

CANADIAN TIRE BUSINESS SUSTAINABILITY UPDATE



Third Quarter 2014 Results

Canadian Tire Corporation, Limited (“CTC” or “the Company”) continued to make great strides during the third quarter of 2014. New innovations introduced at the Company’s distribution centres and continued strong returns were due in part to the hard-work and efforts of the Sustainability teams across the Canadian Tire family of companies. The initiatives and ongoing sustainable practices that have been put in place have achieved approximately \$3.5 million in annual cost avoidance and resulted in the reduction of 1,117 tonnes of waste and 7,109 tonnes of greenhouse gas emissions (GHG) year to date.¹

MANAGING WASTE AND MAXIMIZING EFFICIENCIES

One of the cornerstones of Canadian Tire’s Business Sustainability strategy is its ongoing effort to reduce waste and find efficiencies across the enterprise. In 2013, CTC implemented a new waste management initiative that integrates its practices at over 600 corporate locations, including FGL Sports, Mark’s and PartSource retail stores, Canadian Tire Petroleum retail gas outlets and distribution facilities. The initiative helped consolidate over 100 waste management vendors down to two strategic partners and in the last 12 months has decreased waste costs by an outstanding 26%. The new waste management initiative is also estimated to divert 50% of CTC’s waste from landfills by the end of 2014.

CTC’s Toronto Operations team continually explores ways to minimize the volume of styrofoam entering the waste stream at its Resource Recovery Centre. To help reduce the corporation’s environmental footprint, a styrofoam densifier was put into place – this machine uses heat to condense the volume of styrofoam by 90% from its original size. Since implementing the densifier in combination with other projects, Toronto Operations has been able to reduce the number of waste pickups by approximately 92% at the Resource Recovery Centre and it is projected to secure an additional \$10,000 per year in resource recovery value and cost avoidance savings.

Similar to the densifier, the hard plastic baler originated from an effort to shift the high shipping costs of recyclables into a more profitable recycling stream. At CTC’s Resource Recovery Centre, the Company implemented a new process whereby a heavy duty baler crushes and bales hard and rigid plastics. The crushed and baled plastic is over three times more valuable than the form previously sent out in – CTC anticipates a total value of over \$40,000 annually in resource recovery value and cost avoidance from this initiative.

WHAT OUR EMPLOYEES HAVE TO SAY

James Skuza, Sustainability Specialist, Toronto Supply Chain Operations, is a key player in overseeing CTC’s waste management and ensuring that the Company maximizes its landfill diversion. With his help, Canadian Tire’s Toronto Operations and distribution centres have shifted away from the traditional focus on “big three” streams of recycling to include over 20 streams, and as a result is bringing sustainability initiatives to the forefront. Due to this change, the distribution centres now generate over \$600,000 a year in revenue from recycling and have a diversion rate of over 90% – a significant improvement from a resource recovery value of \$27,000 and a diversion rate of 63% in 2011.

If you asked our Business Sustainability team’s Senior Consultant Fleur Careil why she chose to leave the Netherlands and later Colombia to eventually move to Canada, she’d tell you that it was in large part due to the great Canadian outdoors. Like most employees at Canadian Tire, Fleur not only enjoys the Canadian landscape by hiking, cycling and skiing during her free time but she is also passionate about preserving it. As part of a team of five, Fleur has worked on projects like consolidating energy and waste management for our corporate stores and office buildings and the installation of an electric vehicle charging station at the LEED certified Marine Drive Canadian Tire owned shopping complex in Vancouver, British Columbia. Fleur describes her team’s work as “environmental value creation,” or finding and reporting cost savings, avoidance and revenue generation opportunities that could put money back into the business through developing projects that are also good for the environment.

James and Fleur’s work exemplifies the sustainability team’s strategic commitment to implementing win-win changes in operations that benefit both the business and the environment. To quote Fleur, “what is good for people and the environment, makes good business sense.”

AWARDS AND RECOGNITION

For the third consecutive year, CTC has been recognized for its corporate sustainability leadership and was selected to be part of the [Dow Jones Sustainability Indices](#) (DJSI). CTC’s score is the highest since it started participating in this voluntary index and went up in each of the three index dimensions: Eco-nomic, Environmental and Social. For the first time, CTC has also been included in the Dow Jones Sustainability World Index as well as the North American Index.

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 and CT REIT. 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 tens of thousands of people employed across the Company. For more information, visit [Corp.CanadianTire.ca](#).

AT CANADIAN TIRE, SUSTAINABILITY IS PART OF OUR CULTURE. FOR MORE THAN 90 YEARS, WE HAVE PROVIDED CUSTOMERS WITH THE JOBS AND JOYS OF LIFE IN CANADA. THROUGHOUT THE YEARS, WE HAVE REMAINED FOCUSED ON OPTIMIZING ENERGY SAVINGS AND WASTE REDUCTION PROGRAMS, IMPROVING OUR OPERATIONAL FOOTPRINT AND ENSURING THAT OUR PRODUCTS MEET CUSTOMER EXPECTATIONS.



Canadian Tire’s total avoidance in energy use and GHG emissions to date is equivalent to powering more than **1,400** Canadian homes for a year.



For a third year in a row, the A.J. Billes and Brampton distribution centres participated in the 2014 [People Power Challenge](#), which ran from April to September 2014. The challenge, a yearly event organized by Partners in Project Green, allows businesses to compete against each other by promoting environmental and sustainable practices in the workplace. The challenge exceeded its objectives and received an overwhelming response with over 100 CTC employee suggestions and 300 pledges to improve environmental performance both at work and at home.

Many of the suggestions received by employees have already been implemented at our distribution centres and many are on track to be implemented in the future.

¹ Beginning in Q1 2014, the Company started reporting on realized benefits achieved over the preceding 12-month period from projects completed in the same quarter of the previous year. This methodology moves the Company’s sustainability reporting away from forecasted annual benefits to reporting actual results. Additionally, this report presents results achieved on a year-to-date basis. This includes any projects implemented in the first half of 2013 that have achieved one full year of realized benefits. Improvements refer to the savings in comparison to the baseline scenario, where the 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.

SUSTAINABILITY PROJECTS

Realized benefits year to date Q3 2014

	Cost avoidance \$ 000	Waste avoidance (tonnes)	Energy use avoidance (GJ)	GHG emissions avoidance (tonnes CO ₂ e)
Product and Packaging				
Reductions in energy use from transportation of optimized product and packaging as well as waste reductions.	609	1,086	5,548	384
CTR - Product & Packaging Right-Sizing	609	1,086	5,548	384
Product Transport				
Reductions in energy and resources use from increased fuel efficiency in transportation modes, vehicles and distribution centres.	477	12	6,296	307
CTR - Damage Reduction	125	12	0	0
CTR - Long Combination Vehicles (LCV)	230	0	2,917	204
CTR - Distribution Centres Lighting Retrofits	122	0	3,379	103
Business and Retail Operations				
Reductions in energy and resources use in buildings and their operations through efficiency initiatives.	2,431	19	131,446	6,418
CTR - Net New Builds	10	0	506	21
CTR - Replacement Builds	11	0	515	22
CTR - Demand Control Ventilation (DCV) Retrofits	1,196	0	106,454	5,223
CTR - Relamping Project	277	0	8,909	429
CTR - Store HVAC Upgrades	25	0	1,051	44
CTR - Roofing Retrofits	36	0	3,211	165
CTR - In-Store Decor Right-Sizing	108	2	41	3
Mark's - Lighting Retrofits	135	0	4,122	93
CTP - Cooler Retrofits (eTemp)	106	0	3,294	170
CTP - Lighting Retrofits	74	0	2,028	203
CTFS - E-statement conversions	454	18	1,314	46
TOTAL	3,517	1,117	143,290	7,109



The energy avoidance is equivalent to powering 1409 Canadian homes for a year

The waste avoidance is equivalent to the annual waste generation from 1671 Canadian homes

SUSTAINABILITY PROGRAMS

Realized benefits year to date Q3 2014

	Revenue Generated \$ 000	Low-Carbon Energy Generated (GJ)	GHG emissions avoidance (tonnes CO ₂ e)
CTR - Solar PV - On Grid	1,472	28,940	878



The low-carbon energy generation is equivalent to the annual electricity use from 731 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, 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 the CDP. Canadian Tire participates in CDP.
CO ₂ e	Carbon dioxide equivalent - Expresses all greenhouse gases in the measurement of carbon dioxide by adjusting other types of greenhouse gases - methane, nitrous oxide, sulphur, hexafluoride, hydrofluorocarbons, and perfluorocarbons – to 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 (GHGs) 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 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 Resources 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 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 business areas.	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 uses 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
Relamping	This sustainability project measures the reduction in energy use, GHG emissions and costs from the upgrade to more energy efficient lighting equipment in CTR stores. The difference between the baseline and the post-implementation energy use is calculated based on the lamps wattage consumption and number of hours used.	CTREL Design and 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 Mark's stores, CTP canopy and stores and Distribution Centres.	Marks Store Design, Petroleum and Business Development, Supply Chain Major Projects, Business Sustainability	No known gaps
E-statement conversions	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
Funds contributed to regulated recycling organizations	Year to date Canadian Tire product stewardship payments to programs based on net POS sales or shipments. Selected retail products have regulatory obligations under blue box, industry product stewardship and recycling programs. Regulated products include tires, batteries, oil, paint, fertilizers, and electronics. In Canada, this includes approximately 60 programs across all provinces. Reported as CAD in the MD&A.	Finance team	No known gaps