

AUTOCANADA INC.

GOVERNANCE AND COMPENSATION COMMITTEE CHARTER

PURPOSE

The Governance and Compensation Committee (the "**Committee**") is a standing committee established by the board of directors (the "**Board**") of AutoCanada Inc. (the "**Corporation**") to:

- establish a process for identifying, recruiting, appointing and providing ongoing development for directors, including identifying individuals qualified to become board members and to select, or to recommend that the Board select the director nominees for the next annual meeting of shareholders;
- oversee the evaluation of the Board;
- assist the Board in fulfilling its oversight responsibilities regarding the effectiveness of the Corporation's corporate governance system;
- develop and recommend to the Board a set of corporate governance principles applicable to the Corporation;
- oversee succession planning for the Executive Chairman or CEO, the President, the Chief Financial Officer, and other officers of the Corporation (collectively, "**management**"), the Board, all committee members and all committee chairs;
- develop the Corporation's philosophy and guidelines on executive compensation;
- review the Corporation's Executive Chairman or CEO, President, Chief Financial Officer, and other officers of the Corporation (collectively, "**management**") and director performance and determine the Corporation's Executive Chairman or CEO, President, Chief Financial Officer, and other officers of the Corporation and director compensation;
- determine the Executive Chairman's or CEO's goals and objectives relevant to compensation;
- review and recommend for Board approval the Executive Chairman's or CEO's compensation based on the Committee's evaluation of their performance relative to their goals and objectives; and
- review and administer the Corporation's incentive compensation plans.

COMPOSITION OF COMMITTEE

1. Composition

The Committee will have a minimum of three (3) members, including the chair of the Committee. The Board, on the recommendation of the Committee, will appoint and remove the members of the Committee by a majority vote. The members will sit on the Committee at the pleasure of the Board.

2. Independence

Each member of the Committee shall be an "independent director" (as defined under applicable securities laws).

3. Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by appointment from among its members. The Board shall fill any vacancy if the membership of the Committee is less than three (3) directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of shareholders after his or her appointment or until his or her successor shall be duly appointed and qualified.

4. Governance and Compensation Committee Chair

The Board, on the recommendation of the Committee, will appoint the chair of the Committee (the "**Chair**") from the Committee's members by a majority vote. The Chair will hold such position at the pleasure of the Board and will be responsible for:

- a) coordinating with the Executive Chairman or CEO and the Corporation on major strategic issues, annual and long-term business plans, and other business-related issues;
- b) coordinating with the Committee to ensure that the Committee is in compliance with its obligations, assist the Board in its recommendation of Committee members, establishing the frequency of Committee meetings, chairing the Committee meetings, liaising and communicating with directors and other committee chairs to coordinate input from directors and other related matters;
- c) coordinating with the Board to monitor and review the general business affairs of the Corporation including considering measures it may take if performance of the Corporation falls short of its goals; and
- d) ensuring the Board is appropriately represented vis-à-vis major shareholders, and other significant stakeholders.

MEETINGS

5. Frequency of Meetings

The Committee will meet at least once each quarter and otherwise as necessary. Any member of the Committee may call meetings of the Committee. All directors of the Corporation, including management directors, may attend meetings of the Committee provided, however, that no director is entitled to vote at such meetings and is not counted as part of the quorum for the Committee if he or she is not a member of the Committee.

6. Corporate Secretary

The Corporate Secretary (or his or her nominee) or the Corporation's legal counsel will act as Secretary to the Committee.

7. In-Camera Session

The Committee should hold an in-camera session without management present, including management directors, as a regular feature of each regularly scheduled Committee meeting.

8. Reporting

The Committee will report to the Board on its meetings and each member of the Board will have access to the minutes of the Committee's meetings, regardless of whether the director is a member of the Committee.

9. Quorum

The quorum necessary for the transaction of business at Committee meetings will be a majority of the members of the Committee. A quorum once established is maintained even if members of the Committee choose to leave the meeting prior to its conclusion.

SPECIFIC MANDATES OF THE COMMITTEE

The Committee is responsible for monitoring corporate governance developments and best practices for corporate governance and for furthering the effectiveness of the Corporation's corporate governance practices. The Committee will:

10. In Respect of Board and Committees

- a) prior to each annual general meeting, and in consultation with the Chair, review and recommend the composition of the Board (including the identification and recruitment of directors) and the committees and any necessary changes;
- b) annually, in consultation with the Chair, review and recommend the nominees for election as directors at the Corporation's annual general meetings and, as required, candidates to fill any casual vacancy occurring in the Board or committees;
- c) review and recommend as required, candidates for appointment of the Chair, Lead Director and the Executive Chairman or CEO;
- d) annually, together with the Chair and, where appropriate, the chairs of other committees, review and recommend the mandate, scope, duties and responsibilities of those committees and any amendments thereto, as well as the establishment or disbanding of Board committees and changes to their composition, including the chairs thereof;
- e) annually review and recommend the Corporation's policies, the adequacy of the Board Policy Manual and the position descriptions and any amendments thereto for each committee and the Code of Business Conduct; and

- f) at appropriate intervals, review and recommend compensation and benefits for the directors of the Corporation, including the Chair.

11. In respect of Director Selection, Education, Evaluation and Criteria

The Committee will:

- a) recommend to the Board for approval a process for the selection of new directors and periodically review such process and recommend any changes thereto to the Board for approval;
- b) recommend to the Board for approval the criteria to be met by all directors of the Corporation in order to be eligible to serve as a director and periodically review and recommend any changes to the eligibility criteria to the Board for approval;
- c) recommend to the Board for approval, a process for the determination of the "independence" of the directors and the "financial literacy" of the members of the audit committee, as well as the actual determinations, as those terms are defined under applicable securities laws and periodically review such process and recommend any changes thereto to the Board for approval;
- d) approve orientation processes for new directors and annual plans for the ongoing education of existing directors;
- e) in conjunction with the Chair, conduct an annual evaluation of the performance of individual directors, the Chair, the chair of all committees, and the Board as a whole; and
- f) establish and annually review a Board skills matrix and a gap analysis.

12. In Respect of Officer and Director Compensation

The Committee will:

- a) lead the review of Executive Chairman or CEO performance and report the results to the Board;
- b) at least once annually, review and recommend to the Board for approval the Executive Chairman or CEO's compensation, based on the Committee's evaluation of Executive Chairman or CEO performance and its review of the form and adequacy of Executive Chairman or CEO compensation, provided that the Committee's recommendation of annual variable pay will be subject to the approval of and establishment by the Board of guidelines with respect to variable pay compensation; and
- c) make recommendations to the Board with respect to compensation for officers and directors, other than the Executive Chairman or CEO.

13. In respect of Incentive Compensation Plans

The Committee will:

- a) following the approval of and establishment by the Board of any incentive compensation plans, and within any guidelines established by the Board and subject to any authority otherwise reserved or delegated by the Board with respect to such plans, review management's

recommendations for, and subject to confirmation by the Board, approve the granting of awards under such plans to eligible participants and administer such plans; and

- b) propose and review any proposed establishment of and material changes to, incentive compensation plans and employee benefit plans for, including guidelines and policies relating to such plans, and present its recommendations to the Board for approval.

14. In respect of Other Items

The Committee will:

- a) as required, report to the Board on the necessity or advisability of appointing an independent committee to evaluate and confirm to the Board the fairness of any material conflict of interest transactions involving the Corporation;
- b) recommend to the Board any reports required or recommended on corporate governance for inclusion in public disclosure documents of the Corporation;
- c) periodically review directors' and officers' third party liability insurance coverage and the indemnification afforded them by the Corporation;
- d) at least every two years and as recommended to the Board for approval, any changes to the delegation of authority framework between the Board and management;
- e) approve annually, the Corporation's charitable and political contribution policies, budget and practices;
- f) approve annually, the Corporation's policies with respect to public policy and external relations matters;
- g) monitor legislation affecting the duties, responsibilities and potential liability of directors;
- h) approve, as needed, the policy regarding the engagement of outside advisors for individual directors or by committees;
- i) develop and recommend to the Board for its approval, the Corporation's compensation philosophy and guidelines for management and any material changes thereto. At least annually, the Committee will review the Corporation's compensation philosophy and guidelines for management and recommend any material changes to the Board for its approval. In its review, the Committee will:
 - i. assess the linkage of executive compensation philosophy and executive incentive compensation plans to the Corporation's financial and non-financial performance, support of the Corporation's business strategy, and alignment with the Corporation's executive compensation philosophy;
 - ii. review and consider the implications of the risks associated with the Corporation's executive compensation policies and practices, specifically, situations that could potentially encourage management to expose the Corporation to inappropriate or excessive risks;

- iii. review and recommend to the Board for approval the proposed appointment of any person to management and the proposed appointment of any member of management as an officer of the Corporation;
- iv. receive, with such frequency as the Committee deems appropriate, notification from the Committee's compensation consultant, of the non-Committee work performed by such consultant to the Corporation;
- v. review and recommend to the Board for publication, reports on executive compensation for inclusion in the Corporation's information circulars and similar disclosure documents as required by applicable law;
- vi. annually review and evaluate the adequacy of this Charter and the position description of the Chair of this Committee, the Committee's performance, and report its evaluation and any recommendations for changes to the Board;
- vii. report on its activities and deliberations to the Board as soon as practicable, and report to the Board at its next regular meeting all such actions which the Committee has taken since the previous report;
- viii. within any guidelines established by the Board, and any authority reserved by the Board, the Committee may consider and determine all matters concerning incentive awards, perquisites and other remuneration matters with respect to management, provided that any determination with respect to Executive Chairman or CEO remuneration will be subject to the approval of the Board; and
- ix. other duties and responsibilities as are delegated to it from time to time by the Board.

GENERAL

15. Outside Advisors

The Committee may engage, set compensation and other retention terms and terminate outside advisors, at the expense of the Corporation, to provide advice on matters that the Committee determines is necessary to fulfill its duties.

16. Review of Charter

The Committee will periodically review and reassess the adequacy of this Charter as it deems appropriate and recommend changes to the Board. The Committee will evaluate its effectiveness with reference to this Charter.

17. Reporting to the Board

The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

18. Authority

The Committee, in fulfilling its mandate, will have the authority to:

- a) communicate directly with the Chief Strategy Officer & General Counsel (or such similar position), and any other member of management as the Committee deems appropriate;
- b) delegate tasks to Committee members or subcommittees of the Committee; and
- c) access appropriate funding as determined by the Committee to carry out its duties.