

CANADIAN TIRE BUSINESS SUSTAINABILITY REPORT:

First Quarter 2014 Results



In the first quarter of 2014, Canadian Tire Corporation, Limited (CTC) remained focused on reducing energy and waste, improving its operational footprint and ensuring that its products meet the expectations of customers and stakeholders. The Company completed a number of initiatives that aim to reduce its environmental footprint, while achieving approximately \$2.2 million in annual cost avoidance – funds that could then be available for investment back into the Company. This ongoing integration of sustainable practices also resulted in the reduction of 183 tonnes of waste and 5,885 tonnes of greenhouse gas emissions (GHG).¹

¹ Improvements refer to the savings in comparison to the baseline scenario, where baseline scenario is defined as “what would have most likely occurred in the absence of the sustainability project.” Improvements are related to the specific projects reported and do not represent total improvements to the value-chain segment.

BUILDING EFFICIENCY

The team at Canadian Tire Petroleum (CTP) continued its installation of an eTemp device – a food simulant inside of a plastic case, designed to measure food temperature rather than air temperature. The device is fitted to the thermostat, and significantly reduces the frequency of refrigeration cycles required. To date, 230 sites have been retrofitted with the eTemp device, and all new future locations added to the CTP network will also be outfitted with the device. In honour of this achievement, CTP was recently awarded with the “Project of the Year” award from Environmental Leader – a leading daily trade publication – that focuses on business related energy, environmental and sustainability news.

PAPER REDUCTION

As part of CTC’s ongoing strategy to create efficiencies for its customers and the organization, the Company continued its credit card e-statement conversion initiative managed by Canadian Tire Financial Services. Since its launch in 2009, the program has converted more than 261,000 customers over to e-statements, saving CTC approximately \$1.7 million. This quarter alone, the Company achieved annual cost savings of over \$142,000 through the elimination of processing, paper and postage costs.

Also this year, CTC stopped distributing bi-weekly paper pay stubs to over 9,000 head office employees. This switch to electronic pay stubs reduces Canadian Tire’s environmental impact by decreasing the amount of paper used.

TRANSPORTATION OPTIMIZATION

Canadian Tire has one of the largest transportation networks in the country, moving more than 100,000 different types of products to 490 stores from coast-to-coast. To reduce fuel costs and greenhouse gas emissions, Canadian Tire acquired long combination vehicle (LCV) permits for the Toronto to Kingston and Kingston to Montreal product transportation routes in 2013. By using trucks capable of pulling two full-length semi-trailers, LCVs allow the Company to move more products, at a lower cost per unit and with a smaller carbon footprint than is generated by two single-trailer trucks. In Q1 2014, the LCV routes exceeded forecasted expectations and avoided more than \$230,000 in fuel and operational costs and approximately 204 tonnes of GHG emissions.

For additional details, please refer to the Company’s Business Sustainability Performance Reports at: <http://corp.canadiantire.ca/EN/CorporateCitizenship/BusinessSustainability/Pages/OurProgressReports.aspx>

ABOUT CANADIAN TIRE

Canadian Tire Corporation, Limited, (TSX:CTC.A) (TSX:CTC) or “CTC,” is a family of businesses that includes a retail segment, a financial services division, CT REIT and Canadian Tire Jumpstart Charities, CTC’s affiliated national charity that is dedicated to removing financial barriers so kids across Canada can participate in sports and physical activities. Our retail business is led by Canadian Tire, which was founded in 1922 and provides Canadians with products for life in Canada across its Living, Playing, Fixing, Automotive and Seasonal categories. PartSource and Gas+ are key parts of the Canadian Tire network. The retail segment also includes Mark’s, a leading source for casual and industrial wear, and FGL Sports (Sport Chek, Hockey Experts, Sports Experts, National Sports, Intersport, Pro Hockey Life and Atmosphere), which offers the best active wear brands. The nearly 1,700 retail and gasoline outlets are supported and strengthened by our Financial Services division and the approximately tens of thousands of people employed across the Company. For more information, visit Corp.CanadianTire.ca.

BY INTEGRATING SUSTAINABILITY PRACTICES INTO BUSINESS OPERATIONS, CANADIAN TIRE CORPORATION SERVES ITS CUSTOMERS, COMMUNITIES, DEALERS, EMPLOYEES AND SHAREHOLDERS BOTH NOW AND FOR THE FUTURE.



Canadian Tire’s reduction in energy use and greenhouse gas emissions is equivalent to powering more than **1,160** Canadian homes.

CANADIAN TIRE’S SUSTAINABILITY STRATEGY HAS FOUR IMPERATIVES:

- Optimize productivity: Drive product and operations value chain improvements;
- Develop innovation: Create and reinvent better processes, products and services;
- Enhance the brand: Protect and enhance banner brands and corporate reputation; and
- Drive company engagement: Engage employees through integration of sustainability practices into everyday business operations.



The energy use avoided as a result of the LCV initiative is equivalent to the annual fuel consumption of **46** light vehicles.

The eTemp project implemented by Canadian Tire Petroleum is expected to save approximately \$160,000 and about 1.6 million kWh per year. This reduction in kWh is equivalent to the annual electricity use from 135 Canadian homes.

To further increase in-store efficiencies and reduce energy costs, demand-control ventilation systems were installed at 129 Canadian Tire stores in Ontario in 2013. The ventilation system retrofit features carbon dioxide sensors which trigger the rooftop ventilation units to bring in additional fresh air based on carbon dioxide demand. This project achieved annual energy cost savings of approximately \$1.2 million and eliminated over 5,200 tonnes of greenhouse gas emissions–this is enough energy to power approximately 1,046 Canadian homes for a year.

SUSTAINABILITY PROJECTS

Q1 2014 realized benefits achieved over the preceding 12-month period ending in the current quarter

	Cost avoidance \$ 000	Energy use avoidance (GJ)	GHG emissions avoidance (tonnes CO ₂ e)	Waste avoidance (tonnes)
Product and Packaging				
Reductions in energy use from transportation of optimized product and packaging as well as waste reductions.	327	2,071	151	177
CTR - Product & Packaging Right-Sizing	327	2,071	151	177
Product Transport				
Reductions in energy and resources use from increased fuel efficiency in transportation modes, vehicles and distribution centres.	328	5,684	288	0
CTR - Long Combination Vehicles (LCV)	230	2,917	204	0
CTR - Distribution Centres Lighting Retrofits	97	2,767	84	0
Business and Retail Operations				
Reductions in energy and resources use in buildings and their operations through efficiency initiatives.	1,513	110,856	5,446	6
CTR - Demand Control Ventilation (DCV) Retrofits	1,196	106,454	5,223	0
CTR - Store HVAC Upgrades	8	428	16	0
CTR - Roofing Retrofits	4	435	22	0
CTR - In-Store Decor Right-Sizing	64	24	2	1
CTP - Cooler Retrofits (eTemp)	97	3,086	162	0
CTP - Lighting Retrofits	2	58	9	0
CTFS - E-statement conversions	142	371	13	5
TOTAL	2,167	118,611	5,885	183



The energy avoidance is equivalent to powering 1,166 Canadian homes for a year

The waste avoidance is equivalent to the annual waste generation from 274 Canadian home

SUSTAINABILITY PROGRAMS

Q1 2014 realized benefits achieved in the current quarter

	Revenue Generated \$ 000	Low-Carbon Energy Generated (GJ)	GHG emissions avoidance (tonnes CO ₂ e)
CTR - Solar PV - On Grid	600	996	30



The low-carbon energy generation is equivalent to the annual electricity use from 25 Canadian homes

Please refer to the glossary for initiatives, metrics and equivalency definitions.

GLOSSARY OF TERMS

SUSTAINABILITY TERMS

Sustainability Strategy	An innovation strategy that provides economic benefits from enhanced social and environmental outcomes by integrating sustainability into business operations. Through its sustainability strategy, the CTC aims to serve its customers, communities, employees and shareholders, both now and in the future.
Carbon Disclosure Project (CDP)	International initiative to accelerate solutions and enhance decision making related to climate change and water management. Increases visibility to investors related to corporate and policy initiatives. The aim is to set reduction targets and make performance improvements. Over 3,000 organizations in some 60 countries around the world now measure and disclose their greenhouse gas emissions, water management and climate change strategies through CDP. Canadian Tire participates in CDP.
CO ₂ e	Carbon dioxide equivalent - Expresses all greenhouse gasses in the measurement of carbon dioxide by adjusting other types of greenhouse gases - methane, nitrous oxide, sulphur, hexafluoride, hydrofluorocarbons, and perfluorocarbons - to their carbon dioxide equivalent based on their relative Global Warming Potential (GWP).
Emission Factors	Calculation factor used from a specific geographical region to measure greenhouse gases (GHG) released from the production/use of raw material/energy.
Geothermal Energy	Energy transfer conversion resulting from ground source heat pumps.
Greenhouse Gas Emissions (GHG)	Represents one or a combination of the following gases: carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), sulphur hexafluoride (SF ₆) hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs).
GHG Protocol	The GHG Protocol Initiative is a multi-stakeholder collaboration facilitated by the World Business Council on Sustainable Development (WBCSD) and the World Resources Institute (WRI) to establish and promote business standards for GHG accounting and reporting. Canadian Tire Sustainability Reporting follows the GHG Protocol Corporate, Project and Value-Chain (Scope 3) Accounting Standards.
Global Warming Potential (GWP)	Calculation factor used to measure CO ₂ eq. from different greenhouse gases. A relative measure of how much heat a greenhouse gas traps in the atmosphere.
Intergovernmental Panel on Climate Change (IPCC)	The leading international body for the assessment of climate change established to provide the world with a clear scientific view on the current state of knowledge in climate change and its potential environmental and socio-economic impacts.
Packaging Sustainability Network (PSN)	The Packaging Sustainability Network (PSN) was formed in 2009 to bring together a group of cross functional business members who collaborate internally and externally on packaging sustainability at Canadian Tire. Led by a VP sponsor, the PSN executes packaging sustainability focused initiatives to deliver measurable benefits such as forecasted cost avoidance, damage reduction and emissions reductions.
Solar Photovoltaic Energy	The generation of electricity using sunlight by converting solar radiation into direct current electricity.
Sustainability Networks	Cross functional innovation networks of stakeholders from across the value chain which goal is to incorporate accountability for sustainability into the existing roles within the business.
Stock Keeping Unit (SKU)	A SKU is a unique numerical identifying number that refers to a specific stock item i.e. product in inventory.
Transport GHG model	Created by Canadian Tire's Transportation team, the Transport GHG Emissions Model calculates tonnes of CO ₂ e produced based on direct emissions from our own fleet of trucks and indirect mobile emissions produced from transport of goods by third party carriers for all modes of transport (including water, rail, road and air). The methodology for the model follows a distance and weight approach for third party carriers and an actual fuel use approach for the internal fleet, and reflects guidelines created by the World Resources Institute (WRI), known as the Greenhouse Gas Protocol, and Environment Canada.
USA Environmental Protection Agency	An agency of the U.S. federal government in charge of protecting human health and the environment, by writing and enforcing regulations based on laws passed by Congress.
WBCSD	World Business Council for Sustainable Development - A CEO-led, global association of some 200 companies dealing exclusively with business and sustainable development, providing companies a platform to explore sustainable development, share knowledge, experiences and best practices.
WRI	World Resource Institute - A global environmental think tank that works with governments, companies, and civil society to build solutions to urgent environmental challenges.
OTHER TERMS	
CTC or the Corporation	Canadian Tire Corporation, Limited - The Parent Company
CTFS	Canadian Tire Financial Services Limited - A wholly owned subsidiary of CTC
CTP	Canadian Tire Petroleum - A division of CTC
CTR	Canadian Tire Retail - A division of CTC
CTREL	Canadian Tire Real Estate Limited - A wholly owned subsidiary of CTC
FGL Sports Ltd.	A wholly owned subsidiary of CTC (one of Canada's leading retailers of sporting goods)
Mark's	A wholly owned subsidiary of CTC (one of Canada's leading apparel retailers)
PS	PartSource - A division of CTC (specialty automotive stores)
GJ	Gigajoules - a unit of measurement for energy use.
YTD	Year to Date

PERFORMANCE MEASUREMENT TERMS

1. STANDARD TERMS

METRICS	DEFINITIONS	DATA SOURCE
Annual realized benefits from sustainability projects	Values express a 12-month measurement of the project benefits. Benefits are measured against the project baseline which is defined as 'what it would have most likely occurred in the absence of the sustainability project'. Multi-year benefits beyond this 12 month measurement are not currently reported. Sustainability projects reported represent a material sampling of projects within various operational areas across CTC SBUs.	May include all Business Groups involved in the reporting of sustainability initiatives, Finance team, Business Sustainability and Third party consultants.
Costs avoided from sustainability projects	Realized annual costs saved for the Enterprise (the Corporation and the dealers, franchise and agents) in comparison to 'what it would have been in the absence of the sustainability project'. Examples of cost avoidance reported include freight and energy cost. Values are reported in CAD.	May include all Business Groups involved in the reporting of sustainability initiatives, Finance team, Business Sustainability and Third party consultants.
Energy use avoided from sustainability projects	Realized annual energy saved by the Enterprise and/or in some cases its value-chain partners such as customers and vendors, in comparison to 'what it would have been in the absence of the sustainability project'. Examples of energy avoidance are electricity and natural gas avoidance. Values are reported in gigajoules (GJ).	May include all Business Groups involved in the reporting of sustainability initiatives, Finance team, Business Sustainability and Third party consultants.
GHG emissions avoided from sustainability projects	Realized annual greenhouse gas emissions saved by the Enterprise and/or in some cases its value-chain partners such as customers and vendors, in comparison to 'what it would have been in the absence of the sustainability project'. Values are reported in metric tonnes of CO ₂ e.	GHG emissions sources: Environment Canada's National Inventory Report 1990-2011, EPA Climate Leaders Direct Emissions from Stationary and Mobile Combustion Sources May 2008, and IPCC's global warming potentials.
Waste avoided from sustainability projects	Realized annual waste saved by the Enterprise and/or in some cases its value-chain partners such as customers and vendors, in comparison to 'what it would have been in the absence of the sustainability projects'. Examples of waste avoidance include end-of-life waste from products, packaging and in-store decor. Values are reported in metric tonnes.	May include all Business Groups involved in the reporting of Sustainability initiatives, Finance team, Business Sustainability and Third party consultants.
Equivalent to powering this many homes per year	Calculates the equivalent number of average Canadian homes powered for a year related to the realized annual avoided energy use resulting from sustainability project. Energy used by the average Canadian home includes natural gas, electricity, heating oil, propane and wood use.	Natural Resources Canada, Residential Secondary Energy Use by Energy Source and End-Use, 2010 Energy Intensity (GJ/household)
Equivalent annual household waste	Calculates the equivalent number of average annual Canadian household waste generated related to the realized annual avoided waste resulting from sustainability projects.	Source of Waste per capita: Statistics Canada, Waste Management Industry Survey: Business and Government Sectors (2010). Source of Household size: Statistics Canada (2011). The household average size for 2010 is not available, census are done every 5 years only.
Equivalent annual household water consumption	Calculates the equivalent number of average annual Canadian household water consumption related to the realized annual avoided water resulting from sustainability projects.	Source of water use per capita: Environment Canada - Residential water use Indicator data (2009) Source of Household size: Statistics Canada (2011). The household average size for 2009 is not available, census are done every 5 years only.
Equivalent number of light vehicles annual fuel consumption	Calculates the equivalent number of average passenger automobile annual fuel consumption related to the realized annual avoided energy resulting from sustainability projects.	Transport Canada, Table RO4 of 'Transportation in Canada Addendum 2010' Report.

2. CURRENT SUSTAINABILITY PROJECTS

PROJECTS	DEFINITIONS	BUSINESS GROUPS INVOLVED	GAPS
Product and Packaging Right-sizing	This sustainability project measures the reduction in size and/or weight of a product and/or a product's consumer packaging for each project. Cost avoidance is derived from reduced cube resulting in reduced freight cost. Energy and GHG emissions avoidance is derived from reduced weight and cube resulting in reduced energy use from transportation. (Assumption made: reductions in product volume are always translated into container loading efficiency). Waste avoidance is derived from the reduced weight of product end-of-life.	PSN, Product Quality Group, Transportation Group, Business Sustainability	GHG and energy avoidance from reduction in raw material and product manufacture.
Product Damage Reduction	This sustainability project measures the impact of transportation packaging and supply chain handling improvements on a product's damage rate (damage discovered in transport from vendor to store and concealed damage). Cost avoidance is derived from the damage cost avoidance. Energy use and GHG emissions avoidance are derived from avoided transportation to return the damaged products to the vendors. Waste avoidance is derived from avoided disposal of damaged products.	PSN, Logistics Group, Transportation Group, Business Sustainability	For changes in shipping/handling product packaging, the increase or decrease in materials used is not taken into consideration.
Long Combination Vehicles (LCV)	This sustainability project measures the reduction in energy use between the use of two single trucks vs. the use of one LCV truck. LCVs are two 53 foot trailers attached to a specialised equipped truck with a total vehicle length of 127 feet. The cost avoidance is derived from the reduced fuel consumption and labour cost. The energy and GHG emissions avoidance is derived from the reduction in fuel used by one LCV truck as compared to two standard trucks.	Transportation Group, Business Sustainability	No known gaps
Net New Builds	This sustainability project measures the reduction in energy use, GHG emissions and costs from the construction of new buildings in place where there was no CTR store before. The baseline comparison is the most recent prototype used prior to the current prototype. Proto C size average per square foot energy consumption is assumed except for small market stores.	Design & Construction Group, 3rd party consultant, Business Sustainability	No known gaps
Replacement Builds	This sustainability project measures the reduction in energy use, GHG emissions and costs from the replacement of CTR stores. The baseline comparison is the Prototype Store replaced. Proto C size average per square foot energy consumption is assumed except for small market stores.	Design & Construction Group, 3rd party consultant, Business Sustainability	No known gaps
HVAC Upgrades	This sustainability project measures the reduction in energy use, GHG emissions and costs from the installation of new energy efficient heating, ventilation and air conditioning (HVAC) units in stores and the resulting reductions in electricity and natural gas use.	Real Estate Services Group/3rd party consultant, Supply Chain Group, Business Sustainability	No known gaps
Roofing Retrofits	This sustainability project measures the reduction in energy use, GHG emissions and costs from the installation of higher R-value roofing on stores and the resulting reductions in electricity and natural gas use. The R-value is a measure of thermal resistance used in the building and construction industry.	Real Estate Services Group, Business Sustainability	No known gaps
Demand-Control Ventilation (DCV) Retrofits	This sustainability project measures the reduction in energy use, GHG emissions and cost from the installation of carbon dioxide sensors which allows the rooftop ventilation units to bring in additional fresh air based on carbon dioxide demand.	Real Estate Services Group, Business Sustainability	No known gaps
In-Store Decor Right-Sizing	This sustainability project measures the reduction in size and weight of in-store decor signage. Cost avoidance is derived from reduced time to install signage at store, reduced product quote cost and reduced freight cost. Energy and GHG emissions avoidance is derived from reduced weight and cube resulting in reduced energy use from transportation to stores. Waste avoidance is derived from the reduced weight of product end-of-life.	Store Design, Transportation Group, Business Sustainability	GHG and energy avoidance from reduction in raw material and product manufacture.
Cooler Retrofits (eTemp®)	This sustainability project measures the reduction in energy use from the installation of eTemp® thermostats at CTP coolers. eTemp® technology simulates food and beverage thermal qualities and automatically relays this information to the existing thermostat or telemetry. Cooling cycles are reduced which reduces electricity consumption. Energy and GHG avoidance are based on reduced electricity consumption. Cost avoidance is based on reduced electricity cost.	Petroleum, Business Sustainability	No known gaps
Lighting Retrofit	This sustainability project measures the reduction in energy use, GHG emissions and costs resulting from the installation of energy efficient lighting (such as T8 or LED). This includes lighting retrofits for CTR and Marks stores, CTP canopy and stores and Distribution Centres.	Marks Store Design, Petroleum and Business Development, Supply Chain Major Projects, Business Sustainability	No known gaps
Conversion to e-statement	This sustainability project measures the reduction in paper use, embedded energy and greenhouse gas emissions as a result of Canadian Tire Financial Services credit card holders conversion to e-statement from paper statements.	CTFS Marketing	No known gaps
CTR DC irrigation system retrofit	This sustainability project measures the reduction in water use and cost as a result of an irrigation system hardware upgrade and the installation of smart controllers.	Supply Chain Group, Business Sustainability	No known gaps

3. CURRENT SUSTAINABILITY PROGRAMS

METRICS	DEFINITIONS	BUSINESS GROUPS INVOLVED	GAPS
On-site low carbon energy generation	Low carbon energy generation from on-site installations. May include solar PV, solar thermal, wind, geothermal, hydrogen or waste-derived energy generating installations. To be considered "low carbon", the GHG emissions associated with the energy generated have to be lower impact than the traditional means of power generation. Reported in GJ.	CTREL	no known gaps
Revenue Generated from low carbon energy generation	Year-to-date revenue generation is reported when the energy generated is connected to the municipal grid. Revenue may include management fees and rent revenue. Reported as Canadian currency dollars.	Finance team	no known gaps
GHG Emissions avoided from low-carbon energy generation	Year-to-date greenhouse gas emissions avoided from on-site installations of low carbon energy generation. This may include GHG emissions avoided by the Corporation (when the energy is used on-site) or GHG emissions avoided in the local economy (when the energy is sent to the grid). Reported in tonnes of CO ₂ e.	CTREL and Third Party Consultant	no known gaps
GTA DCs waste diversion program	The year-to-date amount of waste diverted and recovery dollars as a result of the recycling of several waste streams (e.g. cardboard, metal, wood, plastic) and the salvaging of damaged products.	Supply Chain Group, Business Sustainability	No known gaps