

HUMAN RESOURCES AND COMPENSATION COMMITTEE

OF THE BOARD OF DIRECTORS OF SEARS CANADA INC.

CHARTER

(amended and restated as of October 25, 2007)

1. DEFINITIONS

In this Charter the following terms have the meaning set out below:

"Affiliate" means the relationship of bodies corporate where one body corporate is the subsidiary of the other or each of them is a subsidiary of the same body corporate or is controlled by the same person;

"Board" means the Board of Directors of the Corporation;

"Chair" means the chair of the Committee;

"Chief Executive Officer" or **"CEO"** means the Chief Executive Officer and/or the President of the Corporation or the individual holding the highest executive function of the Corporation appointed by the Board;

"Committee" means the Human Resources and Compensation Committee established by the Board;

"Corporation" means Sears Canada Inc.;

"Director" means an individual elected to the Board by shareholders of the Corporation, or appointed to and by the Board;

"VP HR" means the Vice-President, Human Resources of the Corporation or the individual holding the highest executive function of the Human Resources Department;

"Independent Director" means a Director who has no direct or indirect material relationship with the Corporation or any of its Affiliates, that is, a relationship which would, in the view of the Board, reasonably interfere with the exercise of the Director's independent judgment;

"Member" means a Director, other than a Director who is also an employee of the Corporation, appointed to the Committee by the Board;

"Officer" means an officer of the Corporation appointed by the Board;

2. **PURPOSE**

The purpose of the Committee is to assist the Board in its oversight responsibilities relating to:

- (a) the development of the Corporation's overall human resources strategy for fair and competitive compensation of Officers in support of the achievement of the Corporation's business strategy, as well as the development of other significant compensation programs for the benefit of all employees; and
- (b) the development of the CEO's goals and objectives and the evaluation of the CEO's performance against these goals; and
- (c) the succession plan for, and the compensation of, Officers.

3. **STRUCTURE**

- (a) The Committee shall be composed of three or more Members.
- (b) Members shall hold office from the time of their appointment until the earlier of their removal or resignation from the Committee.
- (c) One of the Members shall be appointed by the Board as the Chair.
- (d) Unless otherwise determined by resolution of the Board, the Secretary of the Board shall be the Secretary of the Committee. The Secretary of the Committee shall maintain the records of the Committee.
- (e) The Committee shall establish its own procedures, including the timing and place of meetings, as it considers necessary or advisable.

4. **ROLE OF THE CHAIR**

The main responsibilities of the Chair are as follows:

- (a) Call and chair all meetings of the Committee. If the Chair is unavailable or unable to attend a meeting of the Committee, then the Chair shall request another Member to chair the meetings. Failing such request, the acting Chair shall be designated by and from the Members present at the meeting.
- (b) Develop the agenda for meetings of the Committee with or without consulting management.
- (c) Hold the right to cast a vote to resolve any ties on matters that require Committee approval.
- (d) Update, from time to time, Directors who are not Members, of any significant issues or deliberations of the Committee.
- (e) Act as the primary contact between the Committee and management.
- (f) Report to the Board on all meetings and activities of the Committee.
- (g) Assume any other responsibilities as this Charter, the Committee or the Board may specify from time to time.

5. **RESPONSIBILITIES OF THE COMMITTEE**

The Committee shall have the following duties and responsibilities:

A. *Compensation Strategy*

- (1) Approve the Corporation's compensation and human resources strategy to ensure that it is aligned to the goals and objectives of the Corporation.
- (2) Assess the competitiveness and appropriateness of the Corporation's policies relating to the compensation of Officers as well as the application of internal equity thereto.

B. *Compensation Policies and Practices*

- (1) Review and approve, at least annually, (i) the design of the Corporation's compensation policies and practices, including pension plans and the funding thereof, other benefit plans (perquisite program), executive base salaries and all employee-related short and long-term incentive plans and equity-based plans together with performance targets thereunder in support of the Corporation's business strategy; (ii) the level of achievement of performance goals at the end of each plan year or cycle, as confirmed by the Audit Committee of the Board; and (iii) any incentive plan payments to Officers (except the CEO) and, in summary form, to other eligible plan participants.
- (2) Review and recommend for Board approval any and all grants proposed to be made under the Sears Canada Inc. Employees Stock Plan and establish any requisite vesting and performance criteria.
- (3) At least once annually, review the benefits accruing, and the liability arising, from the Sears Canada Inc. Supplementary Retirement Plan, as well as, the number of eligible participants thereunder.
- (4) Perform such duties and exercise such rights and/or powers as may be delegated to the Committee pursuant to any of the Corporation's employee benefit plans.
- (5) Review and approve the compensation arrangements of any executive of the controlling shareholder of the Corporation who has been seconded to the Corporation. Such review shall be carried out pursuant to the existing Executive Compensation and Sharing Agreement made between the Corporation and Sears Holdings Corporation, with the cost sharing being subject to such modifications as may be appropriate in the circumstances.

C. *Performance Evaluation of the CEO and Compensation of Officers*

1. CEO

- (a) Establish performance targets and corporate goals and objectives that are relevant to the CEO's compensation.
- (b) Evaluate annually, with input from non-management Directors, the CEO's performance in light of such goals and objectives.
- (c) Determine and recommend annually, for approval by the Board, the CEO's compensation based on the Committee's evaluation of the CEO's performance.
- (d) Consider and recommend, for approval by the Board, any employment-related agreements between the Corporation and the CEO.

2. **Officers**

- (a) Review the annual performance assessments of Officers submitted by the CEO to the Committee.
- (b) Review and approve:
 - (i) at least annually, all compensation of Officers from the Corporation and its subsidiaries, as well as from any third party with which the Corporation has an arrangement involving the compensation of and officer ;
 - (ii) any changes to the compensation of Officers; and
 - (iii) the compensation of any newly appointed Officer; and

report to the Board regarding the foregoing at the Board's next regularly scheduled meeting.
- (c) Make recommendations, for approval by the Board, on the proposed appointment or reassignment of Officers.
- (d) Consider and approve any employment-related agreements between the Corporation and Officers, and report its conclusions to the Board at the Board's next regularly scheduled meeting.

3. **Management**

Review and approve annually, in summary form, the aggregate amounts allocated to management, other than Officers, pursuant to short and long-term incentive plans and grants made under equity-based compensation arrangements, as applicable.

D. ***Succession Planning***

Review and approve annually the executive organizational structure and the succession plans for Officers, provided, however, that only the Board may approve the succession plan for the CEO and appoint Officers.

E. **Compensation Disclosure**

Review and approve the report of the Committee regarding executive compensation required to be set forth in the Corporation's annual Management Proxy Circular.

6. **MEETINGS**

- (1) The Committee shall meet at least three times per year and may meet more often if required.
- (2) The CEO and the VP HR may attend meetings of the Committee if invited by the Committee provided, however, that the CEO or the VP HR may not be present during deliberations or voting on their respective compensation.
- (3) The quorum necessary for the transaction of business at Committee meetings shall be three Members, the majority of whom shall be Independent Directors.
- (4) The Committee may meet in person or by telephone and may pass resolutions in lieu of a meeting, provided such resolutions are signed by every Member.
- (5) The Committee shall, as it deems appropriate, hold an *in camera* session following each meeting without management.

7. **GENERAL**

- (1) The Committee shall have the authority to engage external advisors, as it deems appropriate, to assist the Committee in the performance of its duties. Such external advisors may attend meetings of the Committee at the request of the Committee. The Corporation shall cover the costs of such advisors.
- (2) The Committee shall have the authority to delegate, as appropriate, certain of its responsibilities and activities to one or more Members or to a subcommittee of the Committee.
- (3) The Committee shall review and assess the currency and adequacy of this Charter on an annual basis and recommend any appropriate changes thereto for approval by the Board. Notwithstanding the foregoing, the Board has the inherent jurisdiction to initiate and approve changes to this Charter at any time.
- (4) In conjunction with the regular assessment of Board effectiveness, review and evaluate the Committee's performance.