February 21st, 2013

The Delphi Group and Corporate Knights have assessed Canadian Tire Corporation's (CTC) 2012 Q4 Business Sustainability Performance Report and 2011 Environmental Footprint in order to provide CTC stakeholders with an independent review. The objective of this review is to determine if the appropriate due diligence is in place for accurate public disclosures. In addition, CTC's sustainability reporting was reviewed against a set of its industry peers to assess how it was performing with regards to public disclosures. Finally, CTC's 2011 greenhouse gas emissions (GHGs) and energy use was benchmarked against industry peers to assess their performance. For CTC's response to the previous quarter's (Q3 2012) recommendations please see Appendix A.

Overall, we found the following:

1. **Best in Class Disclosures**: CTC is a best-in-class performer relative to its sector peers domestically and internationally with regards to its public sustainability disclosures (Figure 1).
2. **Strong Data Accounting and Management System**: CTC has the appropriate due diligence system in place regarding methodologies, data management, assumptions, and accountability in relation to their business sustainability performance and environmental footprint reporting.
3. **Above Benchmarked Average on Energy Productivity**: CTC was above the benchmarked average regarding the energy productivity of its buildings and corporate fleet (Figure 2).
4. **Above Benchmarked Average on Carbon Productivity:** CTC's carbon productivity was best-in-class among its sector peers (Figure 3).

This *Letter of Review* will briefly outline CTC's Sustainability Disclosure Performance, Data Review Findings, Benchmarking Performance, and Recommendations Moving Forward. For an overview of the methodology used to conduct our review please see Appendix B.

Figure 1: Summary of Sustainability Disclosure Practices

Company	Energy Use	GHGs - Scope 1 and 2	GHGs - Scope 3	Energy and GHG segmentation by value chain segment	Energy and GHG Project Reporting Frequency	Environmental Footprint Reporting Frequency
Canadian Tire	√	√	√	√	Quarterly	Annually
Home Depot	√	√	√		N/A	Annually
Mountain Equipment	√	√	√	√	N/A	Annually
Target					N/A	N/A
Tim Hortons	√	√	√		N/A	Annually
Wal-Mart	√	√	√		N/A	Annually

Sustainability Disclosure Performance:

CTC's sustainability disclosure practices are best-in-class within the peer set used in this benchmarking study, and among the most sophisticated of any global retailer. Along with Mountain Equipment Co-Op, CTC is the only company in the peer set to disclose its energy use, Scope 1, 2 and 3 greenhouse gas (GHG) emissions, and segment its energy and GHGs by value chain. For most of the industry sample, Scope 3 GHG emissions pertain principally to employee commute, business travel and third-party transportation of goods. It must be noted that CTC provides a detailed break-down of its Scope 3 GHG emissions by segment of its value-chain, consistent with the way its Scope 1 and 2 GHG emissions are reported. CTC is also the only company within the peer set to use a quarterly project reporting framework to report business sustainability performance data (quarterly forecasting of estimated annual avoided costs, energy, GHG emissions, and waste from projects initiated within that quarter) to stakeholders.

Data Review Findings:

This quarter we reviewed projects that were included in CTC's Q4 2012 Business Sustainability Performance Report: *Mark's - DC Rainbow Packaging* and *New Fuel Efficient Trucks*. These initiatives were selected because they have not been reviewed previously or they were new projects entered into this system for Q4. In addition, we also reviewed CTC's 2011 Environmental Footprint, Product Transport segment of the value-chain, specifically, *CTP Fuel Transport (third-party) GHG Emissions and Carbon Price Risk*.

Mark's - DC Rainbow Packaging: Waste Avoidance, 60.3 (t)

Mark's DC Rainbow Packaging project is one that optimizes the use of product packaging for clothing that originally had to be shipped by separate colour. The system change now allows multiple colours to be shipped in one package, reducing the overall usage of cartons. After reviewing the methodology, assumptions, calculations, and accountability, we found that CTC has the appropriate due diligence system in place to ensure accounting accuracy and are operating in accordance with best practices.

New Fuel Efficient Trucks: Cost Avoidance, $65,063

CTC's New Fuel Efficient Truck project is one that replaces older transportation trucks with the acquisition of new more fuel efficient trucks which reduces GHG emissions and fuel costs. After reviewing the methodology, assumptions, calculations, and accountability, we found that CTC has the appropriate due diligence system in place to ensure accounting accuracy and are operating in accordance with best practices.

CTP Fuel Transport (third-party): GHG Emissions, 86,192 t CO_2e

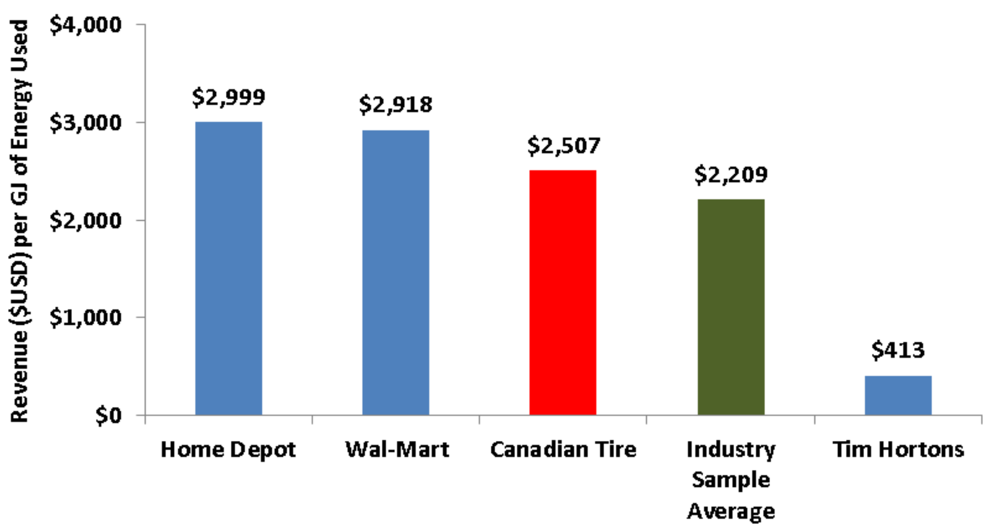
In Q4 of 2012, we reviewed the GHG emissions associated with CTP's third-party fuel transport contained within the larger 2011 Corporate and Supply Chain Environmental Footprint. After reviewing the methodology, assumptions/limitations, data management/calculations, and accountability, we found that CTC has the appropriate due diligence system in place to ensure accounting accuracy and are operating in accordance with best practices. For this quarter we reviewed how the Company uses an internal measure to assess potential of carbon price risk. For all GHG emissions quantified for each segment of CTC's value chain, the company calculates the internal predicted cost of carbon used to assess the potential risk associated with these emissions. Overall, we found that the assumed price of carbon that CTC currently uses is reasonable; however, it is difficult to provide a more substantial commentary because the policy environment is still very uncertain. Currently, this information is not publicly disclosed, but we wanted to highlight the use of an internal price on carbon as a best practice in the quantification and financial assessment of CTC's environmental impacts.

Benchmarking Performance:

Companies were included in the peer set sample on the basis of their comparability with Canadian Tire's industry classification, and their energy and GHG reporting. Benchmarking sustainability metrics is a challenging undertaking because there are no regulated standardized public disclosure practices that make comparing companies an easy task. In addition, some companies will appear to perform better if they have operations concentrated in areas that produce cleaner electricity; for example, emission factors in Canada (e.g. Ontario, BC, and Quebec with higher levels of hydropower) are typically lower than in the US. In all cases, data reflect a company's complete global operations (e.g."Home Depot" includes Home Depot Canada and Home Depot International, and "Wal-mart" includes Wal-mart Canada and Wal-mart International). In other cases, where sufficient information was available, the energy use and GHG emissions data were adjusted upwards to reflect the company's global footprint (e.g. Tim Hortons). In other cases, where only partial reporting of energy use or GHG emissions was made (e.g. Mountain Equipment), such figures were excluded from this analysis. Some companies will have better energy productivity in higher density markets; for example, more consumers are served per square foot of retail space in the USA vs. Canada.

These reporting complexities cause many companies to disclose the scope of their data based on a variety of internal and external factors. For the purposes of this benchmarking exercise, , corporate, *dealer, franchise, agent stores* and *corporate owned fleets* were included within the boundary for energy and GHG Scope 1 & 2 productivity to allow for best comparability within the sample set. The productivity calculation (total revenue per unit of measure) was selected based on how typical investor analysts use such kind of data.

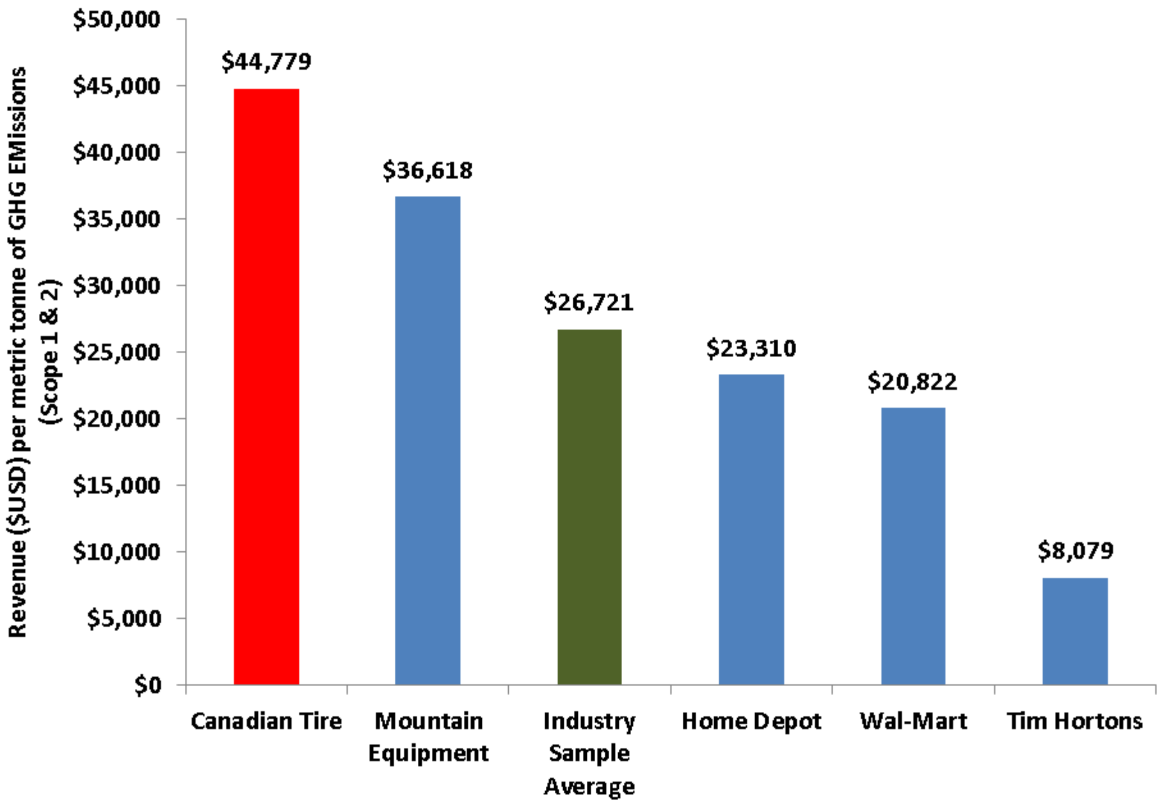
Figure 2: Energy Productivity from Buildings and Fleet (2011)[1]



1 **Energy Productivity Calculation**: Total revenue for Canadian Tire in 2011 was defined as Enterprise Revenue of $11,200 million CAD (includes revenues from FGL Sports as from Jan 02, 2011) divided by the average 2011 CAD/USD exchange rate of 1.01, equaling $11,312 million USD. Total energy consumption defined as 4,512,338 GJ (energy use in corporate offices, distribution centres, stores and dealer, franchise and agent stores. A similar methodology was applied to all the companies in the industry set to ensure most accurate comparability.

An entity's energy productivity can be measured by dividing total revenue by total energy consumption over a particular fiscal period. In 2011, Canadian Tire generated $2,507 USD in revenue per unit of energy (GJ) used in the company's buildings and corporate owned transportation fleet. The leader within the peer set for energy productivity for 2011 was Home Depot with $2,999 USD in revenue per unit of energy (GJ) used. CTC's 2011 energy productivity was $298 USD (or 13%) higher than the average energy productivity for the industry sample of $2,209 USD. Compared to Canadian Tire's performance, Home Depot was 19% more energy productive in 2011.

Figure 3: Greenhouse Gas (GHG) Productivity from Buildings and Fleet (2011)[2]



Like energy productivity, GHG productivity can be calculated for a given entity by dividing total revenue by total GHG emissions over a particular fiscal period. Using this approach, Canadian Tire's GHG productivity in 2011 was found to be $44,779 USD per tonne of GHG emitted (Scope 1 & 2). Canadian Tire's GHG productivity in 2011 was the best among the selected peer set. This ratio compares very favourably to the industry sample average of $26,721 USD.

[2] **GHG Productivity Scope 1 & 2:** Total revenue for Canadian Tire in 2011 was defined as Enterprise Revenue of $11,200 million CAD (includes revenues from FGL Sports as from Jan 02, 2011) divided by the average 2011 CAD/USD exchange rate of 1.01, equaling $11,312 million USD. Total GHG emissions were calculated to be 252,619 t/CO2e. Emissions calculated using the GHG Protocol. Only Scope 1 and Scope 2 emissions were calculated, with sources comprised of the corporate owned vehicle fleet (product transport trucks, service and passenger vehicles), corporate offices, distribution centres, stores and dealer, franchise and agent stores A similar methodology was applied to all the companies in the industry set to ensure most accurate comparability.

Recommendations Moving Forward:

1. **CTC Press Release and Environmental Footprint Discussion:** There is minimal discussion of CTC's 2011 Environmental Footprint within the Q4/Year-End Press Release. As the 2011 Environmental Footprint is released with the 2012 Q4 Business Sustainability Performance Report, it will be important for stakeholders to have a sense on how CTC is performing year-over-year with regards to its overall GHG emissions and energy usage calculated within the footprint.

2. **Publicly Available Targets**: While CTC has best-in-class business sustainability and environmental footprint disclosures, it still lacks publicly available GHG, energy, and waste reduction targets. Many companies still struggle with target setting; however, CTC has internal targets on its quarterly performance reporting. Publicly available targets help stakeholders ascertain how well a company is managing and mitigating their environmental impacts and we recommend that CTC consider this for future reporting cycles.

3. **Build on CTC's Reporting Practices:** CTC can further their reporting leadership position by building on its quarterly energy and GHG project reporting and disclose absolute energy consumption, GHG emissions and waste generation on a quarterly basis in addition to its quarterly forecasting of estimated annual avoided costs, energy, GHG emissions, and waste from projects initiated within that quarter.

Overall, Canadian Tire has demonstrated very strong due diligence with regards to their data accounting and management system and very progressive reporting technique. We would also like to acknowledge CTC's use of an internal price on carbon as a best practice.

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Appendix A: Canadian Tire Response to Q3 2012 Recommendations

#	Delphi/Corporate Knights Q3 2012 Recommendations	Canadian Tire Response
1	**Update Energy Rates used in Forecasting Assumptions**: CTC should consider updating the energy rates used to calculate cost avoidance to more current electricity and natural gas rates (CTC currently uses 2010 rates). CTC does have a system in place to update calculation factors annually based on the annual Environmental Footprint Reporting cycle. The quarterly Business Sustainability Performance Report references the most recently published Environmental Footprint calculation factors. If the Environmental Footprint reporting cycle is reduced, as mentioned in the 4th recommendation, this may help to update calculation factors for the Business Sustainability Performance Report to more current factors.	Energy rates were updated in Q4 2012 to align with the company's latest energy footprint.
2	**Use Representative Samples in Pilots:** While it may not always be feasible to pick a representative sample for pilot studies, we recommend that this be considered to ensure increased accuracy of forecasted benefits. When it is not possible to use a representative sample for pilots, we recommend that these projects are prioritized in the comparison of forecasted versus actual benefits testing after completion and the assumptions revised accordingly.	This is already built into our processes where projects are tested every quarter to verify the accuracy of the forecast and assumptions.
3	**Sustainability Reporting**: Canadian Tire uses a self-defined sustainability reporting framework which includes three parts: Quarterly Business Sustainability Reports, Annual Environmental Footprint Report, and Online Sustainability Content. Three out of four of CTC's peer set is referencing GRI as their framework for their sustainability reports. Canadian Tire should assess if the GRI is also an appropriate framework to use in order to achieve CTC's sustainability disclosure objectives.	We will assess whether GRI is an appropriate framework to use for the Company's sustainability disclosure.
4	**Shorten Environmental Footprint Reporting Cycle**: Currently, Canadian Tire has a 13-month reporting gap for the release of its environmental footprint data. Companies within the peer set, with known reporting cycles, are between 3-6 months. CTC should consider releasing its Environmental Footprint data on a shorter cycle.	The data collection and subsequent review for determining the Company's environmental footprint is a rigorous process that is normally completed after the close of the calendar year. In addition, since the annual footprint is embedded into the Company's annual report, there is a one year delay in the publication of the footprint.

Appendix B:

Overview of Methodology:

1. **Document Review**: Review all internal and external documentation provided.
2. **Metric Selection**: Independently select a sample of three metrics within the data sets provided to the public in order to review the methodologies, data management/calculations, assumptions, and accountability system. Only a sample of the data was reviewed as a proxy for the entire data set[3]. For the purposes of this assessment the following metrics were reviewed:
    - **2012 Q4 Business Sustainability Performance Report**:
        - **Waste Avoidance**: 60.3 (t), Mark's - DC Rainbow Packaging, 1 Projects
        - **Cost Avoidance**: 65,063 ($),New Fuel Efficient Trucks, 20 Projects
    - **2011 Environmental Footprint Report**:
        - **GHG Emissions**: 86,192 CO_2e CTP Fuel Transport (third-party).
3. **Interviews and Supporting Documentation:** Interviews were conducted with key CTC staff in charge of the data and supporting documentation was requested in order to verify the accuracy of statements.
4. **Findings:** A final statement on each area discussing due diligence in methodology, data management and calculations, assumptions, and accountability will be written based on the results of the review.
5. **Benchmarking:** CTC's performance in terms of energy productivity and greenhouse gases (GHG) productivity for the year 2011 was compared to the performance of a basket of same-sector Canadian and international peers. CTC's disclosure practices were also compared with those of its industry group peers. Data and disclosure practices are based on publicly available sources such as annual reports and sustainability reports. Numbers are adjusted in cases where they are reported for less than 100% of the company's operations. In the case of CTC, we have also relied on non-publicly available data provided to us for the purpose of this report. Definitions are as follows:
    - **Energy productivity:** Total revenue in USD for a particular fiscal period divided by total direct and indirect energy (GRI: EN3 and EN4) consumed in GJ for the same period.
    - **GHG productivity:** Total revenue in USD for a particular fiscal period divided by total greenhouse gases (GHG) (GRI: EN16) emitted in metric tonnes of CO_2e for the same period.
6. **Recommendations:** Make recommendations to CTC in terms of disclosure and reporting.

[3] If the random sample data set has no major issues then we are reasonably confident that the organization has the appropriate due diligence in place for the rest of its metrics. However, we must note that a complete audit of the data was beyond the scope of this review and we cannot comment on accuracy beyond the data in which we reviewed directly.