



Notice
of annual general
meeting of shareholders

and

Management Proxy
Circular of RONA inc.

2005



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 the Salon des Saisons, Omni Mont-Royal Hotel, 1050 Sherbrooke Street West, Montreal, Quebec, on Tuesday, May 10, 2005 at 11:00 a.m. (local time) for the purposes of:

- (a) receiving the financial statements of the Company for the financial year ended December 26, 2004, together with the auditors' report thereon;
- (b) electing twelve (12) directors for the ensuing year;
- (c) appointing auditors for the ensuing year and authorizing the directors to fix their compensation;
- (d) considering and, if deemed advisable, adopting a resolution (the full text of which is reproduced as Schedule "A" to the accompanying Management Proxy Circular) to confirm the adoption and ratify the Shareholder Rights Plan adopted by the Board of Directors of the Company on March 10, 2005, the whole as described in the accompanying Management Proxy Circular; and
- (e) transacting such other business as may properly come before the Meeting.

Boucherville, Quebec, March 14, 2005

By order of the Board of Directors,

A handwritten signature in cursive script that reads "France Charlebois".

France Charlebois
Corporate Secretary and General Counsel

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 National Bank Trust (1100 University Street, 9th floor, Montreal, Quebec H3B 2G7, to the attention of Share Ownership Management) no later than 4:30 p.m. (local time) on Monday, May 9, 2005. 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 proxyholder will vote "FOR" each of the matters indicated at items (b) and (c) hereinabove.



Management Proxy Circular

This Management Proxy 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 10, 2005 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 14, 2005, 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 proxyholders 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 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 National Bank Trust (1100 University Street, 9th floor, Montreal, Quebec H3B 2G7, to the attention of Share Ownership Management) no later than 4:30 p.m. (local time) on Monday, May 9, 2005. A proxy need not be a shareholder.

Revocation 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 attorney authorized in writing, and deposited either (i) at the offices of the Company, to the attention of the Corporate Secretary and General Counsel of the Company, at 220 chemin du Tremblay, Boucherville, Quebec, Canada J4B 8H7, at any time up to and including 4:30 p.m. (local time) on Monday, May 9, 2005, 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 all the matters identified in 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 proxyholder 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 proxyholder 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 Management Proxy 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 of the Company (the "Common Shares") have voting rights at the Meeting. As at March 14, 2005, 57,065,479 Common Shares were issued and outstanding. Each Common Share entitles the holder thereof to one vote at any meeting of shareholders of the Company. It should be noted that the information regarding the shares of the Company contained in this Management Proxy Circular does not take into account the two-for-one stock split which is to become effective on March 22, 2005.

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 17, 2005, 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 twelve (12). The provisions of the General By-Laws provide that the mandate of directors will be one year and will end on the date of the annual meeting following their election or when their successors are elected.

Management proposes the twelve (12) persons named hereinafter as nominees for election as directors. The twelve (12) nominees for election as directors of the Company are all current directors except for Messrs. Alain Michel and Pierre Ducros, who are nominated for the first time following (i) the announcement by Ms. Monique F. Leroux and Mr. Jacques Bougie of their intention to resign from the Board of Directors effective May 10, 2005 and (ii) the resignation of Mr. Alain Bouchar as a director of the Company on August 27, 2004. During the financial year ended December 26, 2004, Ms. Leroux was, and will be until May 10, 2005, Chair of the Audit Committee and Mr. Bougie was, and will be until May 10, 2005, Chair of the Nominating and Corporate Governance Committee and a member of the Audit Committee. Until June 2004, Mr. Alain Michel was a 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. Except where authority to vote with respect to the election of directors is withheld, the persons named in the enclosed form of proxy 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 shall be used to vote for any other person or persons as directors, unless the shareholder has specified in the form of proxy that his 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.

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 whose mandate does not expire at the Meeting and of each of the persons 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 beneficially owned, directly or indirectly, or over which control or direction is exercised by such persons.

Nominees

Name, Province/State and Country of Residence	Principal Occupation or Principal Position	Director Since	Common Shares Beneficially Owned, Directly or Indirectly, or over which Control is Exercised
Pierre Brodeur ^(3 and 4) Quebec, Canada age 57	Corporate Director	May 2004 ⁽¹⁰⁾	5,000
Louise Caya ⁽⁴⁾ Quebec, Canada age 39	Vice-President and Secretary Thomas Caya (1982) inc. (hardware store) and Vice-President Industrie Fabco Inc.	May 2002	800 ⁽⁶⁾
Simon Cloutier ⁽⁴⁾ Quebec, Canada age 48	President Matériaux Decoren Inc. (hardware store) and General Manager RONA L'entrepôt Brossard (9065-9129 Québec inc.)	May 1998	114,944 ⁽⁷⁾
Pierre Ducros Quebec, Canada age 66	Corporate Director	—	—

Nominees (continued)

Name, Province/State and Country of Residence	Principal Occupation or Principal Position	Director Since	Common Shares Beneficially Owned, Directly or Indirectly, or over which Control is Exercised
Robert Dutton ⁽⁹⁾ Quebec, Canada age 49	President and Chief Executive Officer RONA	May 1990	304,132
André H. Gagnon Quebec, Canada age 66	President H. Gagnon & Fils (1975) Ltée, President RONA Le Régional, Saint-Hyacinthe (9066-7403 Québec inc.) and Chairman of the Board of RONA	March 1972	284,304 ⁽⁵⁾
Jean Gaulin ^(1 and 2) Texas, United States of America age 62	Corporate Director	May 2004	10,000
Jean-Guy Hébert ⁽⁴⁾ Quebec, Canada age 58	President Maximat Inc. (holding company) Gestion J.G. Hébert inc. and RONA Le Régional Granby (9060-4976 Québec inc.)	May 2002 ⁽¹¹⁾	123,348 ⁽⁸⁾
Alain Michel Quebec, Canada age 56	Corporate Director Management Consultant Caisse de dépôt et placement du Québec	—	1,000
Jim Pantelidis ^(3 and 4) Ontario, Canada age 59	Chairman of the Board President and Chief Executive Officer Fishercast Global Corporation	May 2004	2,000
Louis A. Tanguay ⁽²⁾ Quebec, Canada age 67	Corporate Director	May 1999	15,000
Jocelyn Tremblay ^(2 and 3) Quebec, Canada age 63	Vice-President Corporate Affairs Vins Philippe Dandurand Inc. (wine promotion agent)	May 1998	3,000

Notes to table

- (1) Member of the Audit Committee.
- (2) Member of the Human Resources and Compensation Committee.
- (3) Member of the Nominating and Corporate Governance Committee.
- (4) Member of the Development Committee.
- (5) Mr. Gagnon also has minority interests in certain companies which hold an additional number of Common Shares. Through these minority interests, Mr. Gagnon holds indirectly 51,450 Common Shares.
- (6) Ms. Caya also has a 50% interest in a company which holds an additional number of Common Shares. Through this 50% interest, Ms. Caya holds indirectly 55,614 Common Shares.
- (7) Mr. Cloutier also has minority interests in certain companies which hold an additional number of Common Shares. Through these minority interests, Mr. Cloutier holds indirectly 8,262 Common Shares.
- (8) Mr. Hébert also has minority interests in certain companies which hold an additional number of Common Shares. Through these minority interests, Mr. Hébert holds indirectly 45,680 Common Shares.
- (9) 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.
- (10) Mr. Brodeur was a director of the Company from 1994 to 1996.
- (11) Mr. Hébert was also a director of the Company from 1986 to 2001.

Compensation of Directors

For the year ended December 26, 2004, the Company paid an aggregate amount of \$388,933 as directors' fees and compensation to the 12 directors who were not executive officers of the Company. In 2004, the Company's policy was to pay each director who was not an executive officer an annual amount of \$13,000 and directors' fees of \$1,300 per meeting of the Board of Directors, Audit Committee, Human Resources and Compensation Committee, Nominating and Corporate Governance Committee and Development Committee. Each chair of a committee of the Board of Directors is also entitled to an additional annual amount of \$2,000. The Chairman of the Board is entitled to additional annual compensation of \$50,000. For 2005, the Board of Directors of the company approved a compensation policy under which each director who is not an executive officer of the Company will be paid an annual amount of \$30,000 and a director's fee of \$1,500 per meeting of the Board of Directors (\$750 in the case of meetings by conference call), Audit Committee, Human Resources and Compensation Committee, Nominating and Corporate Governance Committee and Development Committee. The chair of the Audit Committee is also entitled to an additional annual amount of \$5,000, while the chairs of the other committees of the Board of Directors are also entitled to an additional annual amount of \$2,000. The Chairman of the Board is entitled to an additional annual compensation of \$100,000.

No other form of compensation or benefit was paid to the directors of the Company for the year ended December 26, 2004.

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 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.

More specifically, the responsibilities of the Board of Directors with respect to planning strategies, human resources and performance assessments and matters of corporate governance include (i) adopting a strategic planning process and approving, at least once a year, a strategic plan which takes into account, among other matters, the opportunities and risks of its business, (ii) choosing the President and Chief Executive Officer and approving the appointment of other senior management executives, (iii) monitoring and assessing the performance

of the President and Chief Executive Officer and other senior management executives, (iv) conducting the annual performance assessment of the Board, the Board Committees, the Chairman of the Board, the Committee Chairs and each director, (v) approving the compensation of executive officers (particularly the President and Chief Executive Officer), and the compensation policy for the other employees of the Company, (vi) satisfying itself, to the extent feasible, that the President and Chief Executive Officer and the other executive officers exhibit integrity and create a culture of integrity throughout the Company, (vii) ensuring the competent and ethical operation of the Company by management, (viii) monitoring the succession planning process for executive officers and the Board of Directors, (ix) reviewing the size and composition of the Board and its committees based on the competencies, skills and personal qualities of each member of the Board of Directors, (x) approving the list of Board nominees for election by the shareholders of the Company, (xi) developing the Company's approach with respect to governance, including the development of corporate principles and guidelines which apply to the Company specifically, and (xii) adopting and reviewing the code of conduct of the Company on a regular basis.

Moreover, the responsibilities of the Board of Directors with respect to financial matters and internal control include (i) monitoring the reliability and quality of the Company's financial statements and the appropriateness of their disclosure, (ii) reviewing the general content of any document required by regulatory authorities in Canada to be prepared or disclosed by the Company as well as the Audit Committee's report on the financial aspects of any of such documents, (iii) approving operating and capital budgets, the issue of securities and, subject to the Company's schedule of authority, any material transaction not in the ordinary course of business, including proposals for mergers, acquisitions or other major investments or divestitures, (iv) determining the Company's dividend policies and procedures, (v) identifying the Company's principal business risks and implementing appropriate processes to manage such risks, (vi) monitoring the Company's internal control and management information systems, (vii) monitoring the Company's compliance with applicable legal and regulatory requirements, and (viii) reviewing, at least annually, the Company's communications policy and monitoring the Company's communications with analysts, investors and the public.

Finally, the responsibilities of the Board of Directors concerning matters relating to pension plans include (i) overseeing the governance structure, funding, and investment policies for the Company's pension plans, and (ii) overseeing the investment management of the pension funds.

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. Non-management directors meet regularly without management present. The quorum at meetings of the Board is a majority of directors in office. Finally, the Board of Directors must review its mandate at least once a year and make any appropriate changes.

Committees of the Board of Directors

The Board of Directors has four committees: the Human Resources and Compensation Committee, the Nominating and Corporate Governance Committee, the Audit Committee and the Development Committee. The mandates of the committees of the Board of Directors are as follows:

The Human Resources and Compensation Committee is responsible for assisting the Board of Directors in discharging its responsibilities regarding hiring, evaluation, compensation and succession planning for the Company's executive officers and other key employees. The responsibilities of the Human Resources and Compensation Committee include, among other things, (i) recommending and obtaining the Board of Directors' approval for principles governing the recruitment, hiring and evaluation of the President and Chief Executive Officer and senior management executives reporting directly to the latter, (ii) recommending and obtaining the Board of Directors' approval for all compensation plans or policies applicable to senior management executives and employees of the Company, (iii) recommending and obtaining the Board of Directors' approval for a development and succession plan for senior management and implementing it, (iv) recommending to the Board of Directors the hiring and terms and conditions of employment, or, as the case may be, the termination of the employment of the President and Chief Executive Officer, (v) determining and obtaining the Board of Directors' approval for the job description of the President and Chief Executive Officer, (vi) at the start of each year, determining and obtaining the Board of Directors' approval for the objectives of the President and Chief Executive Officer for compensation purposes and, at the end of each year or at the beginning of the following year, determining the extent to which such objectives have been attained, (vii) recommending to the Board of Directors the hiring, job description and conditions of employment of senior management reporting to the President and Chief Executive Officer, (viii) recommending and obtaining the Board of Directors' annual approval for the compensation of senior management reporting to the President and Chief Executive Officer, (ix) recommending and obtaining the Board of Directors' approval for any material changes to the Company's organizational structure, (x) ensuring the implementation of all human resources policies, and ensuring that the Company complies with applicable laws and regulations, (xi) approving the annual report on the compensation of senior management which appears in the Management Proxy Circular, and (xii) reviewing the general 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 three outside directors, all of whom are unrelated.

The Nominating and Corporate 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 nominees for election as directors and their 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 Corporate Governance Committee include, among other things, (i) recommending and obtaining the Board of Directors' approval for a corporate governance charter in conformity with laws and regulations and implementing it within the Company, (ii) recommending and obtaining the Board of Directors' approval for a code of conduct for directors, senior management and employees, and implementing it 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 and obtaining the Board of Directors' approval for a performance evaluation mechanism for the Board of Directors as a whole, the committees of the Board of Directors and the contribution of individual directors, and implementing it, (v) recommending and obtaining the Board of Directors' approval, according to the opportunities and risks faced by the Company, for the profile, competencies and personal qualities sought in new directors and subsequently, identifying and recommending suitable nominees to the Board of Directors, (vi) implementing a continuing training program for directors, (vii) recommending and obtaining the Board of Directors' approval for directors' compensation, (viii) ensuring that a statement of corporate governance practices is included in the Company's annual report and management proxy circular and that such statement is in conformity with applicable laws and regulations, (ix) recommending and obtaining the Board of Directors' approval for a policy for communications between the Company and its various stakeholders and implementing it, (x) recommending to senior management of the Company matters relating to the conduct of annual and special meetings of shareholders, (xi) reviewing and authorizing requests by directors made in connection with the discharge of their duties to engage outside advisers from time to time at the Company's expense, and (xii) reviewing the Company's insurance coverage of directors and officers of the Company against certain liabilities which may be incurred by them in these capacities.

The Nominating and Corporate Governance Committee is currently chaired by Mr. Jacques Bougie and consists of four outside directors, all of whom are unrelated.

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 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 with respect to the review of financial information, include, among other things, (i) reviewing with management and the external auditors the annual and interim financial statements (including the notes to the 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), annual and interim management's discussion and analysis, annual and interim earnings press releases, and financial information contained in prospectuses and the annual information form, (ii) recommending the approval of the above-mentioned documents by the Board of Directors before their public disclosure, (iii) reviewing the procedures in place for the review of financial information extracted or derived from the financial statements (other than the information contained in the documents listed under (i)) and periodically assessing the adequacy of those procedures, (iv) reviewing with management and the external auditors the Company's financial reporting prepared in accordance with generally accepted accounting principles, proposals for changes in accounting principles and policies of the Company, the reasonableness of provisions, reserves and estimates that may have a material effect on financial reporting and of material decisions made in connection with the presentation of the financial statements, and (v) reviewing the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

The responsibilities of the Audit Committee with respect to the oversight of the external auditors include, among other things, (i) ensuring that the external auditors report directly to the Committee, (ii) recommending to the Board of Directors the appointment or discharge of the external auditors as well as their compensation, (iii) reviewing and approving the hiring policies regarding partners, employees and former partners and employees of the present and former external auditors, (iv) having sole authority to pre-approve all non-audit services to be provided by the external auditors, (v) 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, (vi) being immediately 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, (vii) discussing with the external auditors the quality and not just the acceptability of the accounting principles, including all 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 and any other material written communications between the management and the external auditors, (viii) reviewing, once a year, a report prepared by the external auditors describing their internal quality control procedures and any material issues raised by the most recent internal quality control review (or peer review) of the external auditors' firm or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors' firm, and any steps taken to deal with any such issues, (ix) reviewing management's actions following the recommendations of the external auditors, and (x) ensuring the rotation of lead, concurring and other audit partners, to the extent required by the Code of Ethics of the Ordre des comptables agréés du Québec.

The responsibilities of the Audit Committee with respect to the oversight of internal controls include, among other things, (i) requesting that management establish and maintain reliable internal control systems and reviewing the procedures in place to evaluate the effectiveness of such systems, (ii) 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, (iii) establishing procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters, and concerns submitted by employees of the Company regarding questionable accounting or auditing matters while ensuring the confidentiality and anonymity of communications, and (iv) reviewing the Company's insurance coverage and ensuring its adequacy.

The responsibilities of the Audit Committee with respect to risk management include, among other things, reviewing with management (i) the risk management policy and changes which should be made, (ii) its evaluation of the material risks to the Company, (iii) the programs and processes used to manage and control risks, (iv) the Company's degree of risk tolerance, and (v) the governance structure, funding, and investment policies of the Company's pension plans, and overseeing the investment management of the pension funds of the Company.

The responsibilities of the Audit Committee with respect to the oversight of the internal auditors include, among other things, (i) annually reviewing and approving the charter of the internal auditors, (ii) ensuring that the internal auditors are accountable to the Committee, (iii) reviewing and approving the annual internal audit plan, (iv) receiving and examining material internal audit reports, observations and recommendations, (v) reviewing management's actions following recommendations of the internal auditors, (vi) reviewing the independence of the internal auditors, (vii) reviewing, with the internal audit manager, difficulties encountered during the audit with respect to the scope of the mandate and access to information, and (viii) reviewing all changes with respect to the scope of the audit projects of the internal audit manager.

Finally, the responsibilities of the Audit Committee with respect to the monitoring of compliance with legal and regulatory requirements include, among other things, (i) reviewing and discussing with management, external and internal auditors and the General Counsel the effectiveness of policies and procedures to ensure compliance with laws and regulations and financial commitments, (ii) reviewing the list of the Company's material litigation as well as the measures taken by management, and (iii) reviewing tax planning that has a material financial impact on the Company.

The Audit Committee is currently chaired by Ms. Monique F. Leroux and consists of three outside directors, all of whom are unrelated.

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) analysing 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 analysed by the Committee, (iii) following up changes in the financial condition of real estate sites (particularly reviewing budgets and comparative financial statements), and (iv) recommending and obtaining the Board of Directors' approval for a strategic real estate development plan from time to time.

The Development Committee is currently chaired by Mr. Pierre Brodeur and consists of five members, a majority of whom are related.

Compensation of Executive Officers

Summary Compensation Table

The following table sets forth, for the three financial years ended December 26, 2004, December 28, 2003 and December 29, 2002, the aggregate compensation paid by the Company to the President and Chief Executive Officer of the Company, the Executive Vice-President and Chief Financial Officer and each of the three most highly compensated executive officers (the "Named Executive Officers") during such financial years.

Name and Principal Position	Year	Annual Compensation			Long-term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Awards		Payouts	
					Securities Under Options/SARs granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Robert Dutton President and Chief Executive Officer	2004	544,423	495,000	—	100,000	—	398,340	—
	2003	503,712	418,500	—	120,000	—	702,000	—
	2002	465,001	278,516	—	480,000	—	630,000	16,923
Claude Guévin Executive Vice-President and Chief Financial Officer	2004	259,769	484,327 ⁽²⁾	—	20,000	—	120,600	—
	2003	236,140	200,367 ⁽³⁾	—	20,000	—	95,040	—
	2002	214,501	57,368	—	100,000	—	74,250	—
Claude Bernier Executive Vice-President, Traditional Stores	2004	234,827	99,000	—	10,000	—	102,240	—
	2003	222,770	84,825	—	10,700	—	156,600	—
	2002	188,501	52,469	—	100,000	—	140,940	—
Pierre Dandoy Executive Vice-President, Big-Box Stores	2004	254,827	108,000	—	10,000	—	—	—
	2003	243,539	79,615	—	10,700	—	—	—
	2002	176,923	—	—	100,000	—	—	—
Marc Dufresne Executive Vice-President, Distribution	2004	227,850	96,750	—	10,000	—	114,660	—
	2003	218,865	—	—	10,700	—	92,250	—
	2002	205,000	54,896	—	100,000	—	—	—

(1) Fringe benefits not in excess of \$50,000 or 10% of total base salary and bonuses paid to each Named Executive Officer for the years indicated are not reported in this column.

(2) This amount includes the second of four instalments of a special bonus granted by the Company to Mr. Guévin following the approval of the Board of Directors on August 27, 2002.

(3) This amount includes the first of four instalments of a special bonus granted by the Company to Mr. Guévin following the approval of the Board of Directors on August 27, 2002.

Long-term Incentive Plan

Certain executive and other officers chosen by the Board of Directors participate in a long-term incentive plan as a complement to their salary. The plan was adopted by the Board of Directors on January 12, 1999 effective as of January 1, 1998. The plan was terminated on January 24, 2002 following the adoption by the Board of Directors of the Initial Plan (as defined under "Share Option Plans — Share Option Plan dated January 24, 2002"). No further units will be issued pursuant to this plan.

Pursuant to the long-term incentive plan, the Board of Directors awarded to named participants, except for the Chairman of the Board, a number of performance units on the first day of a three-year cycle beginning on the first day of a financial year and ending three years later. The number of units awarded was equal to a multiple of the base salary of each participant divided by \$100. Even though this long-term incentive plan was terminated on

January 24, 2002, the units awarded to named participants prior to January 24, 2002 have not been cancelled and will remain in effect. However, the last payouts under this long-term incentive plan were made in 2004, subject to objectives having been met.

The purpose of the plan was to reward participants for their contribution in helping the Company reach strategic financial goals set by the Board of Directors at the beginning of each three-year cycle. These goals, being the return on capital of the Company and the average growth of its non-consolidated sales, are used to determine the value of the performance units at maturity.

When the performance units mature, three years after they are awarded, the Company pays participants an amount corresponding to the value of the units within 30 days of approval by the Board of Directors of the official results.

A participant who voluntarily terminates his employment or who is dismissed for cause ceases to be eligible for the plan and loses all his vested rights under the plan.

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 1,870,000, representing 5% of the outstanding, voting and participating shares of the Company as at January 1, 2002. 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 \$6.94 per share. A total of 1,460,000 options were granted by the Board of Directors pursuant to the Initial Plan. 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. 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 anniversary of the First Release Date;
- c) 50% of the balance of the Underlying Shares on or after the second anniversary of the First Release Date; and
- d) 100% of the balance of the Underlying Shares on or after the third anniversary of the First Release Date.

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"). 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 3,300,000. The maximum number of Common Shares which may be optioned in favour of any single individual will not exceed the maximum number allowed pursuant to the rules of the applicable regulatory authorities. The 2002 Plan also has the following characteristics:

- Vesting of the options will be conditional on the market price of the Common Shares rising at a rate representing annual compounding of 8%, for at least 20 consecutive trading days during the twelve-month period preceding each of the first four grant anniversary dates. If this condition is met, options will vest over a four-year period. Options that do not vest on the anniversaries of the grant due to the performance conditions not being met during each period may vest at a later date if the performance condition is met and the term has not elapsed.
- Options will be exercisable in periods (exercise windows) authorized by the Human Resources and Compensation Committee, but in all cases the maximum term of an option cannot exceed ten years following the date of grant.

The exercise price of any option granted under the 2002 Plan will be equal 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 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 will be 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.

Options Granted During the Financial Year

No options were granted by the Company under the Initial Plan during the financial year ended December 26, 2004. The following table sets out certain information regarding options granted to the beneficiaries listed below under the 2002 Plan during the financial year ended December 26, 2004.

2002 Plan

Name	Common Shares Under Options Granted (#)	% of Total Options Granted in Financial Year ended December 26, 2004	Exercise Price (\$/Security)	Fair Market Value on Date of Grant (\$/Security)	Expiration Date
Claude Bernier	10,000	4.15 %	40.53	40.53	December 22, 2014
Pierre Dandoy	10,000	4.15 %	40.53	40.53	December 22, 2014
Marc Dufresne	10,000	4.15 %	40.53	40.53	December 22, 2014
Robert Dutton	100,000	41.49 %	40.53	40.53	December 22, 2014
Claude Guévin	20,000	8.30 %	40.53	40.53	December 22, 2014

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

A total of 92,000 options were exercised by the beneficiaries under the Initial Plan during the year ended December 26, 2004. No options were exercised by the beneficiaries under the 2002 Plan during the year ended December 26, 2004. The following tables show the total number of exercised options during the year ended December 26, 2004 and the total number of unexercised options held as at December 26, 2004 by the beneficiaries under the Initial Plan and the 2002 Plan, respectively, and the value of such options at that date.

Initial Plan

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 26, 2004 (#)		Value of Unexercised In-the-Money Options at December 26, 2004 (\$) ⁽¹⁾	
			Exercisable ⁽²⁾	Unexercisable	Exercisable ⁽²⁾	Unexercisable
Claude Bernier	N/A	N/A	100,000	N/A	3,437,000	N/A
Pierre Dandoy	N/A	N/A	100,000	N/A	3,437,000	N/A
Marc Dufresne	10,000	343,264	90,000	N/A	3,093,300	N/A
Robert Dutton	N/A	N/A	480,000	N/A	16,497,600	N/A
Claude Guévin	20,000	686,528	80,000	N/A	2,749,600	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 26, 2004, which was \$34.37 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 "Share Option Plans – Share Option Plan dated January 24, 2002".

2002 Plan

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 26, 2004 (#)		Value of Unexercised In-the-Money Options at December 26, 2004 (\$) ⁽¹⁾	
			Exercisable	Unexercisable ⁽²⁾	Exercisable	Unexercisable ⁽²⁾
Claude Bernier	N/A	N/A	2,675	18,025	34,080	110,039
Pierre Dandoy	N/A	N/A	2,675	18,025	34,080	110,039
Marc Dufresne	N/A	N/A	2,675	18,025	34,080	110,039
Robert Dutton	N/A	N/A	30,000	190,000	382,200	1,224,600
Claude Guévin	N/A	N/A	5,000	35,000	63,700	206,700

(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 26, 2004, which was \$0.78 per share for the options granted during the financial year ended December 26, 2004 and \$12.74 per share for the options granted during the financial year ended December 28, 2003. 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 26, 2004 and December 28, 2003 can only be exercised when the conditions provided in the 2002 Plan have been met.

Employment Agreements

On February 24, 1999, the President and Chief Executive Officer of the Company, Robert Dutton, signed an employment agreement with the Company. The employment agreement provides for severance payments corresponding to 18 months' base salary in the event of the termination of his employment (except in the event of termination by the Company for cause). Furthermore, Mr. Dutton may terminate his employment at any time upon reasonable prior notice. The agreement also contains a no-competition clause that will remain in force for the duration of Mr. Dutton's employment and for 15 months following termination. If Mr. Dutton's employment is terminated within eight months of the sale of RONA or a merger or change of control affecting RONA, he will be entitled to receive the above-mentioned severance payment and immediate payment of any amount owing under the Company's long-term incentive plan. The agreement also contains the customary no-solicitation and confidentiality clauses.

Marc Dufresne, Executive Vice-President, Distribution, and Pierre Dandoy, Executive Vice-President, Big-Box Stores, have each entered into an employment agreement with the Company which provides for an indefinite term commencing on November 20, 2000 in the case of Mr. Dufresne, and February 4, 2002 in the case of Mr. Dandoy. In addition to providing for Messrs. Dufresne's and Dandoy's duties and responsibilities, base and incentive compensation, these employment agreements provide for participation in the supplemental pension plan and certain other employment benefits to which Messrs. Dufresne and Dandoy are entitled while employed at RONA. Furthermore, in the event of termination of their employment (except in the event of termination by the Company for cause), each employment agreement provides for severance payments corresponding to twelve months' salary. Each agreement also contains the customary no-competition, no-solicitation and confidentiality clauses.

Pension Plans

Pension Plan for the President and Chief Executive Officer

The pension plan for the President and Chief Executive Officer 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 offer the President and Chief Executive Officer, upon retirement, income equal to 2% per year of service, multiplied by the final average compensation of his three best years, with no offset for any payment from the Canada and Quebec pension plans.

For years of service prior to January 1, 2000, final average compensation is limited to \$350,000. For 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 by the President and Chief Executive Officer is required.

As at December 26, 2004, the President and Chief Executive Officer had accrued a total of 27.5 years of credited service, for total annual pension benefits of \$235,000 payable at retirement. The normal retirement age is 65, with an optional early retirement age of 55. At age 55, the President and Chief Executive Officer will have accumulated 32.75 years of credited service, for total estimated annual pension benefits of \$374,000. The pension payable from the supplemental plan is not indexed.

Pension Value Disclosure for the President and Chief Executive Officer

Name	2004 Service Costs	Accrued Obligations at December 26, 2004	Annual Pension Benefits Payable Upon Retirement
Robert Dutton	\$436,000 ⁽¹⁾	\$2,716,000 ⁽¹⁾	\$374,000 ⁽²⁾

(1) 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) 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 (\$16,500 in 2004). 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, together with the annual return thereon.

The eligibility of officers for the supplemental plan is at the Company's discretion. Officers must contribute to the basic registered plan but do not contribute to the supplemental plan.

The supplemental plans include vesting criteria for the employer's contribution and restrictions relating to no-competition clauses.

Composition of the Human Resources and Compensation Committee

The current members of the Human Resources and Compensation Committee are Louis A. Tanguay (Chair), Jean Gaulin and Jocelyn Tremblay, all of whom are unrelated, outside directors within the meaning of the TSX Guidelines (as defined in the section "Statement of Corporate Governance Practices").

Report on Executive Compensation

The Human Resources and Compensation Committee determines the compensation of the Company's executive officers in accordance with existing market standards for similar companies, while emphasizing compensation tied to the Company's performance. The Company's executive compensation policy is designed to attract and retain key executives necessary for the Company's long-term success and to motivate executives to meet the Company's objectives and further its development.

Executive compensation is reviewed annually by the Human Resources and Compensation Committee and includes the following three elements: base salary, annual bonus and possible grants of options to purchase Common Shares. The strategy of the Company, for the purposes of hiring qualified and experienced officers, relies on these three elements.

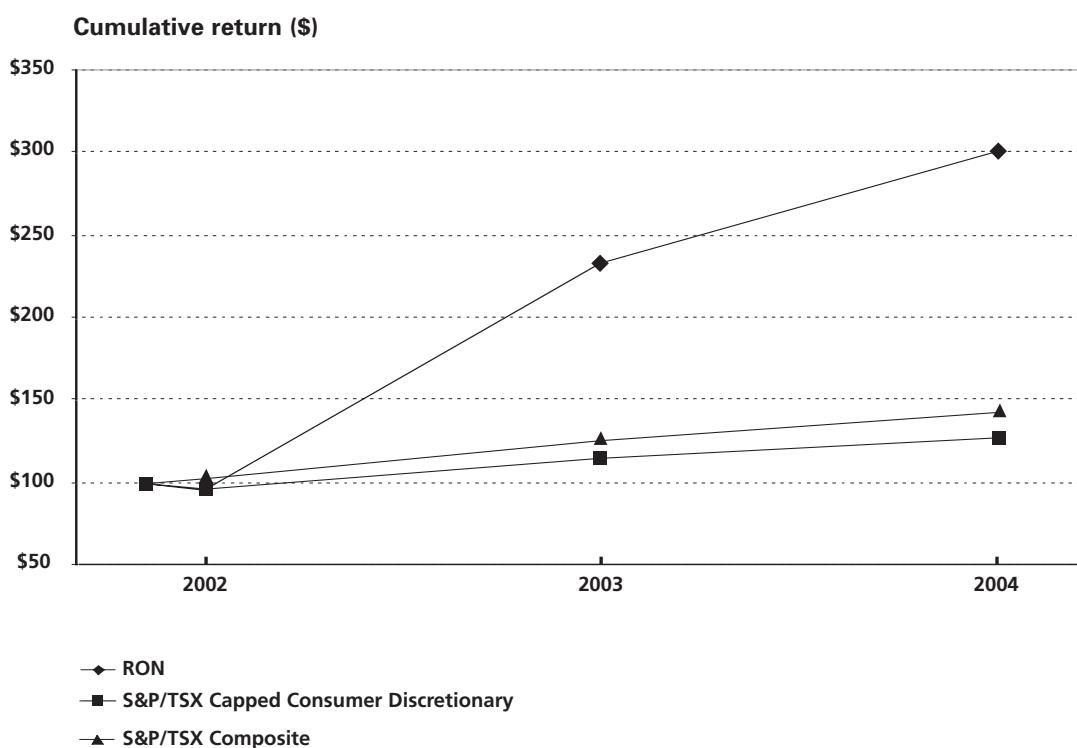
The annual bonus of the President and Chief Executive Officer is determined based on objectives set in advance by the Board of Directors for the Company's attainment of predetermined financial results such as the creation of economic value, cash generated and return on equity. In the event that the Company attains or exceeds such results, the President and Chief Executive Officer will receive between 66 2/3% and 100% of his base salary. Determination of the annual bonus of the other executive officers is based on different percentages and the attainment of individual objectives.

The grant of options to purchase Common Shares allows officers, in certain circumstances, to increase their compensation based on the exercise price of the options at the time of the grant and the trading price of the Common Shares at the time of exercise. Options to purchase shares

are used to create a close relationship between executive rewards and enhanced shareholder value. In 2004, the Human Resources and Compensation Committee recommended the grant of 241,000 options under the 2002 Plan.

Performance Graph

The following graph compares the cumulative total return on \$100 invested in Common Shares of RONA on November 5, 2002 (the effective date of RONA's public offering) with the cumulative total return of two indexes of the Toronto Stock Exchange for the years ended since RONA's public offering.



Aggregate Indebtedness

The following table sets forth, as at March 14, 2005, the aggregate indebtedness of all directors, executive officers, employees and former directors, former executive officers and former employees of RONA and its subsidiaries.

Type	Owed to RONA or its subsidiaries (\$)
Share purchases	65,639
Other	—

Indebtedness of Directors and Officers

The following table sets out loans granted to certain officers pursuant to the financial assistance program adopted by the Company in order to facilitate their subscription for Class A Common Shares (now renamed "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 years (extended for an additional five-year period) by way of payroll deductions and are interest free. Such a financial assistance program is no longer a practice of the Company.

Name and Principal Position	Involvement of the Company	Largest Amount Outstanding During the Year Ended December 26, 2004	Amount Outstanding as at March 14, 2005	Financially Assisted Securities Purchases During the Year Ended December 26, 2004	Security for Indebtedness	Amount Cancelled (Forgiveness) During the Last Year
Claude Bernier Executive Vice-President, Traditional Stores	Lender	\$44,600	\$30,101	None	None	None
Jean Émond Senior Vice-President, People and Culture	Lender	\$15,370	\$10,104	None	None	None
Linda Michaud Senior Vice-President, Information and Technology	Lender	\$26,504	\$17,426	None	None	None
Pierre Pelletier Vice-President, Logistics	Lender	\$12,181	\$8,008	None	None	None

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. Under the rules of the Toronto Stock Exchange, the Company is required to disclose information relating to its system of corporate governance with reference to the guidelines set out in the TSX Company Manual (the "TSX Guidelines"). The Company's disclosure addressing each of the Guidelines is set out in Schedule "B" to this Management Proxy Circular.

In 2004, the Company undertook an exhaustive examination of its corporate governance practices to comply as much as possible with the disclosure and continued listing requirements and the TSX proposed guidelines as well as the other provisions of Canadian securities legislation.

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 \$25,000,000. Such insurance is subject to a general deductible of \$50,000 per loss, as well as specific exclusions which are usually contained in policies of this nature. The Company pays a total annual premium of \$197,500, 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

Moreover, to the Company's knowledge, except as otherwise specified in this Management Proxy 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 (“**Raymond Chabot**”), Chartered Accountants, 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 intend to vote FOR the reappointment of Raymond Chabot Grant Thornton, Chartered Accountants, 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 \$772,500 as fees and disbursements for audit services and for the review of interim financial statements to Raymond Chabot during the financial year ended December 26, 2004. During the same year, the Company also paid to Raymond Chabot the sum of \$253,493 in audit-related fees, \$295,597 in fees for tax services and \$39,500 in fees for other services. We refer you to Item 10 of the Company’s Annual Information Form dated March 14, 2005 for further information on the Company’s audit committees and the fees paid by the company to the external auditors.

Approval of Shareholder Rights Plan

At the Meeting, shareholders will be asked to consider, and, if deemed advisable, to approve the ordinary resolution confirming the adoption and ratifying the shareholder rights plan (the “**Rights Plan**”) adopted by the Board of Directors on March 10, 2005. On the same date, the Company also entered into a shareholder rights plan agreement with National Bank Trust inc. (the “**Rights Agreement**”). The Rights Plan became effective on March 10, 2005. Under the listing policies of the TSX, a shareholder rights plan must be ratified by a corporation’s shareholders within six (6) months of its adoption. The TSX has advised the Company that this requirement will be satisfied in respect of the Rights Plan if the resolution approving the Rights Plan, a copy of which is reproduced in Schedule “A” to this Circular, is approved by a majority of the votes cast at the Meeting.

Objectives and Background of the Rights Plan

The Rights Plan is designed to provide the Company’s shareholders and the Board of Directors additional time to assess an unsolicited take-over bid for the Company and, where appropriate, to give the Board of Directors additional time to pursue alternatives for maximizing shareholder value. It also encourages fair treatment of all shareholders by providing them with an equal opportunity to participate in a take-over bid.

In recommending the confirmation and ratification of the Rights Plan, it is not the intention of the Board of Directors to preclude a bid for control of the Company. The Rights Plan provides various mechanisms whereby shareholders may tender their Common Shares to a take-over bid as long as the bid meets the “Permitted Bid” criteria. Furthermore, even in the context of a take-over bid that would not meet the Permitted Bid criteria, the Board of Directors would still have a duty to consider any take-over bid for the Company and consider whether or not it should waive the application of the Rights Plan in respect of such bid. In discharging such duty, the Board of Directors must act honestly and in good faith with a view to the best interests of the Company and its shareholders.

A number of recent decisions rendered by the Canadian securities regulators relating to shareholder rights plans have concluded that a board of directors faced with an unsolicited take-over bid will not be permitted to maintain a shareholder rights plan indefinitely to prevent successful completion of the bid, but only to the extent that the board of directors actively seeks alternatives to the bid and there is a reasonable possibility that, given additional time, a value-maximizing alternative will be developed.

The Rights Plan is therefore designed to encourage a potential acquiror who makes a take-over bid to proceed either by way of a “Permitted Bid”, which requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board of Directors. If a take-over bid fails to meet these minimum standards and the Rights Plan is not waived by the Board of Directors, the Rights Plan provides that holders of Common Shares, other than the acquiror, will be able to purchase additional Common Shares at a significant discount to market, thus exposing the person acquiring Shares to substantial dilution of its holdings.

The Rights Plan was not adopted in response to any specific proposal to acquire control of the Company, nor is the Board of Directors currently aware of any pending or threatened take-over bid for the Company. The Rights Plan will be in effect for three (3) years, with one renewal option, subject to shareholder approval.

In adopting the Rights Plan, the Board of Directors considered the existing legislative framework governing take-over bids in Canada. The Board of Directors believes that such legislation may not provide sufficient time to permit shareholders to consider a take-over bid and make a reasoned and unhurried decision with respect to the take-over bid or, where appropriate, give the Board sufficient time to develop alternatives for maximizing shareholder value. Shareholders may also feel compelled to tender their shares to a take-over bid, even if they consider such bid to be inadequate, out of a concern that failing to do so may result in a shareholder being left with illiquid or minority discounted shares in the Company. This is particularly so in the case of a partial bid for less than all the Common Shares. Finally, while existing securities legislation has addressed many concerns related to unequal treatment of shareholders, there remains the possibility that control of a company may be acquired pursuant to private agreements in which a small group of shareholders disposes of shares at a premium to market price, which premium is not shared with the other shareholders.

In recent years, unsolicited bids have been made for a number of Canadian public companies, many of which had a shareholder rights plan in force at the time of the unsolicited bid. The Board of Directors believes that this demonstrates that the existence of a shareholder rights plan does not in itself prevent the launch of an unsolicited bid. Furthermore, in a number of cases, a change of control ultimately occurred at a price in excess of the original bid price. There can be no assurance, however, that the Rights Plan would serve to bring about a similar result.

The Rights Plan is not expected to interfere with the Company's day-to-day operations. The continuation of the existing outstanding rights and the issuance of additional rights in the future will not in any way alter the financial condition of the Company, impede its business plans, or alter its financial statements. In addition, the Rights Plan is initially not dilutive. However, if a "Flip-in Event" (as defined below) occurs and the rights separate from the Common Shares as described below, reported earnings per share and reported cash flow per share on a fully-diluted or non-diluted basis may be affected. In addition, holders of rights not exercising their rights after a Flip-in Event may suffer substantial dilution.

Summary of the Rights Plan

The following is a summary of the principal terms of the Rights Plan, which summary is qualified in its entirety by reference to the terms of the Rights Agreement.

The Rights Agreement is available on SEDAR at www.sedar.com under the name of RONA inc.

Operation of the Rights Plan

Pursuant to the terms of the Rights Agreement, one right was issued in respect of each Common Share outstanding as at the close of business on March 10, 2005 (the "Record Time"). In addition, one right will be issued for each additional Common Share issued after the Record Time and prior to the earlier of the Expiration Time (as defined below) and the Separation Time (as defined below). The rights have an initial exercise price equal to the Market Price (as defined below) of the Common Shares as determined at the Separation Time, multiplied by five (5), subject to certain adjustments, and they are not exercisable until the Separation Time. Upon the occurrence of a Flip-in Event (as defined below), each right shall constitute the right for the holder thereof, other than an Acquiring Person (as defined below), to purchase from the Company that number of Common Shares as have an aggregate Market Price on the date of consummation or occurrence of such Flip-in Event equal to two (2) times the exercise price for an amount equal to the exercise price, subject to certain anti-dilution adjustments, in effect providing for a 50% discount relative to the Market Price. For example, if at the Separation Time, the Market Price of a Common Share is \$40, the exercise price would be \$200 (5 x \$40) and a holder of a Right would be entitled, from and after the Flip-in Event, to purchase ten (10) Common Shares (two (2) times the exercise price divided by the Market Price, or $(2 \times \$200) \div \$40 = 10$ Common Shares) for an aggregate exercise price of \$200.

Trading of Rights

Until the Separation Time, the rights trade with the Common Shares and are represented by the same share certificates as the Common Shares or by an entry in the Company's securities register in respect of any outstanding Common Shares. From and after the Separation Time and prior to the Expiration Time, the rights would be evidenced by rights certificates and trade separately from the Common Shares. The rights do not carry any of the rights attaching to the Common Shares such as voting or dividend rights.

Separation Time

The rights will separate from the Common Shares to which they are attached and become exercisable at the time (the “**Separation Time**”) of the close of business on the eighth (8th) Trading Day (as defined below) after the earlier of:

- the first date of a public announcement or disclosure of facts indicating that a person has become an Acquiring Person (as defined below); and
- the date of the commencement of, or first public announcement or disclosure of the intention of any person (other than the Company or any of its subsidiaries) to commence, a take-over bid or a share exchange bid for 20% or more of the Company’s outstanding Common Shares (other than a Permitted Bid, so long as such bid continues to satisfy the requirements of a Permitted Bid);
- or such later time as may from time to time be determined by the Board of Directors.

Flip-in Event

The acquisition by a person (an “**Acquiring Person**”), including others acting jointly or in concert with such person, of 20% or more of the outstanding Common Shares, other than by way of a Permitted Bid, or in certain other limited circumstances described in the Rights Plan, is referred to as a “**Flip-in Event**”. After the occurrence of the Flip-in Event, each right (other than those held by the Acquiring Person) will entitle the holder thereof to purchase from the Company such number of Common Shares as has an aggregate Market Price on the date of consummation or occurrence of such Flip-in Event equal to two (2) times the exercise price for an amount equal to the exercise price, subject to certain anti-dilution adjustments.

Exercise Price

The exercise price is set at a multiple of five (5) times the Market Price of the Common Shares at the Separation Time, subject to anti-dilution adjustments.

Definition of Market Price

“**Market Price**” is generally defined in the Rights Plan, on any given day on which a determination must be made, as the average of the daily closing prices per Common Share on each of the twenty (20) consecutive Trading Days (as defined below) through and including the Trading Day immediately preceding such date of determination, subject to certain exceptions. “**Trading Day**” is generally defined as a day on which the principal Canadian or United States securities exchange (as determined by the Board of Directors acting in good faith) on which the Common Shares are listed or admitted for trading is open for the transaction of business.

Permitted Bid Requirements

The requirements of a Permitted Bid are the following:

1. the take-over bid must be made by means of a take-over bid circular to all holders of Common Shares, other than the offeror;
2. the take-over bid must contain the following irrevocable and unqualified conditions:
 - A) no Common Shares shall be taken up or paid for (i) prior to the close of business on a date which is not less than sixty (60) days following the date of the bid, and (ii) unless, at the close of business on such date, the Common Shares deposited or tendered pursuant to the bid and not withdrawn constitute more than 50% of the then outstanding Common Shares which are held by the Company’s shareholders other than any Acquiring Person or offeror and their related parties (the “**Independent Shareholders**”);
 - (B) unless the take-over bid is withdrawn, Common Shares may be deposited at any time prior to the close of business on the date of the first take-up of or payment for Common Shares;
 - (C) Common Shares deposited pursuant to the take-over bid may be withdrawn until taken up and paid for; and
 - (D) if more than 50% of the then outstanding Common Shares held by Independent Shareholders are deposited or tendered to the take-over bid and not withdrawn, the offeror must make a public announcement of that fact and the take-over bid must remain open for deposits and tenders of Common Shares for not less than ten (10) business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a “**Competing Permitted Bid**”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid other than the requirement that no Common Shares shall be taken up and paid for prior to the close of business on a date which is not less than sixty (60) days following the date of the bid, and must not permit Common Shares tendered or deposited pursuant to the bid to be taken up or paid for prior to the close of business on a date that is earlier than the later of (A) thirty-five (35) days (or such longer minimum period of days that a take-over bid must remain open for acceptance under applicable securities legislation) after the date of such take-over bid and (B) the 60th day after the earliest date on which any other Permitted Bid that is then in existence was made.

Waiver and Redemption

The Board of Directors may, prior to the occurrence of a Flip-in Event, waive the dilutive effects of the Rights Plan in respect of, among other things, a particular Flip-in Event resulting from a take-over bid made by way of a take-over bid circular to all holders of the Common Shares. In these circumstances, such waiver shall also be deemed to be a waiver in respect of any other take-over bid made by way of a take-over bid circular to all holders of the Common Shares prior to the expiry of the first mentioned take-over bid.

Subject to the prior consent of the holders of Common Shares (prior to the Separation Time) or rights (after the Separation Time), the Board of Directors may elect to redeem all but not less than all of the outstanding rights at a price of \$0.0001 each.

Amendment to the Rights Agreement

The Rights Agreement may be amended to correct any clerical or typographical error or to make such changes as are required to maintain the validity of the Rights Agreement and the rights as a result of any change in any applicable legislation, regulations or rules, without the approval of the holders of Common Shares or rights. The Company may, with the prior consent of the holders of Common Shares or rights, amend, vary or delete any of the provisions of the Rights Agreement in order to effect any changes made by the Board of Directors.

Fiduciary Duty of Board

The Rights Plan will not detract from or lessen the duty of the Board of Directors to act honestly and in good faith with a view to the best interests of the Company and its shareholders. The Board of Directors will continue to have the duty and power to take such actions and make such recommendations to the Company's shareholders as are considered appropriate.

Exemptions for Investment Advisors and Grandfathered Persons

Persons whose ordinary business is managing investment funds for others, trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds, and administrators of registered pension plans are exempt from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid. A person who is the beneficial owner of 20% or more of the outstanding Common Shares at the date of adoption of the Rights Plan shall not be considered an "Acquiring Person" (this exception shall cease to be applicable in the event a grandfathered person acquires more than an additional 1% of the Company's outstanding voting shares).

Term

Unless terminated earlier in accordance with its applicable terms, the Rights Agreement will expire on the date on which the first annual meeting of the Company's shareholders is held following the third anniversary of the date of the Rights Agreement or, if the Independent Shareholders re-approve the Rights Plan at or prior to such annual meeting of shareholders, then on March 10, 2011 (the "Expiration Time").

Tax Consequences of the Rights Plan

Certain Canadian Federal Income Tax Considerations of the Rights Plan

The Company will not be required to include any amount in computing the Company's income for the purposes of the *Income Tax Act* (Canada) (the "ITA") as a result of the issuance of the rights.

Under the ITA, the issuance of rights to a recipient could be considered as a taxable benefit, the value of which is required to be included in computing the income of a Canadian resident recipient or is subject to withholding tax in the case of a recipient who is not a resident of Canada. In any event, no amount in respect of the value of the rights is required to be included in computing income, or subject to withholding tax, if the rights do not have any value at the date of issue. The Company considers that the rights have negligible value when issued, there being only a remote possibility that the rights will ever be exercised. A holder of rights could be required to include an amount in computing income or be subject to withholding tax under the ITA if the rights become exercisable or are exercised. A holder of rights may be subject to tax under the ITA in respect of the proceeds of disposition of such rights.

This statement is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular shareholder. Such shareholders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their rights, taking into account their own particular circumstances and any applicable federal, provincial, territorial or foreign legislation.

Eligibility for Investment

Provided that the Company remains a “public company” for purposes of the ITA at all relevant times, the rights will be qualified investments under the ITA for registered retirement savings plans, registered education savings plans, registered retirement income funds and deferred profit-sharing plans. The issuance of rights will not affect the status of the Common Shares under the ITA for such purposes, nor will it affect the eligibility of such securities as investments for investors governed by certain Canadian federal and provincial legislation governing insurance companies, trust companies and pension plans.

Approval of the Resolution

The resolution in respect of the adoption and ratification of the Rights Plan, the text of which is reproduced in Schedule “A” to this Circular, must be approved by at least a majority of the votes cast at the Meeting by all shareholders of the Corporation present or represented by proxy in order for it to be adopted. The Corporation’s Board of Directors recommends that shareholders vote FOR the approval of the ordinary resolution.

Unless instructed otherwise, the persons designated in the enclosed form of proxy intend to vote FOR the approval of this ordinary resolution.

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. The Company also files an annual information form annually with such securities commissions. Copies of the Company’s latest annual information form, audited financial statements and any interim financial statements filed since the date of the latest audited financial statements as well as MD&As, if any, are available on request from the Corporate Secretary and General Counsel 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 Management Proxy Circular

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

Boucherville, Quebec, March 14, 2005.

By order of the Board of Directors,



France Charlebois
Corporate Secretary and General Counsel



Schedule A Resolution

Adoption and Ratification of a Shareholder Rights Plan

RESOLVED, upon a motion duly proposed and seconded:

1. **THAT** the Shareholder Rights Plan evidenced by the Shareholder Rights Plan Agreement entered into between the Company and National Bank Trust inc., as Rights Agent, dated March 10, 2005 and substantially as described in the Management Proxy Circular of the Company dated March 14, 2005, be and it is hereby adopted and ratified;
2. **THAT** any officer or director 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 enter into all 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 Statement of Corporate Governance Practices

TSX Guidelines

1. The board of directors should explicitly assume responsibility for stewardship of the company, and as part of the overall stewardship responsibility, the board should assume responsibility for the following matters:

- a) adoption of a strategic planning process;
- b) the identification of the principal risks of the company's business and ensuring the implementation of appropriate systems to manage these risks;
- c) succession planning, including appointing, training and monitoring senior management;
- d) a communication policy for the company;

Corporate Governance Practices at the Company

The Board of Directors recognizes that it is responsible for the oversight of the stewardship of the Company, meaning that it oversees the conduct of the Company's business and supervises the senior management of the Company, which is responsible for the conduct of the business.

Every year the Company's senior management reviews and updates the Company's strategic plan and submits the details thereof to the Board of Directors. The strategic plan or business plan includes a review of the Company's market position and the implementation of its growth strategy.

The Board of Directors, together with senior management of the Company, is responsible for identifying the principal risks of the Company's business, and for ensuring the implementation of appropriate systems to manage such risks.

The Human Resources and Compensation Committee is responsible for recommending, and obtaining the Board of Directors' approval for the principles governing the recruitment, hiring and evaluation of the President and Chief Executive Officer and senior management executives reporting directly to the latter, and a development and succession plan for senior management.

The Board of Directors, supported by the Nominating and Corporate Governance Committee, reviews and, where required, approves statutory disclosure documents prior to their distribution to shareholders. In addition, the Company has a shareholder relations process to respond to shareholder questions and concerns. All communications from shareholders are referred to the appropriate corporate officer for consideration and action. Management promptly advises the Board of Directors if any significant issues are raised by shareholders. In addition, the Company makes regular disclosure to its shareholders, securities analysts and the media of developments in its business and results, through annual and interim reports, interim and annual financial statements and press releases and material change reports when needed.

TSX Guidelines

- e) the integrity of the company's internal control and management information systems.
2. The board of directors should be constituted with a majority of individuals who qualify as unrelated directors. An "unrelated director" is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the company, other than interests and relationships arising from shareholding.
 3. The board has the responsibility for applying the definition of "unrelated director" to the circumstances of each individual director and for disclosing on an annual basis,
 - 1) whether the board has a majority of unrelated directors and
 - 2) the analysis of the application of the principles supporting their conclusion.
 4. The board of directors should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.
 5. The board of directors should appoint a committee of directors composed exclusively of outside, i.e., non-management, directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full board new nominees to the board and for assessing directors on an ongoing basis.

Corporate Governance Practices at the Company

The Board of Directors, supported by the Audit Committee, is responsible for requesting management to implement and maintain adequate internal controls and for evaluating, together with management, the relevance and effectiveness of such systems. The Audit Committee is also assisted by an internal audit department in monitoring the effective discharge of its responsibilities with respect to internal controls and business risk.

The Board of Directors currently consists of twelve directors. Of the twelve, seven are "unrelated" within the meaning of the TSX Guidelines, four are dealer-owners, and one is the President and Chief Executive Officer of the Company.

Louise Caya	related	Dealer-owner
Simon Cloutier	related	Dealer-owner
Robert Dutton	related	President and Chief Executive Officer of the Company
André H. Gagnon	related	Dealer-owner
Jean-Guy Hébert	related	Dealer-owner
Pierre Brodeur	unrelated	
Jacques Bougie, O.C	unrelated	
Jean Gaulin	unrelated	
Monique F. Leroux	unrelated	
Jim Pantelidis	unrelated	
Louis A. Tanguay	unrelated	
Jocelyn Tremblay	unrelated	

In 2004, the Nominating and Corporate Governance Committee recommended, and obtained the Board of Directors' approval for, a process for assessing the performance of the Board of Directors as a whole, the committees of the Board and the contribution of individual directors and is overseeing its implementation. In 2005, a questionnaire on the effectiveness of the Board of Directors was approved by the Nominating and Corporate Governance Committee and distributed to the directors of the Company.

The Nominating and Corporate Governance Committee is responsible for recommending, and obtaining the Board of Directors' approval for the profile, competencies and personal qualities sought in new directors, based on the opportunities and risks faced by the Company, to create added value. Subsequently, the committee identifies and recommends suitable candidates to the Board of Directors. As regards the evaluation of directors, see item 4 hereinabove.

The Nominating and Corporate Governance Committee consists of four outside directors, all of whom are unrelated.

TSX Guidelines

6. The company, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board.
7. The board of directors should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.
8. The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.
9. Committees of the board of directors should generally be composed of outside directors, a majority of whom are unrelated directors, although some board committees, such as the executive committee, may include one or more inside directors.
10. The board of directors should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the company's approach to governance issues and the company's response to the TSX Guidelines.
11. The board of directors, together with the chief executive officer, should develop position descriptions for the board and for the chief executive officer, including the definition of the limits to management's responsibilities. In addition, the board should approve or develop the corporate objectives which the chief executive officer is responsible for meeting.

Corporate Governance Practices at the Company

The Nominating and Corporate Governance Committee is responsible for implementing a continuing orientation and training program for directors.

The Nominating and Corporate Governance Committee is responsible for 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.

The Nominating and Corporate Governance Committee is responsible for recommending, and obtaining the Board of Directors' approval for, the directors' compensation. Directors' compensation is generally based on the inherent responsibilities of the office of director and the base compensation and directors' fees generally paid to directors of comparable companies.

The Audit Committee currently consists exclusively of outside directors, all of whom are unrelated. The members of the committee are Jacques Bougie, O.C., Jean Gaulin and Monique F. Leroux (Chair).

The Human Resources and Compensation Committee currently consists exclusively of outside directors, all of whom are unrelated. The members of the committee are Jean Gaulin, Louis A. Tanguay (Chair) and Jocelyn Tremblay.

The Nominating and Corporate Governance Committee currently consists exclusively of outside directors, all of whom are unrelated. The members of the committee are Jacques Bougie, O.C. (Chair), Pierre Brodeur, Jim Pantelidis and Jocelyn Tremblay.

The Development Committee currently consists exclusively of outside directors, a majority of whom are related. The members of the committee are Pierre Brodeur (Chair), Louise Caya, Simon Cloutier, Jean-Guy Hébert and Jim Pantelidis.

In 2004, the Nominating and Corporate Governance Committee obtained the Board of Directors' approval for a corporate governance and compliance manual in conformity with applicable laws and regulations and is overseeing its implementation within the Company. The Nominating and Corporate Governance Committee is also responsible for seeing that a statement of corporate governance practices is included in the annual report and the management proxy circular and that such statement is in conformity with applicable laws and regulations.

The Human Resources and Compensation Committee is responsible among other things for determining, and obtaining the Board of Directors' approval for, the job description of the President and Chief Executive Officer. At the beginning of the year, the Human Resources and Compensation Committee determines, and obtains the Board of Directors' approval for, the objectives of the President and Chief Executive Officer for compensation purposes and, at the end of the year or at the beginning of the following year, it determines the extent to which such objectives have been attained.

TSX Guidelines

12. The board of directors should have in place appropriate structures and procedures to ensure that the board can function independently of management. An appropriate structure would be to (i) appoint a chair of the board who is not a member of management with responsibility to ensure that the board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the board or a director, referred to as the “lead director”. Appropriate procedures may involve the board meeting on a regular basis without management present or may involve expressly assigning the responsibility of administering the board’s relationship with management to a committee of the board.
13. The audit committee should be composed solely of outside directors.

The role and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties.

The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.

The committee duties should include oversight responsibility for management reporting on internal control. In addition, the audit committee should ensure that management has designed and implemented an effective system of internal control.

Corporate Governance Practices at the Company

The Board of Directors believes that its composition favours its independence with respect to management. In fact a majority of the current directors are not members of management (including the Chairman of the Board) and are unrelated directors.

The Audit Committee consists only of outside directors, a majority of whom are unrelated.

The Audit Committee is responsible among other things for assisting the Board of Directors in its oversight with regard to 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 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. A more detailed description of the mandate of the Audit Committee is included in this Management Proxy Circular under “Committees of the Board of Directors”.

The external and internal auditors have means of direct communication with the Audit Committee, at all times.

The responsibilities of the Audit Committee with respect to the oversight of internal controls include, among other things, (i) requesting that management establish and maintain reliable internal control systems and reviewing the procedures in place to evaluate the effectiveness of such systems, (ii) 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, (iii) establishing procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters, and concerns submitted by employees of the Company regarding questionable accounting or auditing matters while ensuring the confidentiality and anonymity of communications, and (iv) reviewing the Company’s insurance coverage and ensuring its adequacy.

TSX Guidelines

14. The board of directors should implement a system which enables an individual director to engage an outside adviser at the expense of the company in appropriate circumstances. This engagement should be subject to the approval of an appropriate committee of the board.

Corporate Governance Practices at the Company

The Nominating and Corporate Governance Committee is responsible for reviewing and authorizing requests by directors, in connection with the discharge of their duties as directors, to engage outside advisers at the Company's expense from time to time.