
- Being directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- Discussing with the external auditors the quality and not just the acceptability of the accounting principles, including:
 - critical accounting policies and practices used;
 - any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the treatment preferred by the external auditors;
 - other material written communications between the management and the external auditors.
- Discussing with the external auditors, once a year, their internal quality control procedures.
- Reviewing management's actions following the recommendations of the external auditors.
- Reviewing and approving the hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.
- Ensuring the rotation of lead, concurring and other audit partners, to the extent required by the rules for independence applicable to external auditors.

With respect to the oversight of internal controls

- Requesting that management establish and maintain reliable internal control systems and reviewing the procedures in place to evaluate the effectiveness of such systems.
- Reviewing with the President and Chief Executive Officer as well as the Executive Vice-President and Chief Financial Officer the process for the certifications to be provided in the Company's public disclosure documents.
- Establishing procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission of concerns by employees of the Company regarding questionable accounting or auditing matters.
- Reviewing the Company's insurance coverage and ensuring its adequacy.

With respect to risk management

- Reviewing with management:
 - the risk management policy and changes which should be made;
 - its evaluation of the material risks to the Company;
 - the programs and processes used to manage and control risks;
 - the Company's degree of risk tolerance.

With respect to the oversight of the internal auditors

- Annually reviewing and approving the charter of the internal auditors.
- Ensuring that the internal auditors are accountable to the Committee.
- Reviewing and approving the annual internal audit plan.
- Receiving and examining material internal audit reports, observations and recommendations.
- Reviewing management's actions following recommendations of the internal auditors.
- Reviewing the independence of the internal auditors.
- Reviewing, with the internal audit manager, difficulties encountered during his/her audits with respect to the scope of the mandate and access to information. Reviewing all changes with respect to the scope of his/her audit projects.

With respect to the monitoring of financial compliance with legal and regulatory requirements

- Reviewing and discussing with management, external and internal auditors and the General Counsel the effectiveness of policies and procedures to ensure financial compliance with laws and regulations and financial commitments.
- Reviewing the list of the Company's material litigation as well as the measures taken by management.
- Reviewing tax planning that has a material financial impact on the Company.

Composition

- The Committee shall consist of three to five Board members, all of whom shall be independent directors and be financially literate, as determined by the Board in accordance with the applicable rules of the Canadian Securities Administrators.
- The members of the Committee shall be appointed by the Board each year. The Board may fill a vacancy in the Committee or replace one of its members at any time.

Committee Meetings and Quorum

- The Committee shall meet as the need arises, but at least four times a year.
- Meetings shall be called by the Corporate Secretary of the Company, to whom a request is sent in writing, at the request of the Chair of the Committee, any of its members, the Chairman of the Board or the President and Chief Executive Officer.

- A majority of the current members of the Committee shall constitute a quorum at meetings of the Committee.
- From time to time, the Committee meets with management and the external and internal auditors, separately and in private.
- The Committee shall report to the Board periodically on its meetings and its recommendations.

Independent Advisors

As the need arises, the Committee may engage any outside advisors to assist it in carrying out its duties, set the fees and other conditions of their engagement and obtain the necessary funds from the Company to pay such fees.

Review of the Charter

The Committee shall review this Charter at least once a year and submit proposals for its amendment to the Board as required.

Assessment of the Committee's Performance

Each year, the members of the Committee shall assess and review the Committee's performance.

The Committee shall report to the Board on this Charter once a year.

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