



**RICHELIEU HARDWARE LTD.**

**Notice of Annual General Meeting  
and Special Meeting of Shareholders  
for the fiscal year ended November 30, 2007  
and Management Proxy Circular**

Our Annual General Meeting and Special Meeting of Shareholders will be held  
**at 11:00 a.m. on Thursday, March 27, 2008**  
at Salons A and B of Le Centre Sheraton Montreal Hotel,  
1201 René-Lévesque Blvd. West, Montreal, Quebec.

**As shareholder of Richelieu Hardware Ltd.,  
you have the right to vote your shares,  
either by proxy or in person at the meeting.**

This document tells you who can vote,  
what you will be voting on and  
how to exercise your right to vote your shares.

Please read it carefully.

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## Table of contents

<b>NOTICE OF ANNUAL GENERAL MEETING AND SPECIAL MEETING OF SHAREHOLDERS .....</b>	<b>3</b>
<b>MANAGEMENT PROXY CIRCULAR .....</b>	<b>4</b>
Solicitation of Proxies .....	4
Nomination of Proxyholders .....	4
Revocation of Proxies .....	4
Exercise of Voting Rights Attached to Shares Represented by Proxy in Favour of Management .....	4
Voting Shares and Principal Holders Thereof .....	5
Notice to Shareholders holding their Shares through a Broker or another Intermediary .....	5
Information about Nominees Proposed for Election as Directors .....	5
Board of Directors Relationships .....	8
<b>COMPENSATION OF DIRECTORS .....</b>	<b>9</b>
Compensation Policy .....	9
Deferred Share Unit Plan .....	9
Compensation Paid to Directors for the Fiscal Year Ended November 30, 2007 .....	9
Options Granted During the Last Fiscal Year .....	10
<b>CORPORATE GOVERNANCE .....</b>	<b>10</b>
<b>AUDIT COMMITTEE .....</b>	<b>10</b>
Appointment and Compensation of Auditors .....	10
<b>EXECUTIVE COMPENSATION .....</b>	<b>11</b>
<b>SHARE OPTION PLAN .....</b>	<b>12</b>
Aggregated Options / SARS Exercised During the Most Recently Completed Fiscal Year and Fiscal Year-End Option / SARS Values .....	13
Amendments to the Share Option Plan .....	14
<b>REPORT OF THE HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE .....</b>	<b>16</b>
Components of the Compensation .....	16
<b>PERFORMANCE GRAPH .....</b>	<b>16</b>
<b>INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS .....</b>	<b>17</b>
<b>INSURANCE OF DIRECTORS AND OFFICERS .....</b>	<b>17</b>
<b>INTEREST OF INFORMED PERSONS AND OTHER PERSONS IN MATERIAL TRANSACTIONS .....</b>	<b>17</b>
<b>ADDITIONAL INFORMATION .....</b>	<b>17</b>
<b>APPROVAL OF DIRECTORS .....</b>	<b>18</b>
<b>Appendix A: Project of Resolution Regarding the Amendment of the Key Employee Share Option Plan .....</b>	<b>19</b>
<b>Appendix B: Amendments to the Key Employee Share Option Plan .....</b>	<b>20</b>
<b>Appendix C: Corporate Governance Disclosure .....</b>	<b>26</b>
<b>Appendix D: Mandate of the Board of Directors.....</b>	<b>28</b>
<b>Appendix E: Mandate of the Chair of the Board and of the Chairs of Committees .....</b>	<b>33</b>



## **RICHELIEU HARDWARE LTD.**

### **NOTICE OF ANNUAL GENERAL MEETING AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting and Special Meeting of shareholders (the "Meeting") of **RICHELIEU HARDWARE LTD.** (the "Company") will be held in Salons A and B of Le Centre Sheraton Montreal Hotel, at 1201 René-Lévesque Blvd. West, Montreal, Province of Quebec, Canada, on Thursday, March 27, 2008 at 11:00 a.m. for the following purposes:

1. to receive the consolidated balance sheet and consolidated statements of earnings and retained earnings, the consolidated statement of cash flows and the auditors' report thereon for the fiscal year ended November 30, 2007;
2. to elect directors;
3. to appoint auditors and authorize the directors to fix their remuneration;
4. to consider and, if deemed appropriate, to pass an ordinary resolution (the integral text of which is reproduced in Schedule A) approving the proposed amendments to the key employee share option plan of the Company (the "Plan"), the whole as described in the Management Proxy Circular attached to this Notice of Annual General Meeting; and
5. to properly transact such other business before the Meeting.

You have the right to receive notice of and to vote at the Meeting if you were a shareholder of the Company at 5:00 p.m., Montreal time, on February 21, 2008.

The following pages provide additional information relating to the matters to be dealt with at the Meeting. A copy of the annual report to shareholders is enclosed with this notice.

**Any shareholder who expects to be unable to attend the Meeting is urged to complete and sign the enclosed form of proxy and return it in the enclosed envelope provided for that purpose.**

**To be valid, proxies must be received by Computershare Investors Services Inc., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, no later than 5:00 p.m., Montreal time, on March 25, 2008. Your shares will be voted in accordance with your instructions as indicated on the proxy.**

Montreal, province of Quebec, this 21<sup>st</sup> day of February 2008.

BY ORDER OF THE BOARD OF DIRECTORS,

Hélène Lévesque,  
Corporate Secretary

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## MANAGEMENT PROXY CIRCULAR

### Solicitation of proxies

**This Management Proxy Circular (the “Circular”) is provided in connection with the solicitation of proxies by the Management of Richelieu Hardware Ltd. (the “Company”) for use at the Annual General Meeting and Special Meeting of shareholders of the Company (the “Meeting”) to be held at the place and date indicated in the Notice. Unless otherwise indicated, the information contained herein is given as at January 31, 2008 and all dollar amounts set forth herein are expressed in Canadian dollars.**

The solicitation is made primarily by mail, but officers and employees of the Company may nonetheless solicit proxies directly by telephone or through other personal solicitations but without additional compensation. The Company may also reimburse brokers and other persons who hold shares in their name, or on behalf of nominees, to cover their expenses for the mailing of proxy documents to principals and to obtain their proxy. The cost of solicitation will be borne by the Company.

### Nomination of Proxyholders

The persons named in the enclosed form of proxy are directors of the Company. **A shareholder has the right to appoint as his representative a person other than those appointed by Management and whose names are indicated for that purpose in the attached form of proxy, to allow that person to attend and act on his behalf at the Meeting.**

To exercise this right, the shareholder must strike out the names of the persons named in the form of proxy and write the name of the person selected by the shareholder in the blank space provided for that purpose. It is not necessary that the person selected be a shareholder of the Company.

For your vote to be recorded, your proxy must be received by the Secretary of the Company prior to the Meeting.

### Revocation of Proxies

A shareholder who signs a form of proxy may revoke the proxy at any time before it is used, in any manner authorized by law, including by way of a written instrument executed by him, his attorney duly authorized in writing or, if the shareholder is a corporation, by an officer or an attorney of such corporation duly authorized. Any such instrument must be filed with the Secretary of the Company. The powers of the proxy holders may also be revoked if the holder of Common Shares attends the meeting in person, or any adjournment thereof, and so requests.

### Exercise of Voting Rights Attached to Shares Represented by Proxy in Favour of Management

The enclosed form of proxy, when duly executed and transmitted, appoints the persons named therein or any other person named by the shareholder in the manner provided for above, to represent the shareholder with respect to the shares represented by the said proxy at the Meeting and the persons named therein will vote or withhold from voting as specified by the shareholder.

**Management shall ensure that all voting rights will be exercised in accordance with the instructions given by the shareholder on any ballot that may be called for. Unless otherwise indicated, the shares represented by such proxy will be voted IN FAVOUR OF all the matters described herein.**

**Management is not aware of any new matters or any amendment or variation of matters to be submitted at the Meeting, nor does it foresee that such possibilities might arise. If, however, any such matters properly come before the Meeting, the persons named in the enclosed form of proxy will vote thereon in accordance with their best judgment pursuant to the discretionary authority conferred by the proxy with respect to such matters.**

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## Voting Shares and Principal Holders Thereof

The Common Shares are the only securities in the share capital of the Company which carry voting rights.

As of January 31, 2008, the Company had 23,116,237 outstanding Common Shares (the "Common Shares"). Each Common Share of the Company entitles its holder to one vote.

The registered holders of Common Shares at 5:00 p.m., Montreal time, on February 21, 2008 (the "Record Date"), will be entitled to vote at the Meeting and at any adjournment thereof, if present or represented thereat by proxy. The holder of Common Shares acquired after the Record Date is entitled to exercise the voting rights attached to such shares at the Meeting or at any adjournment thereof by tendering duly endorsed share certificates representing those shares or by otherwise establishing that he owns the shares, and by requiring, at least ten days before the Meeting, that his name be placed on the list of shareholders entitled to receive the Notice of Meeting, this list having been drawn up at the Record Date.

To the knowledge of the Company's directors and officers, as of January 31, 2008, no person owned, directly or indirectly, more than 10% of the outstanding Common Shares.

### Notice to Shareholders Holding their Shares through a Broker or another Intermediary

**Any shareholder of the Company whose share certificates are not registered in its name must pay close attention to the information set forth in this Section, to ensure that his instructions as to the exercise of voting rights for this Meeting are transmitted in due time and to the appropriate person. Only proxies tendered by shareholders registered in the share ledger of the Company, maintained by Computershare Trust Company of Canada (Registrar and Transfer Agent), may be recognized and used at the Meeting.**

If the Company's Common Shares (the "Shares") held by a Shareholder appear in an account statement sent by a broker, said Shares are most probably not registered in the name of the shareholder, but in the name of the broker or a nominee thereof. **As a result, any beneficial holder must communicate his voting instructions to the appropriate person and such beneficial holder has less time to do so than a registered holder.**

*Regulation 54-101* respecting Communication with Beneficial Owners of Securities of a Reporting Issuer requires that brokers and other intermediaries request voting instructions from any beneficial holder prior to shareholder meetings. Each broker has his own procedures for sending materials and provide his own guidelines for their return; these instructions are to be followed carefully by the shareholder to ensure that the voting rights attached to his Shares are cast at the Meeting, according to his rights.

If you have questions on how to exercise voting rights attached to Shares held through a broker or other intermediary, please contact the broker or intermediary directly.

**Unless otherwise indicated in this Proxy Circular, the Form of Proxy and the Notice of Meeting attached hereto, shareholders shall mean registered holders.**

### Information about Nominees Proposed for Election as Directors

Management of the Company proposes the election of eight (8) directors for the current year. The directors are elected each year and their term of office expires upon the election of his successor unless he resigns or his office becomes vacant because of death, removal or any other reason.

Should any of the nominees proposed for election as director be unable, for any reason whatsoever, to fulfill his duties as a director, the persons named in the enclosed form of proxy reserve the right to vote for another nominee of their choice unless the shareholder specifies on the form of proxy to abstain from voting for the election of directors.

The following table indicates, for each nominee proposed for election as director, his name, his province of residence, his position within the Company, his current principal occupation, the year in which he first became a director and the committees of the board of the Company on which he serves. The table also indicates whether the nominee is independent, the percentage of attendance at meetings, the number of voting shares in the share capital of the Company beneficially owned, directly or indirectly, or over which control is exercised and the number of share options and share units held under the Deferred Share Unit ("DSU") Plan (see section "Compensation of Directors" at page 9 of the Circular).

The nominees have themselves provided the Company with the information, as of February 21, 2008.

Unless otherwise indicated by the shareholder, the voting rights attached to the shares represented by any duly executed proxy will be exercised IN FAVOUR OF the election of the nominees listed hereafter.

<p><b>ROBERT CHEVRIER</b> Quebec, Canada</p> <p>Director since 1991 Independent</p> <p>Common Shares: 34,670 Share options: — Deferred share units: —</p> <p>Attendance Board: 100%</p>	<p>President, Société de gestion Roche Inc.</p> <p>Mr. Robert Chevrier is President of Société de gestion Roche Inc., a holding and investment company. He was, from November 1993 to January 2001, Chair of the Board and Chief Executive Officer of Rexel Canada Inc. (formerly Westburne Inc.).</p> <p>Mr. Chevrier is a director, Chair of the Conduct Review Committee and member of the Audit Committee of Bank of Montreal; lead director and Chair of the Audit Committee of Cascades Inc.; lead director and member of the Audit and Risk Management Committee and of the Human Resources Committee of Groupe CGI Inc.; director of Compagnie de Saint-Gobain; and director and Chair of the Audit Committee of Addenda Capital Inc.</p> <p><b>Mr. Chevrier is Chair of the Board of Directors of the Company.</b></p>
<p><b>DENYSE CHICOYNE</b> Quebec, Canada</p> <p>Director since 2005 Independent</p> <p>Common Shares: 1,000 Share options: 2,000 Deferred share units: 3,435</p> <p>Attendance Board: 100% Audit Committee: 100%</p>	<p>Corporate Director</p> <p>Ms. Denyse Chicoyne is a corporate director. From 1991 to 2003, she was Vice President and Analyst for the retail industry at BMO Nesbitt Burns/Nesbitt Thompson.</p> <p>Ms. Chicoyne is a director, Chair of the Joint Audit Committee of the Montreal Stock Exchange and CDCC and member of the Human Resources Committee of the Montreal Stock Exchange; director of Holt Renfrew; director, member of the Audit Committee and of the Investment Advisory Committee, member of the Human Resources Committee and Chair of the Pension Committee of Canada Post Corporation.</p> <p><b>Ms. Chicoyne is a member of the Audit Committee of the Company.</b></p>
<p><b>ROBERT COURTEAU</b> Quebec, Canada</p> <p>Director since 2004 Independent</p> <p>Common Shares: 1,000 Share options: 2,000 Deferred share units: 3,435</p> <p>Attendance Board: 100% Audit Committee: 100%</p>	<p>President and Chief Executive Officer, Courteau Mainville Management Inc.</p> <p>Mr. Robert Courteau is President and Chief Executive Officer of Courteau Mainville Management Inc. Mr. Courteau is also President of the Finance and Technology Committee of the Montreal Heart Institute. Previously, from February 2005 to June 2007, he was President and Chief Executive Officer of Bell Business Solutions Inc. From June 2002 to February 2005, he was President and Chief Executive Officer of Technologies Nexxlink Inc. and, from January 2002 to June 2002, he was President and Chief Operating Officer of that company. He was Vice President and Chief Information Officer and Group Vice President, Industrial Products Division of Westburne Inc. from 1997 to 2001.</p> <p><b>Mr. Courteau is a member of the Audit Committee of the Company.</b></p>

<p><b>JEAN DOUVILLE</b> Quebec, Canada</p> <p>Director since 2005 Independent</p> <p>Common Shares: 1,000 Share options: 2,000 Deferred share units: 3,258</p> <p>Attendance Board: 100% Human Resources and Corp. Governance Committee: 100%</p>	<p>Chair of the Board, UAP Inc. and Chair of the Board, National Bank of Canada</p> <p>Mr. Jean Douville has been Chair of the Board of National Bank of Canada since 2004. He is also Chair of the Board of UAP Inc. He was Chair of the Board and Chief Executive Officer of UAP Inc. from 1982 to 2000.</p> <p>Mr. Douville also sits on the Board of Genuine Parts Company.</p> <p><b>Mr. Douville is a member of the Human Resources and Corporate Governance Committee of the Company.</b></p>
<p><b>MATHIEU GAUVIN</b> Quebec, Canada</p> <p>Director since 1993 Independent</p> <p>Common Shares: 79,364 Share options: — Deferred share units: 3,846</p> <p>Attendance Board: 100% Audit Committee: 100%</p>	<p>Vice President, RSM Richter Inc.</p> <p>Mr. Mathieu Gauvin has been Vice President at RSM Richter Inc. since September 2006. He is a director and President of the Audit Committee of Canadian Helicopters Income Fund. Previously, from January 2006 to May 2006, he was Chief Financial Officer of Europe's Best Inc. From February 1991 to January 2006, he was Vice President and Partner of Schroders &amp; Associates Canada Inc. and, from November 1987 to February 1991, he was Director, Acquisition Analysis, for this company or for its predecessor corporations.</p> <p><b>Mr. Gauvin is Chair of the Audit Committee of the Company.</b></p>
<p><b>RICHARD LORD</b> Quebec, Canada</p> <p>Director since 1988 Non-independent</p> <p>Common Shares: 1,405,051 Share options: 250,000 Deferred share units: N/A</p> <p>Attendance Board: 100%</p>	<p>President and Chief Executive Officer of the Company</p> <p>Mr. Richard Lord has been President and Chief Executive Officer of Richelieu Hardware Ltd. since 1998. From 1986 to 1988, Mr. Lord was Executive Vice President and General Manager of The Ro-Na Dismat Group Inc. From 1976 to 1986, he worked for Mark Hot Inc., a heating and ventilation equipment manufacturer, where he was Vice President and General manager until he left in 1986.</p> <p>Mr. Lord is director, member of the Audit Committee and Chair of the Corporate Governance and Human Resources Committee of Colabor Income Fund; director and member of the Audit Committee of Technologies 20-20 Inc.; director and Chair of the Audit Committee of BTB Real Estate Investment Trust.</p> <p><b>Mr. Lord is a member of the Board of the Company.</b></p>

<b>JOCELYN PROTEAU</b> Quebec, Canada  Director since 2005 Independent  Common Shares: 700 Share options: 2,000 Deferred share units: 1,708  Attendance Board: 100% Human Resources and Corp. Governance Committee: 100%	Corporate Director  Mr. Jocelyn Proteau is a corporate director. From March 1989 to June 2001, he was Chair of the Board and Chief Executive Officer of Fédération des caisses populaires Desjardins de Montréal et de l'Ouest-du-Québec.  Mr. Proteau is Chair of the Board, member of the Corporate Governance and Nominating Committee and member of the Compensation Committee of Technologies 20-20 Inc.; Chair of the Board and member of the Compensation Committee of Standard Life Canada; Chair of the Board and member of the Corporate Governance and Compensation Committee of BTB Real Estate Investment Trust.  <b>Mr. Proteau is a member of the Human Resources and Corporate Governance Committee of the Company.</b>
<b>ROBERT L. TRUDEAU</b> Quebec, Canada  Director since 1996 Independent  Common Shares: 122,289 Share options: — Deferred share units: 3,851  Attendance Board: 100% Human Resources and Corp. Governance Committee: 100%	Chair of the Board, Trudeau Corporation  Mr. Robert L. Trudeau is Chair of the Board of Trudeau Corporation, a corporation that designs and distributes kitchen and table items in Montreal, Chicago, Madrid and Amsterdam. Mr. Trudeau took control of this company in 1967.  Mr. Trudeau is director of Wapiti Fund.  <b>Mr. Trudeau is Chair of the Human Resources and Corporate Governance Committee of the Company.</b>

As at February 21, 2008, to the knowledge of the Company, no director of the Company is or has been, in the ten (10) years prior to this Circular, a director or executive officer of any company, that while this person was acting in such capacity or within a year of that person ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets, except for:

- ✓ Mr. Mathieu Gauvin, who acted as a director of Polyquip of Canada Ltd. until May 18, 1999, when he resigned, approximately seven months prior to the bankruptcy of that corporation on December 23, 1999;
- ✓ Ms. Denyse Chicoyne, who acted as a director of Albums DF Ltd. until June 16, 2003, when she resigned, approximately six months prior to the bankruptcy of said company on December 6, 2003.

No penalties or sanctions were imposed on the aforementioned directors as a result of these events.

#### Board of Directors Relationships

The following table indicates the names of the directors of the Company who serve together on the Board of Directors of other public companies:

Company	Directors of the Company
Technologies 20-20 Inc.	Mr. Richard Lord and Mr. Jocelyn Proteau
BTB Real Estate Investment Trust	Mr. Richard Lord and Mr. Jocelyn Proteau



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## COMPENSATION OF DIRECTORS

### Compensation Policy

The external directors receive an annual compensation of \$20,000 as member of the Board of Directors, while the Chair of the board receives an annual compensation of \$75,000. The chairs of the Audit Committee and of the Human Resources and Corporate Governance Committee receive an additional \$5,000 per year. In addition, director's fees of \$1,500 per meeting are paid to these directors for attending meetings of the Board of Directors of the Company as well as meetings of the Human Resources and Corporate Governance Committee, and directors' fees of \$2,000 per meeting are paid to directors for attending meetings of the Audit Committee. Starting March 27, 2008, the annual compensation will be raised to \$24,000. No retirement plan is available to the directors of the Company.

### Deferred Share Unit Plan

On July 5, 2005, the Company established a Deferred Share Unit Plan (the "DSU") to help the Company attract and retain experienced and qualified directors. The Human Resources and Corporate Governance Committee, which is responsible for managing the Plan, decided that only external directors would be eligible to such Plan. Directors can elect to receive part or all of their compensation in DSUs. The number of DSUs granted to a director equals the compensation amount to be paid in DSUs, divided by the average closing price of the Company's Common Shares on the TSX for the five business days immediately preceding the date of the payment. Dividends paid by the Company, if any, also benefit holders of DSUs. The value of DSUs is payable upon the director ceasing to be a member of the Board. The amount paid is equal to the number of accumulated DSUs multiplied by the average closing price of the Company's common shares on the TSX for the five (5) business days immediately preceding the date on which the director stops holding office. The amount is paid in cash, subject to applicable tax deductions. All directors have, from now on, elected to receive their total compensation in DSUs, except for Mr. Robert Chevrier, who elected to receive 100% of his compensation in cash, and Mr. Jocelyn Proteau, who elected to receive 50% of his compensation in cash.

### Compensation Paid to Directors for the Fiscal Year Ended November 30, 2007

The following table indicates the cash compensation paid to each director for the services rendered during the fiscal year ended November 30, 2007, differentiating the compensation received in cash and the compensation received in Deferred Share Units (six (6) Board meetings were held, as well as five (5) meetings of the Audit Committee and four (4) meetings of the Human Resources and Corporate Governance Committee):

	Annual Compensation Payable to a Director	Additional Compensation Payable to the Chair of the Board or Chair of a Committee	Director's Fees Payable for Board Meetings, Committee Meetings and the Annual General Meeting	Total Annual Compensation		
				Received in Cash	Received in DSUs	Total Value
Robert Chevrier	N/A	\$66,667	N/A	\$66,667	\$0	\$66,667
Denyse Chicoyne	\$19,167	N/A	\$14,500	\$0	\$33,667	\$33,667
Robert Courteau	\$19,167	N/A	\$14,500	\$0	\$33,667	\$33,667
Jean Douville	\$19,167	N/A	\$11,500	\$0	\$30,667	\$30,667
Mathieu Gauvin	\$19,167	\$4,333	\$14,500	\$0	\$38,000	\$38,000
Richard Lord	N/A	N/A	N/A	N/A	N/A	N/A
Jocelyn Proteau	\$19,167	N/A	\$12,500	\$15,834	\$15,834	\$31,667
Robert L. Trudeau	\$19,167	\$4,333	\$12,500	\$0	\$36,000	\$36,000

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## Options Granted During the Last Fiscal Year

The Company grants each new external director 1,000 share options per year up to a maximum of 5,000 options, provided that the total number of options granted does not exceed at any time the total number of common shares and DSUs held by such director. For the fiscal year ended November 30, 2007, Mr. Jocelyn Proteau received 1,000 options with an exercise price of \$24.30 per share. Mr. Robert Courteau, Mr. Jean Douville and Ms. Denyse Chicoyne each received 1,000 options with an exercise price of \$22.88 per share.

## CORPORATE GOVERNANCE

The Company supports and conducts its business in accordance with guidelines for effective corporate governance pursuant to *Policy Statement 58-201* to Corporate Governance Guidelines ("*58-201*"). Under *58-201*, the Company must disclose its Corporate Governance Practices. This information is presented on Appendix C of the Circular.

These guidelines address such matters as the constitution and independence of the Board of Directors, the functions to be performed by the Board of Directors and its committees, and the relationship between the Board of Directors, Management and shareholders.

The corporate governance of the Company favours the efficient administration of the Company by its Management. The Board of Directors considers that the corporate governance practices adopted by the Company suit its situation and are efficient, and that structures and processes necessary to ensure its independence from Management are in place.

## AUDIT COMMITTEE

The Audit Committee of the Company (the "Committee") is composed exclusively of "independent" directors as defined in *Regulation 52-110* respecting Audit Committees. Said directors are Mr. Mathieu Gauvin (Chair), Mr. Robert Courteau and Ms. Denyse Chicoyne. Mr. Robert Chevrier acts as *ex-officio* member.

The Committee is governed by a Charter adopted by the Board of Directors of the Company; a complete copy thereof is available on the SEDAR Website ([www.sedar.com](http://www.sedar.com)).

The members of the Committee assume the responsibilities delegated to them in implementing the rules prescribed by the Charter of the Committee. In particular, the Committee is responsible for assisting the Board of Directors in fulfilling its duties of overseeing accounting and financial reporting as well as the adequacy and integrity of internal controls and risk management. The Committee is responsible for overseeing the Company's financial reporting processes and internal controls. Management of the Company assumes the responsibility for preparing and reporting on the Company's financial statements, their integrity, as well as the effectiveness of the internal controls and supervision to provide reasonable assurance regarding the reliability of financial reporting.

The Committee is also responsible for overseeing the work of the external auditors and to ensure their independence and their qualifications.

## Appointment and Compensation of Auditors

The Board of Directors and the management of the Company propose that Ernst & Young LLP, Chartered Accountants, be appointed auditors of the Company and that the directors of the Company be authorized to fix their remuneration. Ernst & Young LLP have been the auditors of the Company for more than five years.

Unless indicated otherwise by the shareholder, the voting rights attached to the shares represented by any proxy duly signed will be exercised IN FAVOUR OF the appointment of Ernst & Young LLP as auditors and the authorization for the Board of Directors to fix their remuneration.

The following table presents by category the fees billed by the external auditors of the firm Ernst & Young LLP for the fiscal years ended November 30, 2007 and November 30, 2006.

Category of Fees	2007	2006
Audit Fees	\$238,300	\$199,600
Audit-related Fees	\$46,400	\$78,695
Tax Fees	\$5,000	\$5,000
<b>Total</b>	<b>\$300,600</b>	<b>\$283,295</b>

In the above table, the expressions indicated in the “Category of Fees” column have the following meaning: “**Audit Fees**” include the aggregate fees billed by Ernst & Young LLP for the audit of annual consolidated financial statements, the review of the quarterly financial statements and other audits and regulatory filings. “**Audit-Related Fees**” include the aggregate fees billed by Ernst & Young LLP for consulting services with respect to regulatory standards, accounting standards and due diligence reviews in connection with contemplated or completed acquisitions by the Company. “**Tax Fees**” include the aggregate fees billed by Ernst & Young LLP for professional services rendered for tax compliance, tax advice as well as tax planning services, including in connection with the preparation of the Company’s tax filings.

## EXECUTIVE COMPENSATION

The following table indicates the compensation of the President and Chief Executive Officer and of the four executive officers of the Company who are the most highly compensated executives of the Company for the fiscal years ended November 30, 2007, 2006 and 2005.

	Fiscal Year	Annual Compensation			Long-Term Compensation	All Other Compensation
		Salary	Bonus	Other Annual Compensation	Securities under Options	
<b>RICHARD LORD</b> President and Chief Executive Officer	2007	\$525,000	\$509,806	\$8,735	50,000	—
	2006	\$490,000	\$588,000	\$8,729	50,000	—
	2005	\$465,000	\$392,000	\$9,481	50,000	—
<b>ALAIN GIASSON</b> Vice President and Chief Financial Officer	2007	\$220,000	\$115,000	\$8,420	20,000	—
	2006	\$200,000	\$120,000	\$7,509	5,000	—
	2005	\$170,000	\$85,000	\$5,712	25,000	—
<b>GUY GRENIER</b> Vice President, Industrial Sales and Marketing	2007	\$210,000	\$115,000	\$5,564	10,000	—
	2006	\$190,000	\$110,000	\$5,299	3,000	—
	2005	\$180,000	\$104,400	\$5,129	20,000	—
<b>JOHN STATTON</b> General Manager, Western Canada and Western United States	2007	\$160,000	\$92,000	\$10,151	2,000	—
	2006	\$135,000	\$100,000	\$9,000	2,000	—
	2005	\$128,125	\$80,000	\$9,120	5,000	—
<b>MARION KLOIBHOFFER</b> , General Manager, Central Canada and East Central United States	2007	\$160,000	\$25,000	\$3,379	2,000	—
	2006	\$127,000	\$55,000	\$3,366	1,000	—
	2005	\$123,000	\$35,000	\$3,157	5,000	—

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## SHARE OPTION PLAN

On July 13, 1993, the Company established a Key Employee Share Option Plan (the "Plan") in order to attract and retain highly qualified directors and employees who will be motivated toward the success of the Company and to encourage them to share ownership in the Company.

The individuals who are eligible to receive options to purchase Common Shares under the Plan are directors, senior executive officers and key employees of the Company and its subsidiaries, as determined from time to time by the Human Resources and Corporate Governance Committee of the Board of Directors. An Optionee may be granted more than one option, provided such Optionee does not hold Options on more than five percent (5%) of the outstanding common shares. Options granted pursuant to the Plan cannot, under any circumstances, be transferred to third parties. Any Optionee, whether an insider or not, is subject to such restriction.

The participants to this Plan receive options that may be exercised within ten (10) years of the date of grant or on any prior date as hereinafter defined. Under the terms of the Plan, the vesting periods for the options are as follows:

- i) up to 25% of the options are exercisable one (1) year from the date of the grant;
- ii) up to 50% of the options are exercisable two (2) years from the date of the grant;
- iii) up to 75% of the options are exercisable three (3) years from the date of the grant;
- iv) up to 100% of the options are exercisable four (4) years from the date of the grant.

The Plan however provides that in the case of a change of control of the Company that results in the replacement of a non-employee director of the Company, all options then held by such person vest immediately in spite of the periods hereinabove provided for in paragraphs i) to iv).

Moreover, the Plan provides that if the Company is to be merged with another entity or acquired by such entity by way of a merger, a sale of all or substantially all of its assets or otherwise (the "Acquisition"), the Committee or the Board of Directors of any entity that assumes the obligations of the Company pursuant to the Plan (the "Successor Board") shall, as to the outstanding options, i) provide for the appropriate reserves for the conversion of such options by fairly replacing the then underlying shares by the consideration payable for the outstanding common shares pursuant to the acquisition or ii) upon written notice to Optionees, provide that all options shall be exercised, if and when they may then be acquired and exercised, during a given period following the date of such notice, at the end of which the options shall be terminated; or iii) terminate all options for a cash payment equal to the amount by which the fair market value of the shares underlying such options (if and when they may then be acquired and exercised) exceeds their option exercise price.

Any Plan participant may, if he so wishes, remit his options to the Company in exchange for a number of shares the total value of which is equal to the amount by which the price of the shares is superior to the exercise price of the options at remittal.

The price at which Common Shares may be purchased will be determined by the Human Resources and Corporate Governance Committee but may not be less than the weighted average price of the common shares traded on the Toronto Stock Exchange (the "TSX") during the five (5) business days immediately preceding the date of the grant.

The Plan presently provides that, unless the Board rules otherwise, options granted pursuant to the Plan expire no later than the tenth (10<sup>th</sup>) anniversary of the date of grant and all unexercised options expire and terminate and have no further effect after the tenth (10<sup>th</sup>) anniversary of their grant or, if one of the following dates is earlier, at such earlier date: i) in case of termination of employment of an Optionee, within thirty (30) days following the date of termination if such termination is without cause; ii) in case of dismissal for cause, the option must be exercised the next business day following the date of the written notice of termination; iii) if the Optionee is a non-employee director of the Company and stops acting as a director, he may exercise his option at any time within thirty (30) days following the release of the quarterly results following the date on which he stops acting in such capacity; and iv) if an Optionee deceases, any portion of the options he held, that has not vested on the date of death, vests immediately so that the options of the deceased Optionee may be exercised by the legal representative(s) of the Optionee at any time during the one hundred and eighty (180) days following the date of death. **The term of the options provided for in the Plan is subject to an amendment presented under the section "Amendments to the Share Option Plan", duly approved by the Board of Directors of the Company and that is submitted to the approval of shareholders as item 4 to be acted on at the meeting.**

Pursuant to the Plan, the Board of Directors may, at any time and without notice, with the prior approval of the TSX and of any other securities regulator requiring a similar approval, amend the Plan provided that such amendment does not prejudice the rights of existing Optionees, unless they consent to it. The Plan provides for only one

exception: any amendment aiming to increase the total number of common shares that can be issued pursuant to the Plan must be submitted to the approval of the Company's shareholders. **In order for the Plan to conform with the TSX standards, the Board of Directors approved an amendment to the Plan in order to specify the amendments that must be approved by the TSX and the shareholders and those that must be specifically approved by the Board. See section "Amendments to the Share Option Plan" for details of such amendment that must be approved by shareholders as provided for as item 4 to be acted on at the meeting.**

The following table indicates the outstanding options and options available under the Plan as of November 30, 2007:

Total Number of Options Pursuant to Plan	Total Number of Reserved Shares	Outstanding Options	Average Exercise Price of Outstanding Options	Available Options
2,396,000	1,271,275	640,000	\$19.71	631,275

When the Plan was initially adopted in 1993, a maximum of 599,000 common shares were reserved for issuance of shares pursuant to such Plan. On April 9, 1999 and July 20, 2001, common shares were subdivided which increased the number of common shares reserved for issuance pursuant to the Plan to 2,396,000. As at February 21, 2008, 778,500 options are outstanding, representing 3.4% of the issued and outstanding securities and as at the same date, the total number of reserved shares is of 1,255,775 shares, representing 5.4% of the issued and outstanding shares of the Company.

#### **Aggregated Options / SARS Exercised During the Most Recently Completed Fiscal Year And Fiscal Year-End Option / SARS Values**

The following table indicates for the President and Chief Executive Officer and for the four Vice Presidents, the number of securities acquired pursuant to the exercise of options, the aggregate value realized upon exercise as well as the number and value of unexercised options as at November 30, 2007 under the Plan. It should be noted that unexercised options might never be exercised and that the value of unexercised in-the-money options might never be realized.

	Number of Securities Acquired on Exercise <sup>1</sup>	Aggregate Value Realized <sup>1</sup>	Unexercised Options at Year-End <sup>2</sup>		Value of Unexercised in-the-money Options at Year-End <sup>3</sup>	
			Exercisable	Un-exercisable	Exercisable	Un-exercisable
Richard Lord	—	—	125,000	125,000	\$601,375	\$93,625
Alain Giasson	—	—	13,750	36,250	\$12,138	\$13,663
Guy Grenier	1,000	19,498	14,750	22,250	\$72,598	\$10,473
John Statton	11,000	211,363	11,000	6,000	\$128,660	\$3,190
Marion Kloibhofer	—	—	12,750	5,250	\$160,028	\$2,733

<sup>1</sup> The aggregate value realized is equal to the difference between the closing price of the Common Shares of the Company on the TSX on the date immediately preceding the date of exercise and the exercise price of the option.

<sup>2</sup> After giving effect to the 2 for 1 share split effective July 20, 2001.

<sup>3</sup> The value of an unexercised in-the-money option at fiscal year-end is equal to the difference between the closing price of the Common Shares of the Company on the TSX on November 30, 2007 (the last day of trading of the Company's Common Shares on such exchange before the financial year end date), being \$23.04 per share, and the exercise price of the option, being \$19.20 per share in the case of options granted in 2004, \$22.13 in the case of options granted in 2005, \$22.43 in the case of options granted in 2006 and \$24.76 in the case of options granted in 2007. Calculation is after giving effect to the 2 for 1 share splits effective April 9, 1999 and July 20, 2001.

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## Amendments to the Share Option Plan

### DETAILED PROVISIONS OF THE AMENDMENTS

Presently, the Plan provides that the Board of Directors may, at any time and without notice, with the prior approval of the TSX and of any regulator requiring a similar approval, amend the Plan to the extent such amendment does not prejudice the rights of existing optionholders, unless they consent to it. The Plan provides only one exception: any amendment to increase the total number of common shares that can be issued pursuant to the Plan must be submitted to the approval of the Company's shareholders.

The TSX has amended its regulation by establishing that the general amendment provisions provided for in the equity-based compensation plans of a TSX registered issuer shall not be sufficient and that if such general amendment provisions are not modified to clarify under which circumstances shareholder approval is required for an amendment, then shareholder approval may be required for any amendment to such plan.

### PLAN AMENDMENT RULES

On February 20, 2008, the Board of Directors, upon recommendation of the Human Resources and Corporate Governance Committee, approved, subject to the approval of the TSX and the shareholders, an amendment to the Plan providing that shareholder approval shall be required for any amendment to the Plan or to the options granted pursuant to the Plan.

Consequently, the Plan may be amended, **WITH the approval of the shareholders**, under the following circumstances:

- any amendment to the maximum number of shares issuable pursuant to the Plan, including an increase of the maximum number of options that a plan participant may hold (subject to any amendment resulting from an adjustment pursuant to Section 4 of the Plan);
- any amendment that could result in extending eligibility to the Plan, e.g. by allowing participation of consultants not employed by the Company, on a discretionary basis;
- any amendment that could potentially extend or increase insider participation;
- any amendment that would allow the transfer or assignment of an option otherwise than by will or pursuant to succession laws;
- the addition of a provision regarding deferred share units or restricted share units or other provisions whereby shares of the Company may be issued to an Optionee without cash consideration for the Company;
- subject to any amendment resulting from an adjustment pursuant to Section 4 of the Plan, the addition of an option exercise attribute without disbursement giving right to a cash amount or securities, if the wording does not provide that the total number of underlying securities shall be deducted from the number of securities reserved for the purpose of the Plan;
- any reduction of the exercise price of an option held by an insider or any cancellation of an option held by an insider and the substitution of such option by a new option with a reduced exercise price;
- any extension of the term of an option held by an insider beyond its initial term (subject to the proposed amendment to extend by ten (10) business days the initial term when the exercise period of an option ends during a trading blackout period);
- any amendment to the method of determination of the exercise price for any option awarded pursuant to the Plan;
- the addition of any form of financial assistance and the amendment of a provision concerning financial assistance that would be more beneficial to the Plan participants.

If the ordinary resolution aimed at approving the Plan amendment is approved by the shareholders at the meeting, the Board of Directors of the Company may, without notice and at its entire discretion, subject to reception of the required approvals from the regulators and market authorities and provided the amendment does not have an adverse effect on the rights of any optionholder upon such amendment, make the amendments to the Plan **WITHOUT the approval of shareholders** under the following circumstances:

- any amendment to the exercise price, save and except for a reduction of the exercise price of an option held by an insider;

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- any administrative or clerical amendment or any amendment to clarify the Plan provisions (including to clarify any ambiguity, correct an inapplicable provision or correct a typographical or manifest error);
  - any amendment regarding the vesting timeframes of option rights;
  - any amendment to the provisions regarding the expiry of an option or the termination of the Plan, provided it does not result in an extension beyond the initial expiry date;
  - any amendment to the expiry date of an option, unless the amendment extends the expiry of an option held by an insider;
  - any amendment resulting from a stock split, recapitalization, reclassification, share dividend or any other amendment related to the shares;
  - the suspension or termination of the Plan;
  - the addition of provisions, or any cancellation or amendment of provisions, required to conform to applicable laws or TSX or relevant regulator requirements.

#### **EXPIRY DATE DURING TRADING RESTRICTION PERIODS**

The Plan presently provides that all unexercised options expire after the tenth (10<sup>th</sup>) anniversary of the date of grant by the Human Resources and Corporate Governance Committee. Pursuant to its policies regarding insider trading, the Company imposed trading restriction periods during which the executive officers, directors and certain key employees may not trade securities of the Company, which includes the exercise of options.

The TSX recognizes that the requirement of such trading restriction periods is an example of good corporate governance. In a staff notice, the TSX clarified that its rule requiring the approval of uninterested shareholders to extend the expiry date of options held by insiders is not intended to penalize registered issuers, their insiders and employees. The TSX recommends that issuers amend their share option plans to provide for the deferral of the expiry date of an option where such date falls during or shortly after such trading restriction period.

On February 20, 2008, the Board of Directors, upon recommendation of the Human Resources and Corporate Governance Committee, also approved, subject to the approval of the TSX and the shareholders, an amendment to the Plan providing that the expiry date of an option may be the latest of the following to occur: i) the fixed expiry date established upon the grant, ii) the tenth (10<sup>th</sup>) business day following the end of a trading restriction period imposed by the Company where the fixed expiry date occurs during a trading restriction period or iii) if the option expires within the ten (10) business days following the end of the trading restriction period, the date allowing to count in the aggregate ten (10) business days following the end of such trading restriction period.

#### **ADDITION OF A LIMIT TO THE PARTICIPATION OF INSIDERS TO THE PLAN**

On February 20, 2008, the Board of Directors also approved a limitation on the participation of insiders in the Plan, which means that the number of securities that can be issued to insiders, at any time, pursuant to all security-based compensation procedures may not exceed ten percent (10%) of the total of the issued and outstanding securities of the Company, and the number of securities issued to insiders, during a period of one (1) year, pursuant to all security-based compensation procedures may not exceed ten percent (10%) of the issued and outstanding securities.

#### **UPDATING OF THE PLAN (AMENDMENTS FOR CONSISTENCY)**

On February 20, 2008, the Board of Directors also approved certain amendments in order to update the Plan, being the amendment of the number of shares that may be issued pursuant to the Plan, which is 2,396,000 after the two (2) share-capital subdivision of the Company in 1999 and 2001, such amount having been amended pursuant to paragraph 4.1 of the Plan and the amendment of the name of the committee responsible for the administration of the Plan, that is now called "Human Resources and Corporate Governance Committee" instead of "Compensation Committee."

#### **APPROVAL OF AMENDMENTS TO THE PLAN**

All these amendments approved by the Board of Directors of the Company as of February 20, 2008 will be effective only if approved by at least a majority of the votes cast by shareholders of the Company, present in person or by proxy, at the meeting. The integral text of the resolution approving the amendments is attached to this Circular as Schedule A. Moreover, a blacklined version of the Plan, showing the proposed amendments, is attached to this Circular as Appendix B.

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The Board of Directors of the Company recommends that shareholders vote **IN FAVOUR OF** the approval of such ordinary resolution. **Unless otherwise directed, the person whose name appears on the form of proxy intends to vote IN FAVOUR OF the approval of the ordinary resolution to modify the Plan.**

## **REPORT OF THE HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE**

The Human Resources and Corporate Governance Committee (the “Committee”) is in charge of determining the level of compensation and employment terms of senior executives and to make recommendations to the board. During the 2007 fiscal year, the Committee took all the steps necessary to fulfill its duties.

The Committee is comprised of three (3) independent directors: Mr. Robert L. Trudeau (Chair), Mr. Jean Douville and Mr. Jocelyn Proteau. Mr. Robert Chevrier acts as *ex-officio* member.

### **Components of the Compensation**

The compensation of the senior executives includes the following components: base salary and performance bonus.

#### *i)* Base Salary

The base compensation aims at positioning the Company at the local market median, i.e. a sample of similar sized companies.

It takes into account the individual performance of each senior executive. The Committee reviews the base salary of senior executives on an annual basis and makes appropriate recommendations to the Board in order to maintain a competitive position on the market.

#### *ii)* Performance Bonus

The compensation includes a performance bonus based upon the financial results of the Company, the increase of net earnings per share and the success in reaching the goals established by the Board.

The performance bonus granted in 2007 to the President and Chief Executive Officer was determined according to the increase of the net earnings per share (100%), sales growth (10%) and the achievement of the objectives established by the Board (10%) for the fiscal year ended November 30, 2007. As to the performance bonus granted to other senior executives, the Committee has confirmed the recommendations of the President and Chief Executive Officer.

The performance bonus earned by senior executives for the fiscal year ended November 30, 2007, in relation to financial results, share price and the achievement of the objectives established by the Board for the fiscal year ended November 30, 2007 represented between 10% and 97% of the base salary of such senior executives.

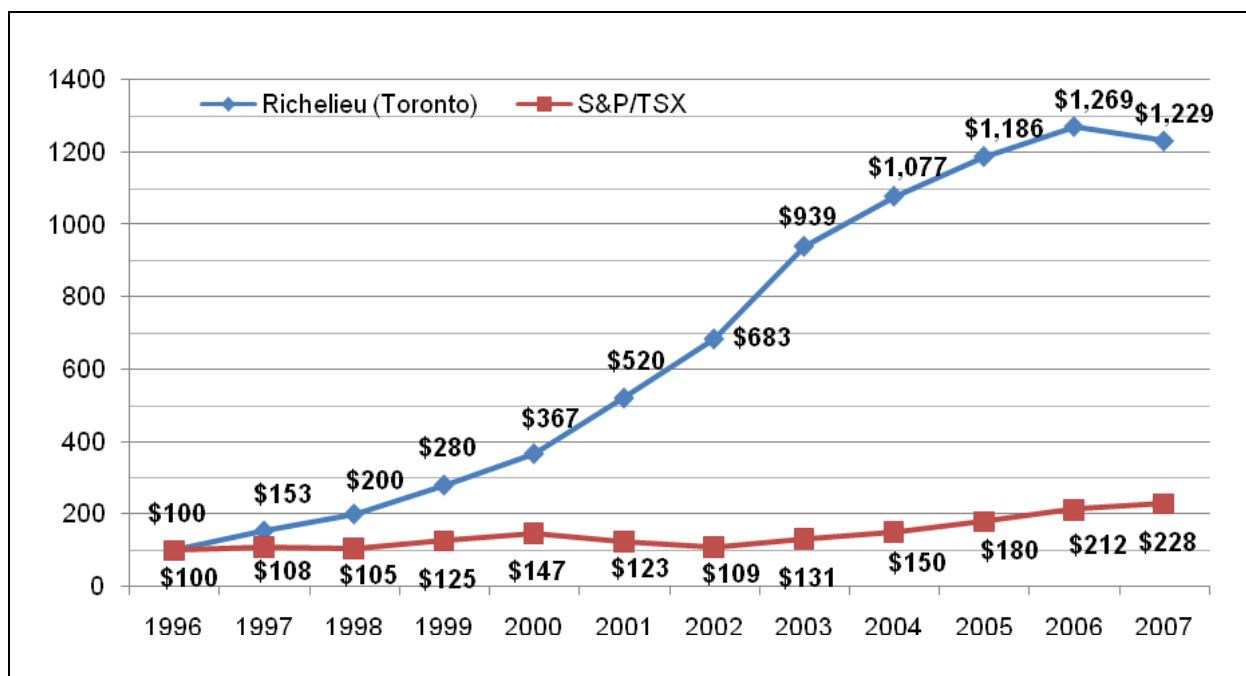
#### *iii)* Long-term Incentive Compensation

Except for the Key Employee Share Option Plan mentioned earlier, the Company has no long-term incentive plans.

## **PERFORMANCE GRAPH**

The following graph compares the total cumulative shareholder return for \$100 invested in the Common Shares of the Company and the Toronto Stock Exchange Composite Index during the twelve (12) fiscal years ending on November 30 of every year, from 1996 to 2007 inclusively.





#### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of November 30, 2007, neither the Company nor any of its subsidiaries had any outstanding loans to any of its current or former directors, officers or employees in their personal capacity or to one of their related companies.

#### INSURANCE OF DIRECTORS AND OFFICERS

The Company provides liability insurance for the benefit of its directors and officers and those of its subsidiaries as a group. The total amount of the coverage for the period beginning April 30, 2007 and ending April 30, 2008 is \$20,000,000. For the coverage year as defined in the policy, the Company has paid an annual premium of approximately \$55,000.

#### INTEREST OF INFORMED PERSONS AND OTHER PERSONS IN MATERIAL TRANSACTIONS

No director, executive officer or other informed person of the Company, nor any associate or affiliate of the foregoing persons has had any interest, directly or indirectly, in any material transaction since the commencement of the Company's last fiscal year.

#### ADDITIONAL INFORMATION

The Company's financial information is included in its audited consolidated financial statements and management's discussion and analysis for the fiscal year ended November 30, 2007. Copies of these documents and additional information concerning the Company (including the Company's annual information form) can be found on the SEDAR Website at the following address: [www.sedar.com](http://www.sedar.com) and may also be obtained upon request to the Vice President and Chief Financial Officer of the Company at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, H4S 1V4. The Company may charge a reasonable amount for any request from someone who is not a shareholder of the Company.

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**APPROVAL OF THE DIRECTORS**

The Board of Directors of the Company has approved the form, the content and the sending of the Circular.

Montreal, province of Quebec, this 21<sup>th</sup> day of February 2008

A handwritten signature in black ink, appearing to read 'Richard Lord', written in a cursive style.

Richard Lord,  
President and Chief Executive Officer

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**Appendix A: Project of Resolution Regarding the Amendment  
of the Key Employee Share Option Plan**

"WHEREAS the Board of Directors of the Company approved on February 20, 2008 amendments to the Key Employee Share Option Plan of Richelieu Hardware Ltd. (the "Plan") and recommended that shareholders, following a staff notice of the Toronto Stock Exchange, approve such amendments to the Plan to provide specific provisions governing amendments to the Plan, the deferral of the expiry date of the term of an option under certain specified circumstances, the maximum number of options that may be issued pursuant to the Plan, the maximum number of shares and of all other compensation that may be granted to an insider and amendments to update the Plan for clarity purposes;

CONSEQUENTLY, on a proposition duly made and seconded, be it resolved:

1. THAT the amendments to the Plan aiming at:
  - a) clarifying the circumstances under which shareholders' approval is required to amend the Plan;
  - b) providing the expiry of an option period may be the latest of the following dates to occur: i) the fixed expiry date established upon the grant, ii) the tenth (10<sup>th</sup>) business day following the end of a trading restriction period imposed by the Company where the fixed expiry date occurs during a trading restriction period or iii) if the option expires within the ten (10) business days following the end of the trading restriction period, the date allowing to count in the aggregate ten (10) business days following the end of such trading restriction period;
  - c) providing that the number of securities that can be issued to insiders, **at any time**, pursuant to all security-based compensation procedures may not exceed ten percent (10%) of the total of the issued and outstanding securities of the Company, and the number of securities issued to insiders, **during a period of one (1) year**, pursuant to all security-based compensation procedures may not exceed ten percent (10%) of the issued and outstanding securities; and
  - d) approving the following amendments in updating the Plan: the maximum number of shares that may be issued pursuant to the Plan is 2,396,000 instead of 599,000 and the "Compensation Committee" is replaced by the "Human Resources and Corporate Governance Committee";
- be hereunder approved; and
2. THAT any director or executive of the Company be authorized hereunder, for and in the name of the Company, to do such things and execute and deliver all documents that such director or executive may, at his discretion, deem required or useful to give effect to this resolution."

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## Appendix B: Amendments to the Key Employee Share Option Plan

THE KEY EMPLOYEE SHARE OPTION PLAN, THE TEXT OF WHICH IS PROVIDED HEREFTER, INCORPORATES ALL OF THE PROPOSED AMENDMENTS, WHICH ARE UNDERLINED TO DRAW READERS' ATTENTION UPON THEM.

### 1. PURPOSE

The Richelieu Hardware Ltd. Key Employee Share Option Plan (the "Plan") is intended to attract and retain highly qualified directors and employees who will be motivated toward the success of Richelieu Hardware Ltd. (the "Company") and to encourage share ownership in the Company by directors and certain key employees of the Company and its subsidiaries.

### 2. NUMBER OF COMMON SHARES SUBJECT TO THE PLAN

Each option (an "Option") will entitle the Optionee (an "Optionee") to purchase one common share of the Company (a "Common Share") upon the terms and conditions set forth herein and as completed and fixed at the time of the grant of the Option by the Human Resources and Corporate Governance Committee (the "Committee") of the Board of Directors of the Company. The maximum number of Common Shares that may be issued upon the exercise of Options granted under the Plan shall not exceed 2,396,000 Common Shares, subject to adjustment pursuant to Section 4. Upon the expiry, surrender or termination, in whole or in part, of an unexercised Option, or the transfer of an Option to the Company for cancellation in consideration for a cash payment, the Common Shares subject to such Option shall be available for other Options to be granted from time to time under the Plan.

The insider participation to the Plan is limited, meaning that the number of shares that may be issued to insiders, at any time, pursuant to all security-based compensation procedures may not exceed ten percent (10%) of the total of the issued and outstanding shares of the Company, and the number of securities issued to insiders, during a period of one (1) year, pursuant to all security-based compensation procedures may not exceed ten percent (10%) of the issued and outstanding shares.

### 3. TERMS AND CONDITIONS OF OPTIONS

#### 3.1 Persons Eligible to Receive Options

The individuals who shall be eligible to receive Options under the Plan shall be the directors, senior executive officers and key employees of the Company and its subsidiaries, as the Committee from time to time shall determine. More than one Option may be granted to the same Optionee, provided that such Optionee does not hold Options covering more than five percent (5%) of the outstanding Common Shares. At the discretion of the Committee, an Option granted to an Optionee may also include the right of the Optionee to elect to transfer his Option to the Company for cancellation in consideration for a cash payment pursuant to Subsection 3.4.

#### 3.2 Exercise Price

The price at which Common Shares may be purchased under the Plan shall be determined by the Committee on the date an Option is granted (the "Grant Date"), provided however, that such price may not be less than the average of the Market Price of the Common Shares for the five (5) trading days immediately preceding the Grant Date (the "Exercise Price"). For the purposes of the Plan, "Market Price" shall mean:

- the average of the high and low prices of the Common Shares on the Montreal Exchange and the Toronto Stock Exchange on a trading day, and
- if there was no trade for the Common Shares on one or both of such exchanges on a relevant trading day, then the Market Price will be the average of the bid and ask quotations for the Common Shares on such relevant trading day on such stock exchange.

#### 3.3 Vesting

Subject to Section 5, the Options granted under the Plan will vest with the Optionee as follows:

- 25% of the Options granted to an Optionee vest on the first (1<sup>st</sup>) anniversary of the Grant Date,
- an additional 25% of the Options granted to an Optionee vest on the second (2<sup>nd</sup>) anniversary of the Grant Date,

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- an additional 25% of the Options granted to an Optionee vest on the third (3<sup>rd</sup>) anniversary of the Grant Date, and
  - the remaining 25% of the Options granted to an Optionee vest on the fourth (4<sup>th</sup>) anniversary of the Grant Date.

### **3.4 Election under Options**

When an Option was granted with a right to transfer the Option to the Company for cancellation in consideration for a cash payment, an Optionee, at his sole discretion, may elect to transfer the Option to the Company for cancellation in consideration for a cash payment equal to the amount by which the Market Price of the Common Share subject to such Option, on the day immediately preceding the date of election to receive cash payment, exceeds the Exercise Price.

### **3.5 Option Period**

Once an Option vests, the Optionee may exercise the Option at any time until the latest of the following dates to occur: (i) the tenth (10<sup>th</sup>) anniversary of the date of grant ("Anniversary Date"), (ii) the tenth (10<sup>th</sup>) business day following the end of a trading restriction period imposed by the Company where the Anniversary Date occurs during a trading restriction period or (iii) if the option expires within the ten (10) business days following the end of the trading restriction period, the date allowing to count in the aggregate ten (10) business days following the end of such trading restriction period. All unexercised options expire and terminate and have no further effect after the expiry of the period provided for in this paragraph (the "Expiry Date").

### **3.6 Methods of Payment**

The Optionee, from time to time during the Option Period, may elect to exercise any or all of the Options then vested and not previously exercised, or may elect to transfer to the Company for cancellation, and receive a cash payment for, those Options granted with a right to choose between a subscription for Common Shares or a right to transfer the Option for cancellation in consideration for a cash payment, by duly executing and delivering to the Company an Election and Exercise of Option Form, substantially in the form provided in Schedule A hereto. If the Optionee elects to subscribe Common Shares, the Election and Exercise of Option Form shall be accompanied by payment in full of the Exercise Price. If the Optionee elects to receive a cash payment as provided under Subsection 3.4, the Company will pay within twenty (20) days following receipt of the Election and Exercise of Option Form, an amount calculated according to Subsection 3.4. Subject to Section 4 of the Plan, Options may only be exercised in increments of one hundred (100). Payment of the Exercise Price may be made by cash, certified cheque, bank draft or money order payable to the Company.

### **3.7 Amendments to Outstanding Options**

The 529,600 outstanding Options granted prior to January 31, 1999 are amended to include the right of the Optionee to elect to transfer such Options to the Company for cancellation in consideration of a cash payment pursuant to Subsection 3.4.

### **3.8 Withholding**

No Common Shares shall be issued by the Company to an Optionee upon the exercise of an Option until appropriate arrangements have been made for the payment of any amounts which may be withheld or paid by the Company with respect thereto, including, without limitation, withholding the transfer of a portion of the Common Shares otherwise issuable in order to satisfy all or a portion of the required withholdings or payments.

### **3.9 Termination of an Optionee's Employment**

In the event that an Optionee's employment with the Company or any subsidiary is terminated for any reason other than death, any or all of the Options held by such Optionee which are then vested and have not been previously exercised may be exercised, at anytime during the thirty (30) days following the date on which such Optionee's employment is terminated and prior to the Expiry Date; provided, however, that:

- in the event the employment of an Optionee is terminated without cause, the Board of Directors of the Company may, at its discretion, amend the terms of any Option held by such Optionee to permit such person to exercise any or all of such Options as if such Optionee's employment had not been terminated

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(for purposes of the Plan, the transfer of an employee's employment to the Company or to any subsidiary of the Company shall not be considered a termination of employment); and

- notwithstanding any other term or condition of the Plan, in the event the employment of an Optionee is terminated for cause, the Options held by such Optionee which are then vested and have not been previously exercised will only be exercisable during the next business day following the date of personal delivery of a written notice and not after; such written notice shall confirm (i) such termination for cause and (ii) the requirement to exercise such Options.

### **3.10 Non-Employee Director Ceasing to Act as Director**

In the event that a non-employee director ceases to act as a director of the Company, such non-employee director may exercise, at any time during the thirty (30) days following the announcement of the quarterly results following the date such director ceases to act as such and prior to the Expiry Date, any or all of his Options vested on the date he ceased to act as a director and not previously exercised; those Options which have not vested on or prior to the date such director ceases to act as such shall terminate on such date.

### **3.11 Rights in the Event of an Optionee's Death**

In the event of the death of an Optionee, the vesting of any portion of the Options held by such Optionee which has not already vested on the date of such Optionee's death, shall vest immediately so that such Options may be exercised by the Optionee's legal personal representative(s) at any time after the date of the Optionee's death up to and including (but not after) a date which is one hundred and eighty (180) days following the date of the Optionee's death (but under no circumstances after the Expiry Date), as to any or all of such Optionee's Options which had not previously been exercised.

### **3.12 No Employment Right**

Nothing in the Plan shall confer upon the Optionee the right to be employed or continue in the employ of the Company or its subsidiaries or interfere in any way with the right of the Company to terminate an Optionee's employment at any time and for any reason.

### **3.13 No Shareholder Rights**

An Optionee shall have no rights as a shareholder with respect to any Common Shares which are the subject of an Option until the date of the valid issuance of such Common Shares to the Optionee upon the exercise of an Option and only after such Common Shares are fully paid for. No adjustment will be made for dividends or other distributions or rights for which the record date is prior to the date of such issuance.

### **3.14 Transfer and Assignment**

The Optionee's rights with respect to an Option granted under the Plan are not assignable or transferable by the Optionee or capable of being the subject of any other alienation, sale, pledge or encumbrance by such Optionee other than by will or by the laws of descent and distribution, pursuant to the order of a court of competent jurisdiction, or as provided under Subsection 3.1. Vested Options are exercisable during the Optionee's lifetime only by the Optionee. The obligations of each Optionee shall be binding on his heirs, executors and administrators.

### **3.15 Compliance with Applicable Securities and Other Laws**

Options may be exercised only to the extent that the Company has obtained the necessary approvals under applicable securities and other laws governing the issuance and sale by the Company of its Common Shares to Optionees.

## **4. ADJUSTMENTS**

Subject to any regulatory approval or notification required by applicable law or stock exchange rules and approvals required under section 7 hereof, upon the occurrence of any of the following events, an Optionee's rights with respect to an Option granted under the Plan shall be adjusted as hereinafter provided:

**4.1** In the event of any subdivision, redivision or change of the Common Shares into a greater number of shares at any time, or in the case of issuance of shares of the Company to the holders of its outstanding Common Shares by way of a share dividend (other than an issue of shares to shareholders pursuant to their exercise of options to receive

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dividends in the form of shares of the Company in lieu of cash dividends declared payable in the ordinary course by the Company on its Common Shares), the number of Common Shares deliverable by the Company upon the exercise of an Option shall be increased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, redivision or change.

**4.2** In the event of any consolidation or change of the Common Shares into a lesser number of shares at any time, the number of Common Shares deliverable by the Company upon the exercise of an Option shall be decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such consolidation or change.

**4.3** In case of a reclassification of common shares, the optionholder accepts, upon the exercise of an option, instead of the number of common shares for which the option is exercised, the number of shares of the corporation of the corresponding category(ies) to which the optionholder would have been entitled to pursuant to such reclassification had the option been exercised prior to such reclassification.

**4.4** Subject to Section 5, if the Company is to be amalgamated with or acquired by another entity in a merger, sale of all or substantially all of its assets or otherwise (an "Acquisition"), the Committee or the Board of Directors of any entity assuming the obligations of the Company under the Plan (the "Successor Board"), shall, as to outstanding Options, (i) make appropriate provision for the continuation of such Options by substituting on an equitable basis for the shares then subject to such Options the consideration payable with respect to the outstanding Common Shares in conjunction with the Acquisition; (ii) upon written notice to the Optionees, provide that all Options must be exercised, to the extent they are then vested and exercisable, within a specified number of days of the date of such notice, at the end of which period the Options shall terminate; or (iii) terminate all Options in exchange of a cash payment equal to the excess of the fair market value of the shares subject to such Options (to the extent then vested and exercisable) over the exercise price thereof.

**4.5** In the event of the proposed dissolution or liquidation of the Company, each Option will terminate immediately prior to the consummation of such proposed action or at such other time and subject to such other conditions as shall be determined by the Committee.

**4.6** Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to Options under the Plan. No adjustments shall be made for dividends paid in cash or in property other than securities of the Company.

**4.7** No fractional shares shall be issued under the Plan and the Optionee shall receive from the Company cash in lieu of such fractional shares.

**4.8** Upon the occurrence of any of the foregoing events described in Subsections 4.1, 4.2, 4.3 or 4.4 above, the class and aggregate number of shares set forth in Section 2 that are the subject of Options which previously have been or subsequently may be granted under the Plan shall also be appropriately adjusted to reflect the events described in such Subsections. The Committee or the Successor Board shall determine the specific adjustments to be made under this Section 4 and its determination shall be conclusive.

## **5. CHANGE OF CONTROL**

In the event of a change of control (whether in fact or in law) of the Company which results in any non-employee director of the Company being replaced, all Options then held by such person shall vest immediately notwithstanding the provisions of Subsection 3.3 in order to permit their full exercise in accordance with Subsection 3.10.

## **6. ADMINISTRATION**

The Board of Directors is responsible for the administration of the Plan and the approval of any amendment thereto. The Board of Directors entrusts the administration of the Plan to the Human Resources and Corporate Governance Committee (the "Committee"), pursuant to the hereinafter-defined parameters.

Members of the Committee shall be appointed by the Board of Directors of the Company and shall serve as such at the pleasure of the Board of Directors. The Committee shall have full power and authority to designate those directors, senior executive officers and key employees of the Company and its subsidiaries who are to receive Options under the Plan, the number and Exercise Price of such Options, whether any Option carries the right to elect to receive a cash payment in accordance with Subsection 3.4, and otherwise to interpret and construe the terms and conditions of each Option granted under the Plan. Any determination by the Committee shall be final and conclusive.

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unless otherwise determined by the Board of Directors of the Company, and, in any such event, such determination of the Board of Directors shall be final and conclusive. The Board of Directors of the Company shall have the right to vary the terms upon which Options are granted to particular Optionees, provided such different terms do not increase the benefits accruing to such Optionees hereunder. The day-to-day administration of the Plan may be delegated to such officers and employees of the Company or of any subsidiary of the Company as the Committee at its sole discretion shall determine.

## 7. AMENDMENT AND DISCONTINUANCE

Subject to the prior approval of the Toronto Stock Exchange or of any regulator requiring a similar approval, the Plan may be amended, **WITH the approval of the shareholders**, under the following circumstances:

- any amendment to the maximum number of shares issuable pursuant to the Plan, including an increase of the maximum number of options that a plan participant may hold (subject to any amendment resulting from an adjustment pursuant to Section 4 of the Plan);
- any amendment that could result in extending eligibility to the Plan, e.g. by allowing participation of consultants not employed by the Company, on a discretionary basis;
- any amendment that could potentially extend or increase insider participation;
- any amendment that would allow the transfer or assignment of an option otherwise than by will or pursuant to succession laws;
- the addition of a provision regarding deferred share units or restricted share units or other provisions whereby common shares of the Company may be issued to an optionholder without cash consideration for the Company;
- subject to any amendment resulting from an adjustment pursuant to Section 4 of the Plan, the addition of an option exercise attribute without disbursement giving right to a cash amount or securities, if the wording does not provide that the total number of underlying securities shall be deducted from the number of securities reserved for the purpose of the Plan;
- any reduction of the exercise price of an option held by an insider or any cancellation of an option held by an insider and the substitution of such option by a new option with a reduced exercise price;
- any extension of the term of an option held by an insider beyond its initial term (subject to the proposed amendment to extend by ten (10) business days the initial term when the exercise period of an option ends during a trading blackout period);
- any amendment to the method of determination of the exercise price for any option awarded pursuant to the Plan;
- the addition of any form of financial assistance and the amendment of a provision concerning financial assistance that would be more beneficial to the Plan participants.

Subject to the prior approval of the Toronto Stock Exchange or of any regulator requiring a similar approval and provided the amendment does not have an adverse effect on the rights of any optionholder upon such amendment, the Plan may be amended by the Board of Directors of the Company, without notice and at its discretion, **WITHOUT the approval of the shareholders**, under the following circumstances:

- any amendment to the exercise price, save and except for a reduction of the exercise price of an option held by an insider;
- any administrative or clerical amendment or any amendment to clarify the Plan provisions (including to clarify any ambiguity, correct an inapplicable provision or correct a typographical or manifest error);
- any amendment regarding the vesting timeframes of option rights;
- any amendment to the provisions regarding the expiry of an option or the termination of the Plan, provided it does not result in an extension beyond the initial expiry date;
- any amendment to the expiry date of an option, unless the amendment extends the expiry of an option held by an insider;



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- any amendment resulting from a stock split, recapitalization, reclassification, share dividend or any other amendment related to the shares;
  - the suspension or termination of the Plan;
  - the addition of provisions, or any cancellation or amendment of provisions, required to conform to applicable laws or TSX or relevant regulator requirements.

## **8. QUEBEC STOCK SAVINGS PLAN**

The purchase of Common Shares issued to an Optionee under the Plan may be included in a Quebec Stock Savings Plan ("QSSP") as provided for in the Taxation Act (Quebec) as it exists as of the date hereof without further amendment (the "Act"). The purchase of Common Shares under the Plan and their inclusion in a QSSP allows an Optionee, who is a Quebec resident on the last day of his fiscal year to deduct in the calculation of his taxable income, a hundred percent (100%) of the cost of purchase of the Common Shares issued upon the exercise of an Option, as long as certain conditions set forth in the Act are fulfilled. The deduction allowed for an individual regarding all shares included in a QSSP during a given taxation year, including those purchased under the present Plan, may not exceed ten percent (10%) of his total income for the year. All Optionees who are resident in Quebec should consult their own tax specialists with regard to QSSPs.

## **9. GOVERNING LAW**

The Plan and the Options granted under the Plan shall be construed in accordance with and be governed by the laws of the Province of Quebec and the laws of Canada applicable therein.

Dated the 13th day of July 1993, and amended on February 14, 1995, February 10, 1999, and on March 27, 2008 (if the amendments are approved by the shareholders)

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## **Appendix C: Corporate Governance Disclosure**

### ***Board of Directors***

The Board of Directors, through its Human Resources and Corporate Governance Committee, established that seven (7) of the eight (8) directors, namely: Mr. Robert Chevrier, Ms. Denyse Chicoyne, Mr. Robert Courteau, Mr. Jean Douville, Mr. Mathieu Gauvin, Mr. Jocelyn Proteau and Mr. Robert L. Trudeau, are considered independent as they are not and were not in the past party to any material relationship with the Company, its subsidiaries or controlling shareholder that may, in the opinion of the Board of Directors, interfere with the independent judgment of the director.

The duties of the Chair of the Board, which are outlined in the Charter of the Board of Directors, can be found in Appendix D of this Circular and are summarized at the Appendix E, are currently assumed by Mr. Robert Chevrier.

The majority of the directors are independent. However, to ensure that the Board of Directors remains independent in its judgment, the independent directors hold in-camera meetings after each board meeting or more frequently, should the need arise, without the presence of management and non-independent directors.

Five (5) independent directors meetings were held during the fiscal year ending on November 30, 2007.

The other directorships of the directors of the Company is presented under the section "Information about Nominees for Election as Directors" on pages 6 and following of this Circular.

The attendance by the directors to board and committees meetings held over the course of the fiscal year ending November 30, 2007, is listed in the section "Information about Nominees for Election as directors" beginning on pages 6 and following of this Circular.

### ***Mandate of the Board of Directors***

The mandate of the Board of Directors can be found in Appendix D of this Circular.

### ***Position Description***

The Board of Directors has developed written position descriptions for the Chair of the Board and the Chair of each board committee. The responsibilities of the Chair of the Board are listed in the Charter of the Board of Directors that can be found in Appendix D of this Circular. A summary of the description for the Chair of the Board and for the Chair of each committee appears at Appendix E of this Circular.

The Human Resources and Corporate Governance Committee reviews, on an annual basis, the description of the duties of the President and Chief Executive Officer and other senior officers and provides recommendations to the Board of Directors. Furthermore, such committee reviews, on an annual basis, the objectives that the President and Chief Executive Officer are asked to meet, evaluates his performance following the established criteria and provides recommendations to the Board of Directors. However, the Human Resources and Corporate Governance Committee decided it is not necessary at this point to adopt a written job description for the President and Chief Executive Officer.

### ***Orientation and Continuing Education***

The Chair of the Board provides all new directors with all the documentation pertinent to the affairs of the Company including in particular historical public information about the Company, by-laws, the previous minutes of the Board and of its relevant committees, the Code of Ethics of the Company and its various policies.

Moreover, through the meetings they attend and discussions with the directors and members of management, new directors can familiarize themselves with the activities of the Company.

Finally, to ensure the continuing education of its directors, presentations on various aspects of the Company's operations and the industry in general are offered by members of the management to the directors during the meetings of the board.

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## ***Business Ethics***

On January 26, 2005, the Board of Directors adopted a Code of Ethics to which all employees, executives and directors of the Company must comply. This Code of Ethics is available on the SEDAR Website ([www.sedar.com](http://www.sedar.com)). It can also be obtained upon request from the Company's Vice President and Chief Financial Officer at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, H4S 1V4.

The management of the Company will take all reasonable measures to ensure that employees, executives and directors comply with the Code of Ethics and to react adequately and promptly to reported violations. The Board, through the Human Resources and Corporate Governance Committee (the "Committee"), is responsible for monitoring compliance with the Code of Ethics. The Committee received, over the course of the last fiscal year, a positive written report regarding the respect of the Code of Ethics of the Company as well as on the process put in place to ensure a follow-up by Management.

Additionally, the Audit Committee has elaborated a whistle blowing policy relative to questionable accounting or auditing practices whereby employees, under the protection of anonymity and on a confidential basis, can report to the Chair of the Audit Committee reprehensible practices concerning accounting, internal controls, auditing matters and possible violations of the law. The reporting may be done directly by mail, phone or email, or indirectly through their immediate superior or the Human Resources Manager.

## ***Selection of Nominees for Election to the Board of Directors***

The Human Resources and Corporate Governance Committee (the "Committee") recommends to the Board candidates for the position of director. This Committee is comprised of three (3) independent directors: Mr. Robert L. Trudeau (Chair), Mr. Jean Douville and Mr. Jocelyn Proteau. Mr. Robert Chevrier acts as *ex-officio* member.

To fulfil this responsibility, and pursuant to its written mandate, the Committee takes into account the size of the Board, the Company's needs as well as the particular skills and qualifications of the members already on the Board. Guided by the strengths of the Board and the evolution of the Company's needs, the Committee determines what qualifications, aptitudes and personal qualities are sought in directors to add value to the Company.

## ***Compensation***

The responsibilities normally assigned to a compensation committee are assumed by the Human Resources and Corporate Governance Committee (the "Committee"), as more fully described in the previous section, ***Selection of Nominees for Election to the Board of Directors***.

The mandate of the Committee is to evaluate the senior officers of the Company and to recommend to the Board their employment terms and their level of compensation. To establish the compensation of directors, the Committee considers the time devoted to the Company and the compensation, risks and duties of comparable positions.

## ***Other Board Committee***

The board's standing committees include the Human Resources and Corporate Governance Committee and the Audit Committee. The committee charters are available on the SEDAR Website ([www.sedar.com](http://www.sedar.com)).

## ***Evaluation***

The Human Resources and Corporate Governance Committee implemented a procedure to assess the Board of Directors and its committees as well as the Chair of the Board. The evaluation is performed by way of a questionnaire that is forwarded to every director. The results are collected by the Chair of the Board and communicated to the directors. The Chair of the Board meets with every director to inform him of the remarks and comments collected.

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## **Appendix D: Mandate of the Board of Directors**

This Appendix reproduces in full the Charter of the Board of Directors of the Company, as approved by the Board of Directors on January 25, 2006.

### **RICHELIEU HARDWARE LTD.**

#### **CHARTER OF THE BOARD OF DIRECTORS**

##### **1. PURPOSE OF THE BOARD**

Elected by the shareholders of Richelieu Hardware Ltd. ("Richelieu"), the Board of Directors (the "Board") is responsible for overseeing management of the business and affairs of Richelieu and its subsidiaries.

Although directors may be elected by the shareholders of Richelieu to bring special expertise or a particular point of view to Board deliberations, they are not chosen to represent particular interests. The best interests of Richelieu must be paramount at all times.

##### **2. POWERS**

As part of its functions, the Board may:

- a) Ask management of Richelieu or external third parties for the information it needs to fulfil its duties;
- b) Obtain, when necessary, legal or other advice from external professionals;
- c) Determine and authorize the payment of the fees of such professionals; and
- d) Communicate directly with the in-house auditor, if applicable, and the external auditors of Richelieu.

##### **3. COMPOSITION OF THE BOARD**

###### **3.1 Selection of members**

The Board, through its Human Resources and Corporate Governance Committee, is responsible for, among other things, (i) reviewing the size of the Board on an annual basis, (ii) examining the skills, qualifications and expertise of the directors on an annual basis, (iii) recruiting potential directors from time to time, taking into account their experience, employment and qualifications and making appropriate recommendations to the Board, and (iv) identifying and recommending directors to be nominated at each annual meeting of Richelieu. The Board approves the final choice of nominees standing for election by shareholders.

###### **3.2 Size of Board**

Subject to the articles of incorporation, the Board is made up of a maximum of ten (10) directors. The number of directors set from time to time must be sufficient to ensure a variety of skills and points of view, provide useful experience to the Board and sit on the various Board committees while contributing to effective decision-making.

###### **3.3 Independent directors**

Subject to the exceptions prescribed by the laws, regulations, policies, guidelines or standards of applicable securities authorities and stock exchanges on which shares of Richelieu are traded (collectively the "Applicable Standards"), the majority of Board members must be "independent" directors (as such term is defined in the Applicable Standards for boards of directors).

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### 3.4 Conditions for Board membership

In addition to meeting the requirements under the law and the constituting documents of Richelieu, directors of Richelieu must, overall, have the skills, qualifications and expertise determined from time to time by the Human Resources and Corporate Governance Committee, as well as an understanding of the challenges facing Richelieu.

### 3.5 What is expected of Board members

Board members shall:

- a) Act ethically, with integrity and in the best interests of Richelieu;
- b) Devote the necessary time to the affairs of Richelieu and act with care, diligence and skill in performing their duties as a director;
- c) Understand the role and responsibilities of the Board and its committees;
- d) Use their best efforts to be present (in person or by telephone) at all meetings of the Board and of the committees on which they sit;
- e) Read the documents provided by management in preparation for Board and committee meetings;
- f) Understand and question the affairs and strategic plans of Richelieu;
- g) Keep confidential the deliberations and decisions of the Board and committees as well as information sent to them in anticipation of Board and committee meetings, except when the information has been publicly disclosed;
- h) Immediately inform the Board if they cease to be "independent".

### 3.6 Chair of the Board

The Chair of the Board is appointed by the Board from among the "independent" directors of Richelieu. The Chair of the Board shall ensure that the Board carries out his duties efficiently.

Specifically, the Chair of the Board is responsible for the following:

- a) Establishing the schedule for the Board's meetings.
- b) Preparing (in consultation with management) the agenda of the Board's meetings and ensure the timely availability of the required documentation.
- c) Chairing meetings of the Board.
- d) Ensuring that the Board discharges its duties and responsibilities as set forth in the Charter and comply with its terms.
- e) Ensuring the efficient operation of the committees. To this end, the Chair of the Board may, at its discretion, attend and participate at all times in any committee meeting, whether or not he is a member.
- f) Acting as the Board's representative to the President and Chief Executive Office to ensure efficient communication between management and the Board.
- g) Chairing shareholders' meetings.

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### **3.7 Mandate of directors**

The directors are elected by shareholders at each annual meeting unless the Board appoints a director to fill a vacancy until the next annual meeting. The mandate of each director terminates at the end of the annual meeting of shareholders immediately following the meeting at which such director was elected or at the appointment of his or her successor.

## **4. BOARD MEETINGS**

### **4.1 Agenda of Board meetings**

The Chair of the Board, in consultation with management, prepares the agenda for Board meetings. Information and documentation which is important to allow the directors to understand items on the agenda are distributed within a reasonable time prior to the meeting.

### **4.2 Frequency of Board meetings**

The Board meets at least five (5) times a year, and other meetings may be held as needed.

### **4.3 Participation of management and other guests at meetings**

Members of management and any other person may, upon invitation by the Chair of the Board, participate in and make presentations at Board meetings. Persons invited to participate in Board meetings who are not Board members are not entitled to vote on decisions made.

### **4.4 Quorum**

The quorum required for any meeting is the majority of members of the Board.

### **4.5 Closed sessions**

All regular meetings of the Board will provide for a closed session at which no member of management is present, in order to ensure a free and open discussion between the external directors.

## **5. DUTIES AND RESPONSIBILITIES OF THE BOARD**

The Board discharges its duty to oversee the management of Richelieu by delegating to the senior officers of Richelieu responsibility for the day-to-day management. The Board discharges its duty both directly and through its committees — the Audit Committee and the Human Resources and Corporate Governance Committee. In addition to the regular committees, the Board may periodically appoint ad hoc committees to address certain issues of a more short-term or urgent nature.

When it delegates matters for which it is responsible to Board committees, the Board nonetheless maintains its oversight role and ultimate responsibility for the matters in question and any other delegated duty.

In addition to the duties prescribed by law, the primary role of the Board is to oversee the activities of Richelieu and to ensure the quality, thoroughness and continuity of its management in order to reach the strategic goals of Richelieu. The Board also has the following duties:

- a) The Board is responsible for choosing the Chair of the Board.
- b) The Board is responsible for reviewing and ratifying the recommendations issued by the Human Resources and Corporate Governance Committee with respect to its composition and size, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation.
- c) The Board is responsible, through the Human Resources and Corporate Governance Committee, for evaluating on an annual basis the performance of the Board and its Chair as well as the performance of Board committees and their chairs.

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- d) The Board is responsible, through the Human Resources and Corporate Governance Committee, for supervising the training and development of the directors.
  - e) The Board is responsible for ensuring that the appropriate structures and procedures are in place in order to allow the Board and its committees to operate independently of management of Richelieu.
  - f) The Board is responsible for approving the appointment of senior officers, including the President and Chief Executive Officer, and approving their remuneration based on recommendations made by the Human Resources and Corporate Governance Committee.
  - g) The Board is responsible, through the Human Resources and Corporate Governance Committee, for overseeing the succession planning programs, including training and development programs for senior officers.
  - h) The Board is responsible for approving and, as needed, reviewing the description of the duties of the President and Chief Executive Officer developed by the Human Resources and Corporate Governance Committee.
  - i) The Board is responsible for approving, upon the recommendation of the Human Resources and Corporate Governance Committee, the goals of the President and Chief Executive Officer.
  - j) The Board is responsible for reviewing the evaluation of the performance of the President and Chief Executive Officer and of the other senior officers made by the Human Resources and Corporate Governance Committee and reviewing and ratifying the recommendations of the committee with respect to their compensation.
  - k) The Board is responsible for ensuring that its expectations of management are well understood by management.
  - l) The Board is responsible for adopting a strategic planning process as well as for reviewing and, on an annual basis, approving the strategic plan of Richelieu developed by management.
  - m) The Board is responsible for considering alternate strategies in response to possible change of control transactions or take-over bids with a view to maximizing value for shareholders.
  - n) The Board is responsible for enhancing alignment between shareholders expectations, Richelieu plans and management performance.
  - o) The Board is responsible for approving, on an annual basis, the operating budget and the capital expenditure budget of Richelieu developed by management.
  - p) The Board is responsible for supervising, through the Audit Committee, the quality and integrity of the accounting systems, controls and procedures for disclosing information as well as the internal control and information management systems of Richelieu.
  - q) The Board is responsible for overseeing, through the Audit Committee, the integrity and quality of the financial statements and other financial information of Richelieu.
  - r) The Board is responsible for approving, upon the recommendation of the Audit Committee, the audited financial statements, interim financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements, the annual report, annual information form, information circular, press releases and any other financial document which Richelieu is required to publish or file.
  - s) The Board is responsible for ensuring, through the Audit Committee, that the external auditors are independent and competent.

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- t) The Board is responsible for reviewing and approving Richelieu's material transactions outside the ordinary course of business and those matters which the Board is required to approve under the constituting documents of Richelieu, including the payment of dividends, acquisitions and dispositions of material capital assets and major capital expenditures.
  - u) The Board is responsible for identifying the principal risks of Richelieu's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of Richelieu and achieving a proper balance between the risks incurred and the potential return to shareholders of Richelieu.
  - v) The Board is responsible for reviewing and approving the key policies developed by management respecting various matters such as ethics, disclosure, insider trading, cash flow management, the environment and human resources.
  - w) The Board is responsible for approving and reviewing, as needed, a communications plan to address communications with shareholders, employees, financial analysts, governments and regulatory authorities, the community and the media.
  - x) The Board is responsible for taking steps to enhance the timely disclosure of any development that has a material impact on Richelieu.
  - y) The Board is responsible for overseeing the implementation of systems which accommodate feedback from shareholders.
  - z) The Board is responsible, through the Human Resources and Corporate Governance Committee, for developing and, as needed, reviewing the appropriate corporate governance structures and procedures.
  - aa) The is responsible for (i) ensuring the integrity of the President and Chief Executive Officer and the other senior officers and ensuring that such persons maintain a culture of integrity within the company, (ii) upon the recommendation of the Human Resources and Corporate Governance Committee, adopting a code of ethics (including a disclosure regime for financial and accounting issues) and reviewing it as needed, (iii) through the Human Resources and Corporate Governance Committee, controlling compliance with the code of ethics, and (iv) upon the recommendation of the Committee, granting exemptions from the code of ethics.

## **6. CHARTER**

This charter will be revised annually (or as needed) by the Board through its Human Resources and Corporate Governance Committee. The committee will recommend to the Board of Directors the changes to be made to the charter, where applicable. The performance of the Board will be evaluated on the basis of this charter.



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## **Appendix E: Mandate of the Chair of the Board and of the Chairs of Committees**

### **MANDATE OF THE CHAIR OF THE BOARD**

The mandate of the Chair of the Board of Directors of the Company outlines the responsibilities of the Chair of the Board and the expectations from the Board of Directors. The complete description of the mandate appears in the Charter of the Board of Directors of the Company, which can be found at Appendix D of the Circular.

In brief, the Chair of the Board has the following responsibilities:

- i)* planning Board meetings;
- ii)* presiding over Board meetings and any annual or special meeting of the shareholders;
- iii)* ensuring that the Board discharges its duties and responsibilities as set forth in the Charter and complies with its terms;
- iv)* ensuring the efficient operation of the committees; and
- v)* acting as the principal intermediary and facilitating communications between the Board of Directors and the President and Chief Executive Officer of the Company.

### **MANDATE OF THE COMMITTEE CHAIRS**

The written charters of the Audit Committee and the Human Resources and Corporate Governance Committee are available on the SEDAR Website ([www.sedar.com](http://www.sedar.com)). They set forth the detailed responsibilities of each committee chair.

Therefore, a committee chair has the following responsibilities:

- i)* planning committee meetings;
- ii)* presiding over committee meetings;
- iii)* ensuring that the committee fulfils its responsibilities pursuant to its written mandate; and
- iv)* reporting to the Board of Directors on the work performed by the committee.