February 7th, 2014

The Delphi Group and Corporate Knights have assessed Canadian Tire Corporation's (CTC) 2013 Q4 Business Sustainability Performance Report and 2012 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 2012 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 2013) 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. Minor recommendations have been provided to ensure enhanced document control and project replicability and to reduce CTC's Footprint reporting cycle.
3. **Slightly below Benchmarked Average on Energy Productivity**: CTC was slightly below the benchmarked average regarding the energy productivity of its buildings and corporate fleet (Figure 2).
4. **Above Benchmarked Average on GHG Productivity:** CTC was second best among its sector peers on GHG productivity (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 Energy and GHG inventory Disclosure Practices[1]

Company	Energy Use	GHGs - Scope 1 and 2	GHGs - Scope 3	Energy and GHG segmentation by value chain segment	Energy and GHG reporting frequency
Canadian Tire	√	√	√	√	Annually
Home Depot	Electricity use only	√	√		Annually
Loblaws	Electricity use only	√			Annually
Mountain Equipment Co Op		√	√	√	Annually
Rona	Electricity use only	√			Annually
Staples	√	√			Annually
Target	√	√	√		Annually
Wal-Mart	√	√	√		Annually

[1] At the time of writing, Home Depot and Wal-Mart had not disclosed their 2012 sustainability performance data. The analysis for these companies was therefore based on their 2011 performance data disclosure practices.

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 segment its energy and GHGs by value chain. CTC is also the only company within the peer set to use a quarterly reporting framework to report business sustainability performance data (quarterly forecasting of estimated annual avoided costs, energy, GHG emissions, waste, and water [new this quarter] from projects initiated within that quarter) to stakeholders.

Data Review Findings:

This quarter we reviewed the *CTR - DC Exterior Irrigation System Retrofit* project which was included in CTC's Q4 2013 Business Sustainability Performance Report. This initiative was selected because it had not been reviewed previously and it is the first water avoidance project to be entered into CTC's Business Sustainability Quarterly Performance Report. In addition, we also reviewed CTC's 2012 Environmental Footprint to see if there were any areas to enhance overall reporting.

CTR - DC Exterior Irrigation System Retrofit: Water Avoidance, 2,291 m^3

In Q4 of 2013, a—first ever—water avoidance project was introduced at CTC's Distribution Centre in the Region of Peel. Peel region was offering incentives to local businesses to reduce their water consumption in water stressed areas. The incentives helped to pay for irrigation system upgrades, as many facilities with automatic irrigation systems apply more water than is required to maintain healthy lawns. 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. However, we would caution that all assumptions that are in external documents be clearly referenced, identified and, if possible, embedded within the project report in order to ensure proper document control over time. Also, there may be an additional opportunity to replicate projects such as this within other jurisdictions. A quick analysis within the project report to assess if this could be replicated in other jurisdictions would also help to amplify project successes.

CTC 2012 Environmental Footprint:

This year we have taken a different approach to reviewing CTC's Environmental Footprint, as we have reviewed CTC's GHG footprint for the past two years and all calculations are done in accordance with the principles from the WBCSD/WRI GHG Protocol. This year we reviewed CTC's GHG/Energy reporting approach to find recommendations for overall improvement. The following are the key recommendations:

1. **Shorten Environmental Footprint Reporting Cycle**: This is something we have previously recommended in order for CTC to be in line with industry peer best practices. After having reviewed multiple options, we recommend that CTC should report their current corporate footprint at year end within their MD&A. The value-chain footprint—which requires more time—should also be included within the MD&A, but with a 1-year data lag. Therefore, after one year, and every year following, CTC will have the previous year's value-chain footprint and the current year's corporate footprint. Reducing the reporting cycle will also have the benefit of increasing the company's chances of being considered for global corporate sustainability rankings.

2. **Use Real Product Information to Improve Value-Chain Footprint Data**: CTC has been very innovative in how they source and sell some of their products in order to reduce costs and impacts; however, this is not completely reflected within CTC's value-chain product and packaging footprint calculations, as industry average Economic Input Output Life Cycle Assessment (EIO LCA) data is currently being used. CTC could pilot the collection of SKU-specific data in a very limited fashion, targeting strategic products where innovative sourcing and packaging has occurred. This more accurate information can then be used to replace the industry average data currently used for the footprint.

3. **Integrate Multiple Data Sources to Improve Product and Supply Chain Sustainability Efforts**: CTC could integrate packaging/waste calculations and reporting data, with EIO LCA data and transportation data. This would help to better capture the full benefits of CTC's existing efforts to improve their product and supply chain sustainability.

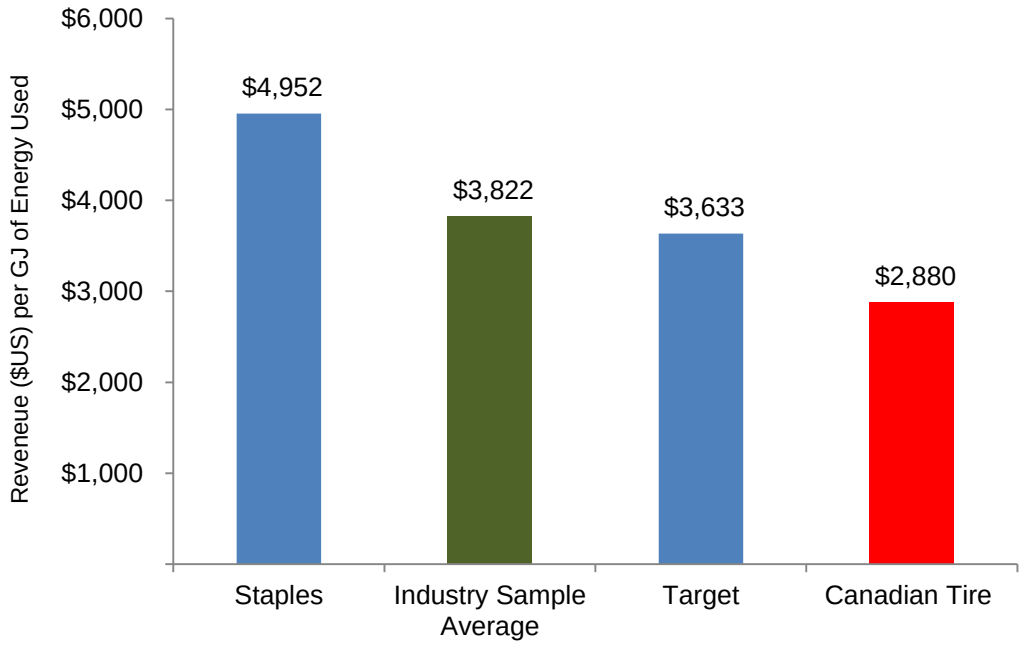
Benchmarking Performance:

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 practices. Sustainability benchmarking is made more difficult by the absence of regulated disclosure standards in the jurisdictions where the companies in the peer set operate for energy and GHG reporting.
In addition, the location of a company's operations can meaningfully affect its energy and GHG profile; companies with operations in jurisdictions with relatively "clean" electricity (e.g. a low emissions factor) will be advantaged. For example, emission factors in Canada (e.g. Ontario, BC, and Quebec, with high levels of hydropower) are typically lower than those in the United States.

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).

For the purposes of this benchmarking exercise, the following were included in the boundary for energy and GHG Scope 1 & 2 productivity to allow for best comparability within the sample set: CTC fleet, PartSource commercial delivery, corporate offices, corporate distribution centres, corporate vehicles, dealer stores, Mark's corporate and franchise stores, FGL's corporate and franchise stores, PartSource corporate and franchise stores and agent stores.

Figure 2: Energy Productivity from Buildings and Fleet (2012)[2]

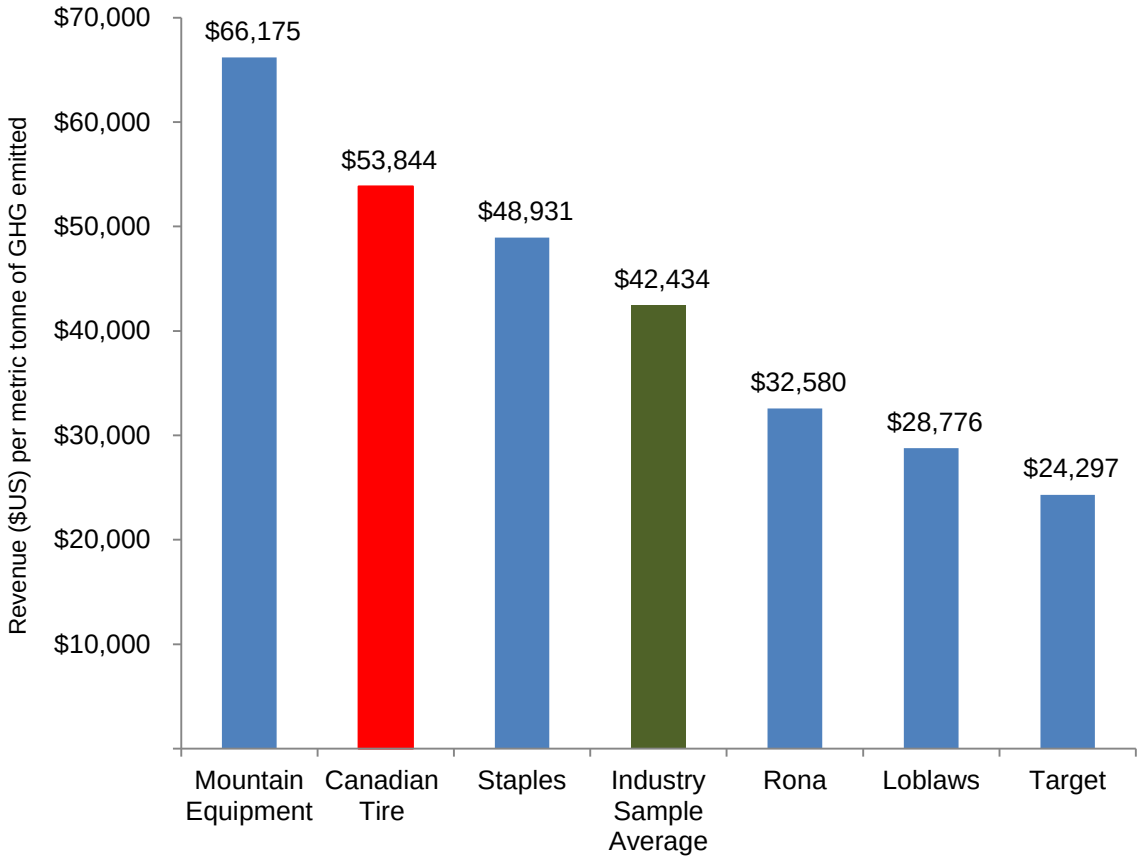


An entity's energy productivity can be measured by dividing total revenue by total energy consumption over a particular fiscal period. In 2012, Canadian Tire generated $2,880 USD in revenue per unit of energy (GJ) used in the company's buildings and corporate owned transportation fleet. The leader within the peer set for energy productivity for 2012 was Staples with $4,952 USD in revenue per unit of energy (GJ) used. The average energy productivity for the industry sample for 2012 was $3,822 USD.

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 2012 was found to be $53,844 USD per tonne of GHG emitted (Scope 1 & 2). This ratio compares very favourably to the industry sample average of $42,434 USD. The leader within the peer set for GHG productivity for 2012 was Mountain Equipment with a GHG productivity of $66,175 USD per tonne of GHG emitted in 2012. Canadian Tire's

[2] **Energy Productivity Calculation**: Total revenue for Canadian Tire in 2012 was defined as Enterprise Retail Sales of $12,852 million CAD multiplied by the average 2012 CAD/USD exchange rate of 1.0049, equalling $12,915 million USD. Total energy consumption defined as 4,484,012 GJ (energy use in corporate offices, distribution centres, stores and fleet; and dealer, franchise and agent stores). A similar methodology was applied to all the companies in the industry set to ensure most accurate comparability.

Figure 3: Greenhouse Gas (GHG) Productivity from Buildings and Fleet (2012)[3]



[3] **GHG Productivity Scope 1 & 2:** Total revenue for Canadian Tire in 2011 was defined as Enterprise Retail Sales of $12,852 million CAD multiplied by the average 2012 CAD/USD exchange rate of 1.0049, equalling $12,915 million USD. Total GHG emissions were calculated to be 239,869 tCO2e. Emissions calculated using the GHG Protocol. 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. **Document Control:** Ensure that all assumptions conducted by third-parties are clearly identified, referenced, and, if possible, embedded into the project reports.

2. **Project Replicability**: Ensure a system is in place for best practices to be shared across the company when significant business value and/or impact avoidance is demonstrated.

3. **Environmental Footprint Reporting Recommendations**:
    a. Shorten Environmental Footprint Reporting Cycle
    b. Use Real Product Information to Improve Value-Chain Footprint Data
    c. Integrate Multiple Data Sources to Improve Product and Supply Chain Sustainability Efforts

4. **Target Setting**:
    a. Improve energy productivity by setting more aggressive energy use reduction targets over the short and medium term.
    b. Establish a dialogue with franchise and agent stores to assist with setting periodic reduction targets for energy consumption and GHG emissions.

Overall, Canadian Tire has demonstrated very strong due diligence with regards to their data accounting and management system and has continued to demonstrate very progressive reporting. We would like to congratulate CTC for the inclusion of water avoidance projects in their business sustainability performance reporting.

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Appendix A: Canadian Tire Response to Q3 2013 Recommendations

#	Delphi/Corporate Knights Q3 2012 Recommendations	Canadian Tire Response
1	**Employee Engagement to Raise Awareness**: As mentioned in the review of CTC's e-statement conversion program, there was a significant time lag from when the program was initiated until it was accounted for within the business sustainability quarterly performance report. This highlights the need for further employee engagement to raise awareness and potentially build capacity to non-sustainability related business functions so that they are able to easily identify initiatives with sustainability attributes. This can take the form of developing green teams or green champions throughout different business units or through the creation of professional development courses that help build awareness and capacity throughout the organization.	Employee and business unit partner engagement and awareness is a key imperative of CTC's ongoing Business Sustainability strategy.
2	**Sustainability Reporting:** Canadian Tire's reporting framework includes two main parts: Quarterly Business Sustainability Performance Reports and Annual Environmental Footprint Reports. Four of the seven companies in Canadian Tire's peer set reference the GRI and this is up three companies from our last Q2 2013 Review. The GRI is among the world's most sophisticated sustainability disclosure frameworks. We recommend that Canadian Tire expand its Annual Environmental Footprint Report to cover the sustainability performance indicators contained in the GRI's reporting framework.	CTC recognizes the value of the GRI framework and will evaluate the possibility of adopting this framework in the future.
3	**Shorten Environmental Footprint Reporting Cycle:** Currently, Canadian Tire has a 13-month reporting gap for the release of its environmental footprint data. Most companies within the peer set have a reporting cycle of between 3-6 months, and this may not reflect global best practice for the retailing sector as a whole. Canadian tire should consider releasing its Environmental Footprint data on a shorter cycle in order to maintain the relevance of its environmental disclosures.	CTC is currently evaluating options to reduce the environmental footprint reporting cycle for the future.
4	**Consider Disclosing Sustainability Performance Targets:** Five of the seven companies in Canadian Tire's peer set publicly disclose their future sustainability performance targets. We recommend that Canadian Tire expands its reporting to include such targets to stay in line with best industry practice.	CTC sets internal performance targets for energy, carbon and waste reduction initiatives. CTC recognizes the value of externally disclosed sustainability targets and will evaluate as part of the Business Sustainability strategy.

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[4]. For the purposes of this assessment the following metrics were reviewed:
    - **2013 Q4 Business Sustainability Performance Report**:
        - **Water Avoidance**: 2,291m^3, CTR - DC Exterior Irrigation System Retrofit
    - **2012 Environmental Footprint Report**:
        - **General Recommendations for Improvement**
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 2012 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.

[4] 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.