

**NOMINATING AND CORPORATE GOVERNANCE COMMITTEE  
OF THE  
BOARD OF DIRECTORS  
OF  
SEARS CANADA INC.**

**CHARTER**

*(amended and restated as of December 21, 2006)*

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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 Nominating and Corporate Governance 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;

**"Guidelines"** means the corporate governance guidelines, policies and requirements adopted from time to time by applicable securities regulatory authorities;

**"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;

**"Lead Director"** means an Independent Director appointed by the Board as Lead Director of the Board; and

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

2. **PURPOSE**

The purpose of the Committee is to assist the Board in:

- (a) developing, implementing and overseeing compliance with, the Board's corporate governance policies, practices and procedures;
- (b) identifying candidates to be nominated for election or appointment to the Board;
- (c) determining the compensation of Independent Directors for their service to the Board and its committees; and
- (d) assessing the performance and effectiveness of the Board and its committees.

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, who is an Independent Director, 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. In each case, the acting Chair shall be an Independent Director.
- (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) Act as the primary contact between the Committee, the Lead Director, if one has been appointed, and management.
- (e) Report to the Board on all meetings and activities of the Committee.
- (f) Assume other responsibilities as this Charter, the Committee or the Board may specify from time to time.

5. **RESPONSIBILITIES**

The Committee shall have the following duties and responsibilities:

**A. *Corporate Governance***

- (i) Develop and recommend to the Board, for its adoption, a comprehensive set of corporate governance policies, practices and procedures, including the mandates of the Board, the CEO, the Chair of the Board and the Lead Director, in accordance with the Guidelines, and review such policies, practices and procedures periodically and recommend changes, as deemed necessary, based on emerging trends in corporate governance practices.
- (ii) Assist in the implementation of, and the monitoring of compliance with, the Board's corporate governance policies, practices and procedures.
- (iii) Review, at least annually, the adequacy and effectiveness of the Board's corporate governance policies, practices and procedures.
- (iv) Review and recommend for approval by the Board the corporate governance statements to be included in the Corporation's Annual Report and Management Proxy Circular.
- (v) Assess shareholder proposals intended for inclusion in the Management Proxy Circular and make appropriate recommendations to the Board with respect thereto.

**B. *Board Structure and Director Selection***

- (i) Review the size and composition of the Board to ensure that both reflect the degree of investment of shareholders in the Corporation while maintaining adequate Board independence to safeguard the rights of all shareholders.
- (ii) Develop and recommend for approval by the Board a policy setting out the appropriate criteria for the selection of Directors (attached hereto as a Schedule).
- (iii) When appropriate, engage an independent search firm specializing in, among other things, director recruitment with a view to identifying prospective qualified candidates for consideration by the Committee.
- (iv) Consider and recommend for approval by the Board qualified candidates to be nominated for election or appointment to the Board.

**C. *Compensation of Directors***

- (i) Conduct, at least every two years, a review of Independent Directors' compensation for their service to the Board and its committees and determine the adequacy of such compensation.
- (ii) If appropriate and timely, engage an independent consulting firm to conduct a comprehensive survey of prevailing market trends and practices in director compensation and obtain a report on its findings and recommendations.

- (iii) Evaluate the report received from the independent consulting firm and make appropriate recommendations to the Board with respect to the compensation of the Independent Directors based on the findings and recommendations of such report.

**D. *Assessment of Directors***

- (i) Develop and approve a process and methodology for assessing the performance and effectiveness of the Board and its committees.
- (ii) Conduct, at least every two years, a board effectiveness survey to evaluate the performance and effectiveness of:
  - the Board and the Chair of the Board;
  - the Board's committees and their respective chairs; and
  - each Director by way of peer review.
- (iii) Review and evaluate the results of the board effectiveness survey and make recommendations as deemed appropriate, to the Board.
- (iv) Review the adequacy of the orientation and education program for new Directors and the ongoing educational presentations to incumbent Directors.

**6. MEETINGS**

- (a) The Committee shall meet at least three times per year and may meet more often if required.
- (b) The CEO and the Chair of the Board shall be entitled to attend all meetings of the Committee unless they are requested by the Committee not to do so.
- (c) The quorum necessary for the transaction of business at Committee meetings shall be three Members.
- (d) 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.
- (e) The Committee shall, as it deems appropriate, hold an *in camera* session following each meeting without management.

**7. GENERAL**

- (a) The Committee shall have the authority to engage external advisors, as it deems appropriate, to assist the Committee in the performance of its duties. The Corporation shall cover the costs for such advisors.
- (b) 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.
- (c) 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.
- (d) In conjunction with the regular assessment of Board effectiveness, review and evaluate the Committee's performance.

## SCHEDULE

### **Director Selection Policy forming part of the Charter of the Nominating and Corporate Governance Committee of the Board of Directors of Sears Canada Inc. (approved January 20, 2003)**

The Nominating and Corporate Governance Committee (the "Nominating Committee") is responsible for recommending nominees for election as Directors at each annual shareholders' meeting and recommending nominees to fill vacancies on the Board of Directors of Sears Canada Inc. (the "Board").

When a position becomes vacant, the Chair of the Nominating Committee prepares a skills profile for that position. This profile should be consistent with the Selection Criteria below but be tailored to the particular vacancy (e.g., financial expertise required, regional representation).

The Nominating Committee must ensure that prospective nominees fully understand the role of the Board; Committees of the Board and the contribution individual directors are expected to make including, in particular, the commitment of time and energy that the Corporation expects of its directors.

#### **Selection Criteria**

Since the Board of Directors is responsible for overseeing the management of the business and affairs of the Corporation and acting with a view to the best interests of the Corporation, it is important that they each possess the following core characteristics and competencies:

#### **Integrity and Accountability**

- Directors must demonstrate high ethical standards and integrity in their personal and professional dealings, and be willing to act on – and remain accountable for – their boardroom decisions.

#### **Informed Judgment**

- The ability to provide wise, thoughtful counsel on a broad range of issue ranks high among the qualities required in directors. They must develop a depth of knowledge of retail, in order to understand and question the assumptions upon which the strategic and business plans are based, and to form an independent judgment as to the probability that such plans can be achieved.

#### **Financial Literacy**

- One of the most important roles of the Board is to monitor financial performance. To do this, directors should be financially literate. They should know how to read financial statements, and they should understand the use of financial ratios and other indices for evaluating company performance. Additional assistance in this area will be made available to individual directors, as needed.

#### **Track Record and Experience**

- In today's highly competitive world, only companies capable of performing at their highest levels are likely to prosper. Directors must bring a history of achievement that reflects high standards for themselves and others.

**Teamwork**

- Directors who value Board and team performance over individual performance, and who possess respect for others, facilitate superior Board performance.

**Communication**

- Openness to others' opinions and the willingness to listen should rank as highly as the ability to communicate persuasively. Directors must approach others assertively, responsibly and supportively, and be willing to raise tough questions in a manner that encourages open discussion.

**Dedication**

- Directors must be willing and able to commit the necessary time and energy required for their role on the Board. Preparation for and attendance at all of their respective meetings is expected.

In addition to these attributes, the Nominating Committee will consider such things as regional representation, business and academic qualifications, gender, Canadian residency, size of the Board, and legislative requirements when selecting nominees.

***Residency and Occupation Guidelines***

If there is a material change in an incumbent director's principal occupation or residency status, he or she should prepare a letter of resignation addressed to the Board. The Board will decide whether or not to accept the resignation.