



## MANAGEMENT INFORMATION CIRCULAR

This Management Information Circular is furnished to the shareholders of Linamar Corporation ("Linamar" or the "Corporation") in connection with the solicitation by and on behalf of the management of the Corporation (the "Corporation") of proxies at the annual meeting of shareholders of the Corporation called for Tuesday, May 17, 2005 (the "Meeting") or any adjournment thereof for the purposes and at the time and place set forth in the attached Notice of Annual Meeting of Shareholders (the "Notice").

This Circular, the Notice, the accompanying form of proxy and Linamar's 2004 Annual Report to Shareholders (collectively, the "meeting materials") are being mailed, on or about April 13, 2005, to shareholders of record of the Corporation as of the close of business on March 18, 2005. The Corporation will bear all costs associated with the preparation and mailing of the meeting materials, as well as the costs of the solicitation of proxies. The solicitation will be primarily by mail; however, officers and regular employees of the Corporation may also solicit proxies (but not for additional compensation) personally, by telephone, telefax or other means of electronic transmission. Banks, brokerage houses and other custodians and nominees or fiduciaries will be requested to forward proxy solicitation material to their principals and to obtain authorizations for the execution of proxies, and will be reimbursed for their reasonable expenses in doing so.

All dollar amounts referred to in this Circular are in Canadian dollars.

## APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the form of proxy accompanying this Circular are officers of the Corporation. **A shareholder has the right to appoint a person (who need not be a shareholder of the Corporation) as nominee to attend and act for and on behalf of such shareholder at the Meeting, other than the management representatives named in the accompanying form of proxy. This right may be exercised by registered shareholders by either striking out the names of the management representatives where they appear on the front of the form of proxy and by inserting in the blank space provided the name of the other person whom the shareholder wishes to appoint, or by completing and submitting another proper form of proxy naming such other person as proxy.**

A shareholder who was given a proxy may revoke it by depositing an instrument in writing signed by the shareholder or by the shareholder's attorney, who is authorized in writing, in accordance with the instructions given below. A shareholder may also revoke a proxy in any other manner permitted by law.

Registered shareholders wishing to be represented at the Meeting by proxy and shareholders wishing to revoke a proxy previously given, must deposit their form of proxy or revocation of proxy, addressed to the Secretary of the Corporation, at one of the following locations: (i) the principal executive offices of the Corporation at 287 Speedvale Ave., W., Guelph, Ontario, Canada N1H 1C5; or (ii) the offices of Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1, in each case, at any time up to 5:00 p.m. (EST) on the last business day preceding the day of the Meeting, or any adjournment(s) thereof, at which time the proxy is to be used, or on the day of the Meeting with the Secretary of the Corporation or the Chairman of the Meeting prior to the start of the Meeting or any adjournment(s) thereof.

### Special Instructions for Non-Registered Holders

Only registered shareholders, or the persons that they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, shares beneficially owned by a holder (a "Non-Registered Holder") are registered either:



- (a) in the name of an intermediary that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of registered plans; or
- (b) in the name of a depository (such as The Canadian Depository for Securities Limited) of which the intermediary is a participant.

In accordance with the requirements of National Instrument 54-101, the Corporation will be distributing copies of the meeting materials to the intermediaries for further distribution to Non-Registered Holders. Intermediaries are required to forward the meeting materials to Non-Registered Holders and receive voting instructions from them unless a Non-Registered Holder has waived the right to receive the meeting materials. Intermediaries often use service companies to forward the meeting materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive the meeting materials will either:

- (a) be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions set out on the voting instruction form (which may, in some cases, permit the completion of the voting instruction form by telephone); or
- (b) less typically, be given a proxy which has already been signed by the intermediary (usually by way of a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder, but which is otherwise uncompleted. In this case, the Non-Registered Holder who wishes to submit the proxy should otherwise properly complete and deposit it with the Corporation or Computershare Trust Company of Canada, as described above. This proxy need not be signed by the Non-Registered Holder.

In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holder who receives a proxy signed by the intermediary wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the name of the Non-Registered Holder (or such other person) in the blank space provided. A Non-Registered Holder who receives a voting instruction form should follow the corresponding instructions on the form.

**Non-Registered Holders should carefully follow the instructions of their intermediaries and their intermediaries' service companies on the request for instructions or proxy form provided to them.**

#### VOTING OF PROXIES

The shares represented by any valid proxy in favour of the persons designated by management in the accompanying form of proxy will be voted for or withheld from voting (abstain) on the election of Directors and the re-appointment of the auditors and the resolution authorizing the Directors to fix the remuneration of the auditors, in accordance with any specific instructions given by a shareholder on the form of proxy. **In the absence of such specific instructions, such shares will be voted by the persons named in the enclosed form of proxy as follows: FOR the election as Directors of the proposed nominees named in this Circular; and FOR the re-appointment of PricewaterhouseCoopers LLP as the auditors of the Corporation and the resolution authorizing the Directors to fix the auditors' remuneration.**

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to such other business or matters which may properly come before the Meeting or any adjournment(s) thereof. As of the date of this Circular, the Corporation is not aware of any amendment or variation or other business or matters to be raised at the Meeting.



### RECORD DATE

The Board of Directors of the Corporation (the "Board") has fixed the close of business on March 18, 2005 as the record date (the "Record Date") for the Meeting. Only holders of record as of the close of business on the Record Date or who subsequently acquire Common Shares and make a request to vote and provide adequate proof of ownership to the Corporation before the close of business on May 3, 2005 are entitled to receive notice of and to attend and vote at the Meeting.

### VOTING SHARES AND PRINCIPAL HOLDER

As at the date hereof, the Corporation had 70,627,476 outstanding voting Common Shares (the "Common Shares"), each carrying the right to one vote per share.

To the knowledge of the management of the Corporation, the following person, as of **March 8, 2005**, is the only person beneficially owning directly or indirectly, or exercising control or direction over, shares representing more than 10% of the voting rights attached to any class of the issued and outstanding shares of the Corporation.

	<u>Class of Shares</u>	<u>Number of Shares</u>	<u>Percentage</u>
Frank J. Hasenfratz <sup>(1)</sup>	Common	14,206,300	20.11%

<sup>(1)</sup> All of the Common Shares of the Corporation noted above are owned, directly or indirectly, by 975904 Ontario Inc. ("975904"). In particular, 975904 owns 4,124,800 Common Shares of the Corporation directly, and owns all of the outstanding shares of Hasenfratz Investments Ltd., an investment company, which owns 10,081,500 Common Shares of the Corporation. Frank J. Hasenfratz, Chairman of the Corporation, controls 975904. Mr. Hasenfratz, his spouse, Margaret Hasenfratz, and a Hasenfratz family trust own all of the outstanding securities of 975904.

Mr. Hasenfratz has advised the Corporation that he intends to vote his common shares for the election of the proposed nominees named in the Circular as Directors of the Corporation and for the re-appointment of PricewaterhouseCoopers LLP as the auditors of the Corporation and the resolution authorizing the Directors to fix the auditors' remuneration.

### BUSINESS TO BE TRANSACTED AT THE MEETING

#### Election of Directors

Under the Corporation's articles of incorporation, the Board must consist of a minimum of three (3) and a maximum of ten (10) Directors. The Board has fixed the number of Directors at six (6).

**The persons named in the accompanying form of proxy will vote for (in the absence of specific instructions to the contrary) the election of the six (6) proposed nominees whose names are set forth below, each of whom has been a Director since the year indicated next to his or her name.** Management does not contemplate that any of the proposed nominees will be unable to serve as a Director. If, as a result of circumstances not now contemplated, any proposed nominee is unavailable to serve as a Director of the Corporation, the persons named in the enclosed form of proxy may vote, in their discretion, in favour of another nominee. Each Director elected will hold office until the close of the next annual meeting of the shareholders of the Corporation or until his or her respective successor is elected or appointed, unless such office is earlier vacated in accordance with applicable law and the Corporation's by-laws.

The following table sets forth information with respect to each of the proposed nominees for election as Director, including the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by each such nominee, as of the Record Date:



Name and Address of Proposed Nominee	Age	Director Since	Other Positions And Offices Presently Held with the Corporation	Principal Occupation	Common Shares Beneficially Or Over Which Control Or Direction Is Exercised <sup>(3)</sup>
Frank Hasenfratz Ariss, Ontario Canada	70	1966	Chairman of the Board	Chairman of the Board	14,206,300
Linda Hasenfratz Guelph, Ontario Canada	38	1998	Chief Executive Officer	Chief Executive Officer  Linamar Corporation	2,198,490
Mark Stoddart Guelph, Ontario Canada	40	1999	Chief Technology Development Officer and Vice President of Marketing	Chief Technology Development Officer and Vice President of Marketing Linamar Corporation	209,000
William Harrison <sup>(1)(2)</sup> Guelph, Ontario Canada	65	1990	None	Chairman & Chief  Executive Officer of Lift Technologies Inc.	5,000
David Buehlow <sup>(1)(2)</sup> Bright, Ontario Canada	68	1998	None	Retired Partner of  Coopers & Lybrand LLP, A predecessor firm of Pricewaterhouse Coopers LLP	5,255
Terry Reidel <sup>(1)(2)</sup> Kitchener, Ontario Canada	61	2003	None	President & Chief  Operating Officer of Kuntz Electroplating Inc.	2,500

(1) Member of the Audit Committee

(2) Member of the Human Resources and Corporate and Governance Committee

(3) The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Corporation, has been furnished by the respective proposed nominees individually.

Each of the proposed nominees has held the principal occupation identified in the above table or another position with the same employer for the past five years except in the case of Messrs. Harrison and Reidel. Mr. Harrison was Executive Vice President of Cascade Corporation from 1997 to 1998, and from 1999 to the present time, has been the President and Chief Executive Officer of Lift Technologies Inc. Mr. Reidel was a Managing Partner of Ernst & Young's Waterloo Region Office from 1996 to 2001.

For biographical information relating to the Corporation's current Directors please visit Linamar's website at [www.linamar.com](http://www.linamar.com).

#### Re-Appointment of Auditors

At the Meeting, shareholders will be asked to re-appoint PricewaterhouseCoopers LLP as the auditors of the Corporation, to hold office until the next annual meeting of shareholders or until a successor is appointed. PricewaterhouseCoopers LLP have been the auditors of the Corporation since January 30, 1986. **The persons named in the accompanying form of proxy will, in the absence of specific instructions to the contrary, vote for the re-appointment of PricewaterhouseCoopers LLP as the auditors of the Corporation and the resolution authorizing the Directors to fix the auditors' remuneration.**



During 2004, the company paid \$826,158 to Pricewaterhouse Coopers LLP for audit, audit-related, tax and other fees.

Audit	\$539,119
Tax	\$177,495
Other	\$109,544
<b>Total</b>	<b>\$826,158</b>

### REPORT ON EXECUTIVE COMPENSATION

This report discusses the consideration given by the Human Resources and Corporate Governance Committee to compensation paid to the Chairman of the Board and the Chief Executive Officer of the Corporation for the fiscal year ended December 31, 2004. This Committee is guided by principles which have been in effect in substantially the same form since 1985. These principles provide that compensation should reflect:

- (a) Fair and competitive compensation commensurate with an individual's experience and expertise;
- (b) An emphasis on high productivity;
- (c) Contribution to enhancement of shareholder value; and
- (d) Bonuses and stock options to reward individual performance and contribution to the achievement of corporate performance and objectives.

The Corporation's Chairman of the Board makes recommendations to the Committee regarding his salary, bonus and stock options which are then reviewed by the Committee. In addition, the Chairman makes recommendations to the Committee regarding all stock option grants within the Corporation. The Committee considers the recommendations on his compensation in the context of his leadership, performance, contribution and expertise, bearing in mind the above-noted principles. If accepted, the recommendations are made to the Board for final approval.

The Chairman of the Board makes recommendations to the Human Resources and Corporate Governance Committee regarding the level of salary and benefits of the Chief Executive Officer. The Chief Executive Officer has the responsibility for determining the level of salary and benefits of the other senior executive officers of the Corporation. The salaries and benefits of the Chairman of the Board and the Chief Executive Officer are set by the committee within guidelines developed by the Board of Directors.

Compensation paid to the Chief Executive Officer, The Chief Financial Officer and the three most highly compensated executive officers (the "Named Executive Officers"), as described in this report and the tables that follow, is comprised of:

- (a) A relatively low base salary as compared to salaries paid by manufacturers of similar size;
- (b) An annual incentive bonus in the discretion of the Board or the Chief Executive Officer, as the case may be, derived from a predetermined percentage calculated on pre-tax earnings of the Corporation for the fiscal year in question; and
- (c) Stock options at option exercise prices not less than the fair market value of the Common Shares at the time of option grant, motivating executive performance and enhancing shareholder value.



**(a) Base Salary**

The base salary for each of the Named Executive Officers is determined for a fiscal period.

**(b) Annual Incentive**

Annual incentives or bonuses are based on a formula for each Named Executive Officer. For the Chairman of the Board, for the Chief Executive Officer, and for the President and Chief Operating Officer, the formula is derived from a predetermined percentage of pre-tax earnings of the Corporation. For the Group Presidents, the formula is derived from a predetermined percentage of pre-tax and pre-interest earnings for the group of companies managed by each of them. The Board, through the recommendation of the Committee, sets the percentage for the Chairman of the Board and the Chief Executive Officer. The Chief Executive Officer sets the percentage for the other Named Executive Officers and senior executives who participate in the bonus program. The bonuses paid for the fiscal year ended December 31, 2004 reflect the foregoing formulae.

For example, the Chief Executive Officer's annual bonus is equal to 1.25% of operating earnings, after any special charges or deductions to operating earnings.

**(c) Stock Options**

The Named Executives participate in the Linamar Corporation Share Option Plan (the "Share Option Plan"). The Share Option Plan was designed to ensure that executive's interests are closely aligned with those of all shareholders and is administered by the Board of Directors through the Human Resources and Corporate Governance Committee of the Board. Outside directors are not eligible to participate in the Share Option Plan and do not receive any share options in the Corporation.

As of March 8, 2005, a maximum of 14,156,250 Common Shares may be issued under the Share Option Plan, representing 20% of the Company's current outstanding capital. A total of 12,338,250 Common Shares have been issued under the Share Option Plan, representing 17.5% of the Company's current outstanding capital.

Under the Share Option Plan, the Board may grant to the Named Executives (and other employees of the Company and its subsidiaries and affiliates, as selected by the Board) options to purchase Common Shares of the Company. The exercise price of the options granted is the average daily high and low of the board lot trading prices of the Common Shares on the TSX for the five trading days prior to the date of the grant of the options. The term of the options cannot exceed five years from the date the option is granted. The vesting period for the options is in the discretion of the Board, however, it has been the recent practice of the Board that any options will vest at the rate of 20% of the option grant total each year subsequent to the grant of options.

Options that are not exercised within the exercise period are forfeited. The Board has the discretion, upon the grant of options, to determine the period during which the options may continue upon resignation, retirement or termination. It has been the recent practice of the Board to have the options expire immediately upon the occurrence of any of these events. If a participant dies while employed and has exercisable options outstanding at the time of death, the options may be exercised by the participant's personal representatives or executives within six months after the participant's death. The options under the Share Option Plan are not assignable.

The Board may adjust the number of options in the Share Option Plan in the circumstances of recapitalization, amalgamation, reorganization, arrangement, stock dividends, combinations or splits or exchanges of Common Shares or similar events. Except for these events, the Board may not, without the approval of the holders of a majority of the outstanding Common Shares, increase the maximum number of Common Shares that may be issued under the Share Option Plan, reduce the option price per Common Share below the exercise price set out above, or change the class of employees eligible to participate in the Share Option Plan.



No Options were granted to the Named Executive Officers during the fiscal year 2004. The committee is currently re-assessing the executive compensation package and in light of such, it was felt inappropriate to grant any stock options until this assessment had been completed.

The foregoing report is submitted by the Linamar Human Resources and Corporate Governance Committee.

Terry Reidel (Chairman)

William J. Harrison

David Buehlow

## COMPENSATION OF NAMED EXECUTIVE OFFICERS AND DIRECTORS

### Compensation of Named Executive Officers

#### Summary Compensation Table

The following table sets forth a summary of all compensation earned during the last three completed financial years by the Named Executive Officers as of the end of the Corporation's 2004 financial year.

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation <sup>(4)</sup> (\$)
		Salary (\$) <sup>(1)</sup>	Bonus (\$) <sup>(1)</sup>	Other Annual Compensation (\$) <sup>(2)</sup>	Number of Securities Under Options Granted <sup>(3)</sup>	Restricted Shares or Restricted Share Units	LTIP Payouts (\$)	
Frank Hasenfratz Chairman of the Board	2004	338,000	1,762,468	-	-	-	-	3,500
	2003	338,000	1,331,099	-	-	-	-	3,500
	2002	338,000	1,492,254	-	-	-	-	3,500
Linda Hasenfratz Chief Executive Officer & President	2004	350,000	1,469,898	-	-	-	-	3,500
	2003	350,000	1,050,005	-	-	-	-	3,500
	2002	308,846	994,581	-	-	-	-	3,500
Jim Jarrell Chief Operating Officer	2004	264,423	1,059,615	-	-	-	-	3,500
	2003	249,999	671,785	-	-	-	-	3,500
	2002	237,308	748,841	-	-	-	-	3,500
Keith Wettlaufer Chief Financial Officer, Treasurer and Vice President of Strategic Development	2004	266,034	272,718	-	-	-	-	3,500
	2003	266,401	146,683	-	-	-	-	3,500
	2002	257,265	154,678	-	20,000	-	-	3,500
Csaba Havasi Group President Europe	2004	231,474	450,373	-	-	-	-	-
	2003	211,535	450,373	-	-	-	-	1,076
	2002	140,000	319,968	-	-	-	-	3,500

#### NOTES:

- (1) For 2002, these amounts have been restated from the disclosure in such years' management information circulars by backing out of salary a vacation pay amount equal to 4% of the annual bonus earned by the Named Executive Officer in the year and adding such amount to the bonus earned by the officer. The bonus amounts disclosed for 2003 and 2004 include this vacation pay amount.
- (2) Except as specified, the value of perquisite and other personal benefits do not exceed \$50,000 or 10% of the total annual salary and bonus of the Named Executive Officer.
- (3) Reflects options granted under the Linamar Share Option Plan.
- (4) Amounts disclosed under the category "All Other Compensation" include payments made by the Corporation with respect to the Named Executive Officer pursuant to its defined contribution pension plan.



Summary of Outstanding Options

The following table provides certain information with respect to options to purchase Common Shares exercised by the Named Executive Officers during the financial year ended December 31, 2004 as well as the financial year end values of unexercised options for each Named Executive Officer.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2004 (#)		Value of Unexercised in-the-Money Options at December 31, 2004 (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Frank Hasenfratz	-	-	1,251,000	-	\$3,560,460	-
Linda Hasenfratz	-	-	1,051,000	-	\$2,642,460	-
Jim Jarrell	-	-	300,000	-	\$1,014,000	-
Csaba Havasi	-	-	-	-	-	-
Keith Wettlaufer	-	-	20,000	-	70,600	-

Employment Contracts

Only two of the Named Executive Officers, Keith Wettlaufer and Csaba Havasi have an employment contract with the Corporation.

Mr. Wettlaufer's contract provides for a base salary of \$275,000, along with a bonus of up to 15% of his base wages under the Linamar Stepping Stool program. In addition, Mr. Wettlaufer is entitled to a management bonus based on the Corporation's performance. Mr. Wettlaufer is eligible for a car allowance and stock option grants under the terms of the Stock Option Plan.

Mr. Havasi's contract provides for a base salary of \$237,657, along with a bonus of up to 15% of his base wages under the Linamar Stepping Stool program. In addition, Mr. Havasi is entitled to a management bonus for the Europe Group. Mr. Havasi is eligible for a car allowance and stock option grants under the terms of the Stock Option Plan. Mr. Havasi's employment contract also provides for pay in lieu of notice upon termination without cause of twelve (12) months base salary and bonus (calculated on the amount of bonus paid in the previous fiscal year.)

Pension Plans

The corporate pension plan is a defined contribution plan. Contributions paid with respect to the Named Executive Officers are included in the Summary Compensation Table under "All Other Compensation."

**Directors' Compensation**

For 2004, each Director who was not an employee of the Corporation (an "Eligible Director") was paid as remuneration for his services as a Director of the Corporation the amounts are set out below:

Annual Board Retainer	\$20,000
Annual Committee Chair Retainer	\$2,500
Annual Committee Retainer	\$1,000
Board Meeting – Personal Attendance	\$1,200
Board Teleconference	\$600
Committee Meeting – Personal Attendance	\$1,200
Committee Teleconference	\$600
Committee Meeting – Second Meeting	\$400

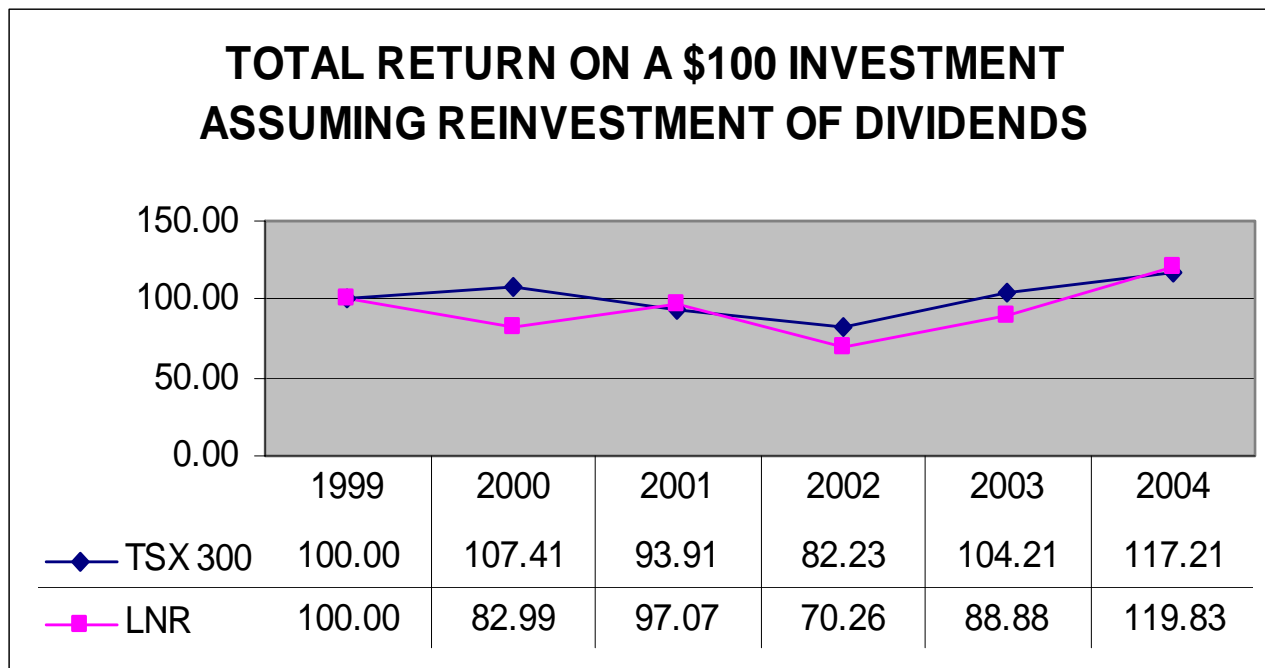
The total amount of Directors fees paid to Eligible Directors during fiscal 2004 was \$115,440 (excluding reimbursement of reasonable expenses incurred in the performance of their duties as Directors).



The Board of Directors have adopted a new policy requiring outside directors to own shares in the Corporation with a value equal to three times the amount of the annual retainer paid to outside directors. New and existing directors will have five years to reach that level of shareholding.

The following graph compares the yearly percentage change in the cumulative total shareholder return on the Common Shares over the last five years with the cumulative total return of the S&P/TSX Composite Index (formerly, the TSX 300 Stock Index), assuming reinvestment of all dividends.

#### STOCK PERFORMANCE GRAPH



#### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS AND SENIOR OFFICERS

None of the Directors, executive officers or senior officers of the Corporation or any of their associates were indebted to the Corporation or its subsidiaries, and no guarantee, support agreement, letter of credit or similar arrangement was provided to the Directors, executive officers, senior officers of the Corporation or any of their associates by the Corporation or its subsidiaries, during the financial year ended December 31, 2004.

#### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation has purchased Directors' and officers' liability insurance. The premium paid by the Corporation for this policy in 2004 was approximately \$76,658. The policy provides coverage for up to \$10,000,000 per policy period, subject to a deductible of \$100,000 per occurrence to be paid by the Corporation.



## REPORT ON CORPORATE GOVERNANCE

The Toronto Stock Exchange (the "TSX") requires every listed company incorporated in Canada or a province of Canada to disclose on an annual basis its approach to corporate governance with reference to the TSX's Guidelines for Effective Corporate Governance (the "TSX Guidelines").

The following, together with the matrix attached as Appendix A to this Circular, is the Corporation's report on its corporate governance practices. This Report has been reviewed by the Human Resources and Corporate Governance Committee of the Board and approved by it.

For the purpose of this Report, the term "unrelated Director" has the meaning ascribed to it in the TSX Guidelines, i.e. "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 Corporation, other than interests arising from shareholding". A "related Director" is a Director who is not an "unrelated Director". An "outside Director" is a Director who is not a member of the management of the Corporation.

### Mandate of the Board

The Board oversees the business and affairs of the Corporation, establishes or approves overall corporate policies where required and involves itself jointly with management in the creation of shareholder value, the preservation and protection of the Corporation's assets and the establishment of the Corporation's strategic direction. For these purposes, the Board holds regularly scheduled meetings on a fiscal quarterly basis, with additional meetings held as required. Separate annual strategic planning and business plan review meetings initiated in 2002 provide the Board the opportunity for a detailed discussion of strategy with management. There were eight meetings of the Board during fiscal 2004. In addition, there is continued communication between senior management and Board members on an informal basis and through Committee meetings.

The following table illustrates the total number of Board and Committee meetings for 2004 and the attendance at those meetings by each director.

<i>Director</i>	<i>Number Of Directors' Meeting</i>	<i>Number Attended</i>	<i>Percentage Attendance</i>
<i>Frank Hasenfratz</i>	8	8	100%
<i>David Buehlow</i>	16	16	100%
<i>William Harrison</i>	16	14	88%
<i>Terry Reidel</i>	16	16	100%
<i>Linda Hasenfratz</i>	8	8	100%
<i>Mark Stoddart</i>	8	6	75%

### Board Committees

The Board has established two standing committees, the Audit Committee and the Human Resources and Corporate Governance Committee, and has prescribed the responsibilities and mandates of both Committees. From time to time, the Board has established special committees composed entirely of independent Directors (i.e. non-management and "unrelated Directors" within the meaning of TSX Guidelines) to review and make recommendations on specific business matters, including related party transactions. Each such committee operates pursuant to written guidelines or the mandate set out in their respective authorizing resolutions. The Corporation does not have an executive committee.



## **Audit Committee**

During fiscal 2004, the Audit Committee was comprised of three Directors: Messrs. Buehlow (Chairman), Reidel and Harrison, of whom all are "outside" non-management and "unrelated Directors" within the meaning of the TSX Guidelines. See item 13 of Appendix A for a summary of the Audit Committee members' financial experience.

The Audit Committee operates under the Corporation's by-laws and applicable law, and, in accordance with the Audit Committee Mandate, the text of which is attached as Appendix B to this Circular, has general authority in relation to the Corporation's financial affairs as well as the specific responsibility to: review all fees paid to the auditors; review the Corporation's quarterly and annual financial statements (including management's discussion and analysis of financial condition and results of operations) and report thereon to the Board; and make recommendations to the Board as to the annual appointment or re-appointment of the auditors for the Corporation. The Audit Committee also has certain additional responsibilities relating to internal and external audits, oversight of management reporting on internal controls and procedures, the application of significant accounting principles, financial reporting and integrity, relations with the Auditors and other matters. Effective March 5, 2003, the Board adopted an Audit Committee Mandate, the text of which is set out in Appendix B. The Committee agreed to adopt the Audit Committee Mandate, recommended by the Audit Committee, to enhance the Corporation's existing corporate governance structures and practices. The Audit Committee met five times during fiscal 2004 with management and/or representatives of PricewaterhouseCoopers LLP. The Audit Committee also met with, or otherwise received reports on the activities of, the providers of internal audit services to the Corporation.

## **Human Resources and Corporate Governance Committee**

During fiscal 2004, the Human Resources and Corporate Governance Committee was comprised of three Directors: Messrs. Reidel (Chairman), Harrison and Buehlow, of whom all are "outside" non-management, and "unrelated Directors" within the meaning of the TSX Guidelines. Effective October 4, 2003, the Board adopted a Human Resources and Corporate Governance Committee Mandate, the text of which is set out in Appendix C to this Circular. The Human Resources and Corporate Governance Committee met four times in 2004 to review and make recommendations to the Board with respect to all direct and indirect compensation, benefits and perquisites (cash and non-cash) for the Chairman of the Board and the Chief Executive Officer. The Human Resources and Corporate Governance Committee also reviews and approves the disclosure relating to the compensation of Directors and officers of the Corporation contained in this Circular (or other documents prior to their distribution to Linamar's shareholders), prepares the Report on Executive Compensation contained herein, administers the Linamar Stock Option Plan and performs such other functions as requested or delegated by the Board. See "Report on Executive Compensation".

## **Shareholders Feedback**

Interested investors and analysts are invited, after all significant public announcements, including the release of interim and annual financial information, to discuss with senior management the impact on the Corporation of such information. The Chief Executive Officer and the Chief Financial Officer, Treasurer and Vice President of Strategic Development of the Corporation are available to discuss matters of concern to shareholders, and they can be reached at:

Linamar Corporation Office  
287 Speedvale Avenue, West  
Guelph, Ontario, CANADA, N1H 1C5  
Telephone: (519) 836-7550  
Fax: (519) 836-9175  
Email: [investorrelations@linamar.com](mailto:investorrelations@linamar.com)



### **Expectation of Management**

The Board expects management to act in the best interests of the Corporation. To this end, the Board must have confidence in the quality of the reports provided to it. The Board will continue to monitor the adequacy of the information requested by and provided to the Board.

### **INTEREST OF MANAGEMENT, NOMINEES AND OTHERS IN MATERIAL TRANSACTIONS**

During the year ended December 31, 2004, other than as described below, no Director, senior officer or principal shareholder of the Corporation, nor any affiliate thereof, has had any material interest, direct or indirect, in any transaction which has materially affected or will materially affect the Corporation or any of its subsidiaries.

The Corporation paid to Kiwi-Newton Construction Ltd. approximately \$5.3 million in fiscal year 2004 in respect of the construction of buildings, building additions and building improvements for certain of the Corporation's subsidiaries with operations in Ontario. Kiwi-Newton Construction Ltd. is owned by the spouse of and Chief Executive Officer of the Corporation. In order to address any potential conflict of interest, building contracts are tendered through a closed bid process on a periodic basis and submitted to an independent unrelated director.

### **DIRECTORS' APPROVAL**

The Board has approved the contents of this Information Circular and the sending of it to shareholders.

DATED as of March 8, 2005

ON BEHALF OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read "L. Hasenfratz", written over a horizontal line.

**Linda Hasenfratz**  
Chief Executive Officer



## APPENDIX A

### TORONTO STOCK EXCHANGE CORPORATE GOVERNANCE GUIDELINES

TSX Guideline	Company Alignment	Company's Governance Procedures
1. The Board should explicitly assume responsibility for stewardship of the corporation, and specifically for:	Yes	<p>The charter of the Board is to supervise the management of the Corporation and to act in the best interests of the Corporation. The Board acts in accordance with:</p> <ul style="list-style-type: none"> <li>▪ the Ontario Business Corporations Act.</li> <li>▪ the Corporation's articles of amalgamation and by-laws.</li> <li>▪ the Corporation's code of conduct.</li> <li>▪ the mandates of the Board and the Board committees.</li> <li>▪ other applicable laws and Corporation policies.</li> </ul>
(a) adoption of a strategic planning process;	Yes	<p>The Board is actively involved in the Corporation's strategic planning process. The Board discusses and reviews all materials relating to the strategic plan with management. The Board is responsible for reviewing and approving the strategic plan. At least one Board meeting each year is devoted to discussing and considering the strategic plan, which takes into account the risks and opportunities of the business. The Board also reviews the strategic plan at least quarterly. Management must seek the Board's approval for any transaction that would have a material impact on the strategic plan.</p>
(b) identifying the principal risks of Linamar's business and implementing risk management systems;	Yes	<p>The Board is responsible for identifying the principal risks of the Corporation and ensuring that risk management systems are implemented. The principal risks of the Corporation are those related to the environment, the Corporation's industry, foreign currencies and interest rates. The Audit Committee and Human Resources and Corporate Governance Committee meet on a regular basis to review reports and discuss significant risk areas with the internal and external auditors. The Board, through the Audit Committee and Human Resources and Corporate Governance Committee, ensures that the Corporation adopts risk management policies.</p>
(c) succession planning and monitoring senior management;	Yes	<p>The Board is responsible for choosing the Chairman and CEO, and for monitoring their performance. The Board also encourages senior management to participate in professional and personal development activities, courses and programs. The</p>



TSX Guideline	Company Alignment	Company's Governance Procedures
(d) communications policy; and	Yes	<p>Board supports management's commitment to training and developing all employees.</p> <p>The Human Resources and Corporate Governance Committee participates directly in the formal Annual Performance Review of the Chief Executive Officer.</p> <p>The Human Resources and Corporate Governance Committee actively addresses the succession planning process.</p>
(e) integrity of internal control and management information systems.	Yes	<p>Linamar is committed to the timely and accurate public disclosure of all material information about the Corporation to the investing public. The Corporation has and will continue to broadly disseminate key information reasonably required by investors to make an informed decision on whether to invest in Linamar securities. The company actively participates in quarterly earnings conference calls and has instituted an Annual Investor Day at the Corporation. Linamar's Board of Directors and senior management believe that the Corporation can best support the creation of shareholder value by publicly articulating its historical performance, its strategies, competitive advantages and growth prospects through an active dialogue with the investing public. At the same time, Linamar reserves the right to guard its need for confidentiality with respect to key business and operating strategies.</p> <p>The Chairman of the Board and the Chief Executive Officer are available to ensure effective communication with stakeholders and public.</p> <p>The Board's Audit Committee reviews compliance with financial reporting obligations, applicable accounting principles and appropriate internal controls. It meets with the external auditors at least once in each financial quarter, reviews interim results and reports such to the Board. See also the Audit Committee Mandate attached as Appendix B to this Circular.</p>



TSX Guideline	Company Alignment	Company's Governance Procedures
2. Majority of Directors should be "unrelated"	No	<p>Of the six Board members, three members are considered related Directors. Frank Hasenfratz, the Chairman of the Board is considered a related Director as he is a significant shareholder and the father of the Chief Executive Officer. Linda Hasenfratz is considered related as she is the Chief Executive Officer of the corporation. Mark Stoddart is considered a related Director as he is the Chief Technology Development Officer and Vice President of Marketing for the Corporation.</p> <p>The remaining three Directors, David Buehlow, William Harrison and Terry Reidel, are considered unrelated Directors and none of these Directors work in the day-to-day operations of the Corporation, are party to any material contracts with the Corporation, or receive any fees from the Corporation other than as Directors.</p> <p>The determination as to whether a Director was "related" or "unrelated" was reached by the Board by a review of the definitions in the TSX Guidelines, and an analysis of the financial, contractual and other relationships of each Director with Linamar and an assessment of the materiality of any such relationships and the effect, if any, on the independence of each individual Director.</p> <p>In 2004, one half of the Directors were "unrelated", a marked improvement over prior years. The Board continues to assess its composition on an ongoing basis.</p>
3. Individual Directors are independent?	Yes	<p>The Board considers Linda Hasenfratz a related Director as she is the daughter of Frank Hasenfratz, who is also a significant shareholder. The Board also considers Mark Stoddart a related Director as he is the son-in-law of the Chairman, Frank Hasenfratz, who is also a significant shareholder.</p>
4. Appoint a committee composed exclusively of unrelated, non-management Directors responsible for appointment/assessment of Directors.	Yes	<p>The Corporation does not have a nominating committee but the Human Resources and Corporate Governance Committee does convene as the nominating committee.</p> <p>New Directors are recruited by the Chairman of the Board after discussion with the Human Resources and Corporate Governance Committee, made up of unrelated Directors and thereafter the full Board. This committee is also responsible for the ongoing assessment of Directors. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Corporation, the ability to devote the time required, shown support for the Corporation's mission and strategic objectives, and a willingness to serve.</p>
5. Implement a process for assessing the effectiveness of the Board, its committees and individual Directors.	Yes	<p>In 2003, a Director-Peer Feedback process was implemented. The Human Resources and Corporate Governance Committee surveys Directors to provide feedback on the effectiveness of the Board. An outside consultant compiles the results to ensure confidentiality. The committee</p>



TSX Guideline	Company Alignment	Company's Governance Procedures
		assesses the operation of the Board and the committees, the adequacy of information given to Directors, communication between the Board and management and the strategic direction and processes of the Board and committees. The committee recommends changes to enhance the performance of the Board based on the survey feedback.
6. Provide orientation and education programs for new Directors	Yes	The Corporation has an orientation and education program in place for new Directors. All new Directors receive an Orientation Manual containing a record of historical public information about the Corporation, as well as the charters of the Board and committee mandates, and other relevant corporation and business information. The orientation also includes a tour of the Corporation's various facilities.
7. Consider the size of the Board, with a view to improving effectiveness.	Yes	The Board, given the entrepreneurial nature of Linamar and its strategic plans, does not believe that the quality of decisions or the implementation thereof would be improved or affected by altering its current composition. The Board feels that the size of the Board is appropriate for a Corporation of Linamar's size and complexity. This number of Directors permits the Board to operate in a prudent and efficient manner.
8. Review compensation of Directors in light of risks and responsibilities.	Yes	The Human Resources and Corporate Governance Committee annually reviews and recommends remuneration of Directors. To make its recommendation on Directors' compensation, the committee takes into account the types of compensation and the amounts paid to Directors of comparable publicly traded Canadian companies.
9. Committees should generally be composed of non-management Directors.	Yes	<p>The Board has appointed two committees:</p> <ul style="list-style-type: none"> <li>- the Audit Committee</li> <li>- the Human Resources and Corporate Governance Committee</li> </ul> <p>Both Committees of the Board are composed entirely of non-management Directors.</p>
10. Appoint a committee responsible for approach to corporate governance issues.	Yes	The Human Resources and Corporate Governance Committee is responsible for developing and monitoring Linamar's approach to corporate governance issues. The Human Resources and Corporate Governance Committee reviews continuously the Corporation's corporate governance practices and created a detailed action list of recommendations to the management. Several of the recommendations have already been implemented as disclosed herein. Discussion and implementation of further action items continues.
11. Define limits to management's responsibilities by developing mandates for:  (a) the Board	Yes	The Board supervises the management and direction of the business and the affairs of Linamar. Management is delegated to senior management. In addition, effective 2003, the Board will take part in a regular offsite review designed to clearly



TSX Guideline	Company Alignment	Company's Governance Procedures
(b) the Chief Executive Officer	Yes	<p>delineate the Board mandate, roles and responsibilities. It is anticipated that the review will take place on a sufficiently regular basis to allow modification to the Mandate in light of changes in the Corporation, the industry and securities law compliance in general.</p> <p>The limits to the authority of the Chief Executive Officer are defined in the strategic planning process, which the Board reviews and monitors.</p>
12. Establish structures and procedures to enable the Board to function independently of management.	Yes	<p>Linamar's outside Directors meet independently of management regularly through Audit and Human Resources Corporate and Governance Committee meetings where all outside Directors are regularly in attendance.</p> <p>In addition, each Committee of the Board meets in camera without management present as a regular item at each meeting. The Board of Directors also meets in camera without management present as a regular feature of each meeting.</p>
13. Establish an Audit Committee with a specifically defined mandate.	Yes	<p>All members of the Audit Committee are independent and non-management Directors.</p> <p>The Committee Chair, David Buehlow, is a Chartered Accountant with over 40 years of experience, most recently from PricewaterhouseCoopers. William Harrison, is the Chief Executive Officer of Lift Technologies Inc. and has had over 25 years of experience running a manufacturing business, which provides Linamar an excellent background of business acumen and financial strength. Similarly, Terry Reidel is President and Chief Operating Officer of Kuntz Electroplating Inc. ("Kuntz"). Prior to joining Kuntz, Mr. Reidel spent 39 years with the accounting firm of Ernst &amp; Young and was Office Managing Partner of their Waterloo Region Office.</p> <p>The Audit Committee meets with the auditors independently of management.</p>
14. Implement a system to enable individual Directors to engage outside advisers, at the corporation's expense.	No	<p>No formal system for the engagement of outside advisers has been implemented. There is no policy in place prohibiting this activity or establishing specific guidelines as to how arrangements are to be made.</p> <p>However, the Audit Committee Mandate, attached as Appendix B hereto, specifically grants the authority to the Audit Committee to retain external legal and other advisers to assist it in fulfilling its responsibilities, and the Corporation shall provide appropriate funding for the services of those advisers.</p>



## APPENDIX B

### Mandate of the Audit Committee

#### II. Purpose of Audit Committee

The Audit Committee has been formed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- review and report to the Board on the financial statements, related MD&A and other financial disclosures of the Company;
- monitor the integrity of the financial reporting process and system of internal controls in respect of the Company's financial reporting and accounting compliance;
- monitor the management of the principal risks that could impact the financial reporting and related disclosure of the Company; and
- monitor the independence, qualifications and performance of the Company's external auditors and internal auditing department.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and has direct access to the external auditors as well as any officer or employee of the Company.

#### III. Audit Committee Composition, Meetings and Organization

##### **Composition:**

The Audit Committee members shall meet the requirements of the *Business Corporations Act* (Ontario) (the "OBCA") and Multilateral Instrument 52-110. The Audit Committee shall be comprised of three or more directors as determined by the Board, a majority of whom must be resident Canadians (as defined in the OBCA), each of whom shall be independent directors (as defined in Schedule "A") and none of whom shall be officers or employees of the Company or its affiliates. All members of the Audit Committee shall be financially literate (as defined in Schedule "A"). A director who is not financially literate may be appointed to the Audit Committee provided that such director becomes financially literate within a reasonable period of time following his or her appointment.

##### **Appointment of Members and Chair:**

Members of the Audit Committee shall be appointed by the Board on the recommendation of the Human Resources and Corporate Governance Committee and shall serve at the pleasure of the Board, or until the close of the next annual meeting of shareholders of the Company. If the Chair of the Audit Committee is not designated or present at a duly called meeting of the Audit Committee, the members of the Audit Committee may designate a Chair by a majority vote of the Audit Committee membership.

##### **Meetings:**

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee Chair, any member of the Audit Committee, the external auditors or the Chairman of the Board may, with reasonable notice, call a meeting of the Audit Committee by notifying the secretary of the Board who will notify the members of the Audit Committee. The external auditors are entitled to receive notice of every meeting of the Audit Committee and to attend and be heard at such meetings. A majority of the



members of the Audit Committee shall constitute a quorum. The Audit Committee Chair shall prepare and approve an agenda in advance of each meeting.

The Audit Committee should meet privately at least annually with management, the external auditors, and as a committee to discuss any matters that the Audit Committee or any of these groups believe should be discussed.

#### **Access to Outside Advisors:**

The Audit Committee shall have the authority to retain external legal counsel and other advisors to assist it in fulfilling its responsibilities. The Company shall provide appropriate funding, as determined by the Audit Committee, for the services of these advisors.

#### **IV. Audit Committee Responsibilities and Duties**

The Audit Committee shall have the duties and responsibilities set out below as well as any other functions that are specifically delegated to the Audit Committee by the Board. In addition to these duties and responsibilities, the Audit Committee shall perform the duties required of the Audit Committee by the OBCA, binding requirements of the stock exchanges on which the securities of the Company are listed and all other applicable laws. The Audit Committee may designate a sub-committee to review any matter within this Mandate.

##### **(a) Review Procedures**

- (i) The Audit Committee shall review and report to the Board on the Company's annual audited financial statements, unaudited quarterly financial statements, related MD&A, annual and interim earnings press releases and other related financial disclosures (including financial disclosures of the Company provided in prospectuses) prior to filing or distribution. The Audit Committee's review should include discussions with management and the external auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgments.
- (ii) At least annually, in consultation with management and the external auditors, the Audit Committee shall consider the integrity of the Company's financial reporting processes and internal controls. The Audit Committee shall discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. The Audit Committee shall also review significant findings prepared by the external auditors together with management's responses.
- (iii) The Audit Committee shall review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provide the Audit Committee's view to the Board.
- (iv) The Audit Committee shall review and assess the adequacy of this Mandate at least annually and submit this Mandate to the Board for approval.

##### **(b) External Auditors**

- (i) The Audit Committee is responsible for overseeing the work of the external auditors. The Audit Committee shall, at least annually, review the independence and performance of the external auditors, including the qualifications and performance of the lead partners of the external auditors, and recommend to the



Board the appointment and the compensation of the external auditors or approve any discharge of the external auditors when circumstances warrant.

- (ii) The Audit Committee shall pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the external auditors.
- (iii) At least annually, the Audit Committee shall review and discuss with the external auditors all significant relationships they have with the Company that could impair the external auditors' independence.
- (iv) At least annually, the Audit Committee shall review the external auditors' audit plan and discuss and approve the audit scope, staffing, locations, reliance upon management, and general audit approach.
- (v) Prior to releasing the year end financial results, the Audit Committee shall discuss the results of the audit with the external auditors and discuss any matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants.
- (vi) The Audit Committee shall consider the external auditors' judgements about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting.

(c) **Internal Audit Department and Legal Compliance**

- (i) At least annually, the Audit Committee shall review the independence of the internal audit department from management and review any difficulties encountered by the internal audit department in the course of its internal audit.
- (ii) At least annually, the Audit Committee shall review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or government agencies.

(d) **Other Audit Committee Responsibilities**

- (i) At least annually, the Audit Committee shall assess its effectiveness and each of its members against this Mandate and report the results of the assessment to the Board.
- (ii) At least annually, the Audit Committee shall disclose this Mandate to shareholders, as required by applicable law.
- (iii) The Audit Committee shall maintain minutes of its meetings and periodically report to the Board on significant results of its activities and deliberations.
- (iv) The Audit Committee shall review senior financial and accounting personnel succession planning within the Company.
- (v) The Audit Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company. This policy is defined in the Standard Practice Manual, # 4-000X.



- (vi) The Audit Committee shall establish procedures for a whistleblower policy which will include:
  - 1. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  - 2. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (vii) At least annually, the Audit Committee shall review a summary of related party transactions and potential conflicts of interest of directors and officers of the Company; and
- (viii) The Chair of the Audit Committee shall coordinate orientation and continuing director development programs relating to this Mandate for Audit Committee members.

**V. Currency of the Audit Committee Mandate**

This Mandate was last reviewed by the Board of Directors on November 10, 2004.



## SCHEDULE "A"

### Definitions

#### Definitions<sup>1</sup>:

##### Meaning of Independence –

1. A member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Company.
2. For the purposes of subsection (1), a material relationship means a relationship which could, in the view of the Company's board of directors, reasonably interfere with the exercise of a member's independent judgment.
3. Despite subsection (2), the following individuals are considered to have a material relationship with the Company:
  - (a) an individual who is, or has been, an employee or executive officer of the Company, unless the prescribed period has elapsed since the end of the service or employment;
  - (b) an individual whose immediate family member is, or has been, an executive officer of the Company, unless the prescribed period has elapsed since the end of the service or employment;
  - (c) an individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the Company, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
  - (d) an individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the Company, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
  - (e) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of the Company's current executive officers serve on the entity's compensation committee, unless the prescribed period has elapsed since the end of the service or employment;
  - (f) an individual who:

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<sup>1</sup> Derived from Multilateral Instrument 52-110.

- (i) has a relationship with the Company pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any subsidiary entity of the Company, other than as remuneration for acting in his or her capacity as a member of the board of directors or any Board committee, or as a part-time chair or vice-chair of the Board or any Board committee; or
    - (ii) receives, or whose immediate family member receives, more than \$75,000 per year in direct compensation from the Company, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee, unless the prescribed period has elapsed since he or she ceased to receive more than \$75,000 per year in such compensation.
  - (g) an individual who is an affiliated entity of the Company or any of its subsidiary entities.
4. For the purposes of subsection (3), the prescribed period is the shorter of
- (a) the period commencing on March 30, 2004 and ending immediately prior to the determination required by subsection (3); and
  - (b) the three year period ending immediately prior to the determination required by subsection (3).
5. For the purposes of clauses (3) (c) and (3) (d), a partner does not include a fixed income partner whose interest in the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with an internal or external auditor if the compensation is not contingent in any way on continued service.
6. For the purposes of clause (3)(f), compensatory fees and direct compensation do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company if the compensation is not contingent in any way on continued service.
7. For the purposes of subclause 3(f) (i), the indirect acceptance by a person of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) a person's spouse, minor child or stepchild, or a child or stepchild who shares the person's home; or
  - (b) an entity in which such person is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members



and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company or any subsidiary entity of the Company.

8. Despite subsection (3), a person will not be considered to have a material relationship with the Company solely because he or she:
  - (a) has previously acted as an interim chief executive officer of the Company, or
  - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or any board committee, other than on a full-time basis.

**Meaning of Financial Literacy** – An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.



## APPENDIX C

### **Mandate of the Human Resources and Corporate Governance Committee**

#### **I. Purpose of the Committee**

The Human Resources and Corporate Governance Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight and advisory responsibilities. The Committee's primary duties and responsibilities are to;

- Develop and monitor the company's system of corporate governance to assure appropriate representation on the Board and the succession of key positions within the company
- Monitor the performance of the Chair and CEO and recommend their compensation to ensure fair and competitive compensation, emphasizing productivity and shareholder value
- Monitor trends and regulatory changes to Corporate Governance practices and policies
- Monitor the performance of the Board of Directors and its members

#### **II. Human Resources and Corporate Governance Committee Composition and Meetings**

The Human Resources and Corporate Governance Committee members shall meet the requirements of the Canada Business Corporations Act, the Toronto Stock Exchange, and the Ontario Securities Commission (OSC). The Human Resources and Corporate Governance Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be outside directors who are unrelated, free from any relationship that would interfere with the exercise of his or her independent judgment.

The Human Resources and Corporate Governance Committee shall be appointed by the Board on recommendation of the nominating process. If a Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Chair shall prepare and approve an agenda in advance of each meeting. The Committee will meet privately at least annually without management to discuss any matters that the Committee believe should be discussed.

#### **III. Human Resources and Corporate Governance Committee Responsibilities and Duties**

1. Review and assess the adequacy of its mandate at least annually and submit the mandate to the Board of Directors for approval.
2. Review the size, composition and mandates off all the Board Committees and recommend changes.



3. In consultation with the Chair of the Board, review and recommend remuneration of the Directors.
4. Provide formal orientation and education of new directors.
5. In consultation with the Chair of the Board, review the size and composition of the Board and convene as a nominating committee annually to recommend new Board members or changes to existing composition.
6. To review the performance of the Board of Directors and oversee the annual Director-Peer feedback process.
7. Annually review and recommend the total compensation package of the Chair of the Board and the CEO including base, bonuses, perks, and stock option plans.
8. Annually review the performance of the Chair of the Board and the CEO.
9. Administer the Stock Option Plan.
10. Review the succession plan of senior management.
11. Regular quarterly review of Governance trends and requirements to ensure changes or proposed changes are acted on promptly.
12. Review the adequacy of insurance coverage for Directors and Officers.