February 14th, 2017

Canadian Tire Corporation (CTC) engaged The Delphi Group and Corporate Knights to assess elements of CTC's environmental disclosures. The purpose of the assessment is to provide a third-party review of the company's stated environmental benefits and the due diligence measures in place to support accurate public disclosures. Delphi and Corporate Knights have provided a review annually since 2012.

This year's review focused on one of CTC's active environmental projects, *Product & Packaging Right-Sizing,* and CTC's public reporting practices regarding energy use and greenhouse gas emissions (GHGs). CTC's 2015 GHG emissions and energy use were benchmarked against industry peers for an assessment of comparative performance.

Overall, we found the following:

1. **Data Accuracy**: The information reported by CTC with regards to the environmental benefits claimed from the *Product & Packaging Right-Sizing* project are fairly presented. Based on our review, there were no significant gaps or misstatements identified.
2. **Strong Data Accounting and Management System**: Our assessment has found that CTC has an appropriate due diligence system in place regarding methodologies, data management, and assumptions for calculating and disclosing the environmental benefits from selected initiatives**.** In 2016, new software was introduced by CTC to collect data and calculate CTC's transportation environmental footprint. This resulted in a change in methodology for calculating the environmental benefits of the *Product & Packaging Right-Sizing*. Our assessment found that the new software has further enhanced the rigour and traceability of methods used to calculate the environmental impacts of this initiative.
3. **Best Performance on Energy Intensity**: CTC has the lowest energy intensity for 2015 relative to a sample of same-industry peers (Figure 1).
4. **Decreasing Energy Intensity**: CTC's energy intensity decreased by approximately 6.1% from 2014 to 2015, offsetting increases of 2.3% and 2.5% over the periods 2012 – 2013 and 2013 – 2014 respectively (Figure 2).
5. **Best Performance on GHG Intensity:** CTC has the lowest GHG intensity for 2015 relative to a sample of same-industry peers (Figure 3).
6. **Notable decrease in GHG Intensity:** CTC's GHG intensity decreased by 9.5% from 2014 to 2015 (Figure 4).

This *Letter of Review* will briefly outline the Environmental Project Review Findings, CTC's GHG and energy use Benchmarking Performance, and Recommendations Moving Forward. An overview of the methodology used to conduct the review is provided in Appendix A.

Environmental Project Review Findings: Product & Packaging Right-Sizing

This year CTC's *Product & Packaging Right-Sizing* project was reviewed, which is included in CTC's 2016 Environmental Performance and Footprint Report. This initiative was selected because it provides environmental benefits over a multi-year timeframe, represents a complex project, and in 2016 there was a change in methodology for calculating environmental benefits due to introducing a new software platform. This project therefore provides a proxy for the due diligence systems in place for CTC's environmental project accounting and associated public environmental claims.

Environmental Benefits: Waste Avoidance, 2,177 tonnes; Energy Avoidance, 7,251 GJ; GHG Avoidance, 511 tonnes CO_2e; Cost Avoidance, $1,620,755

CTC's Right Sizing project helps generate less waste, consume less energy and lower greenhouse gas emissions as a result of adjustments to the volume and/or weight of products and packaging. These adjustments improve the efficiency of product transportation. Products are shipped from manufacturers and distributed to CTC's distribution centres and retail locations; manufacturers can be from offshore, domestic and international vendors. There are three packaging levels that the Right Sizing project encompasses: (1) the consumer unit (2) the master carton (3) the container level. Decreasing the weight of packaging results in decreased packaging waste. The reduced packaging volume allows for increased utilization of space in master cartons and/or shipping containers, which in turn, increases the total amount of product transported per load. The end result is a decrease in the energy and GHG emissions required to transport products and avoided costs associated with the decreased transport costs per product.

Over the past year, CTC adopted a new data software/reporting system to measure the company's environmental footprint from product transport. After reviewing the methodology, assumptions, calculations, and accountability, we found that CTC has the appropriate due diligence system in place to ensure accounting accuracy. The new system allows for greater transparency of the source data and simplifies the process of tracing calculations from source data through to final benefits. We found nothing in the review to indicate that the reported environmental benefits are inaccurate. The environmental benefits of this project are shared between CTC's direct transport and distribution center operations and third party freight providers.

Energy and GHG Emissions Benchmarking Performance:

CTC's energy and GHG emissions intensity performance was compared to a set of industry peers. Companies were included in the peer set sample on the basis of their comparability with Canadian Tire's sector, geographical presence and their energy and GHG reporting practices. In the absence of regulation, CTC's corporate-wide energy usage and GHG emissions reporting is voluntary, which demonstrates beyond compliance leadership[1]. Furthermore, CTC's proactive approach offers an indication of its awareness and level of preparedness to address any compliance obligations posed should reporting regulations become applicable to CTC in the future.

In all cases, data reflects 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).

These benchmarking results are based on intensity metrics – energy intensity and GHG intensity. Energy intensity is calculated as energy usage (gigajoules – GJ) in a given year divided by total floor area (square metres) in the same year. Similarly, GHG intensity is calculated as the sum of GHG emissions (tonnes CO2e) in a given year divided by total floor area (square metres) in the same year.

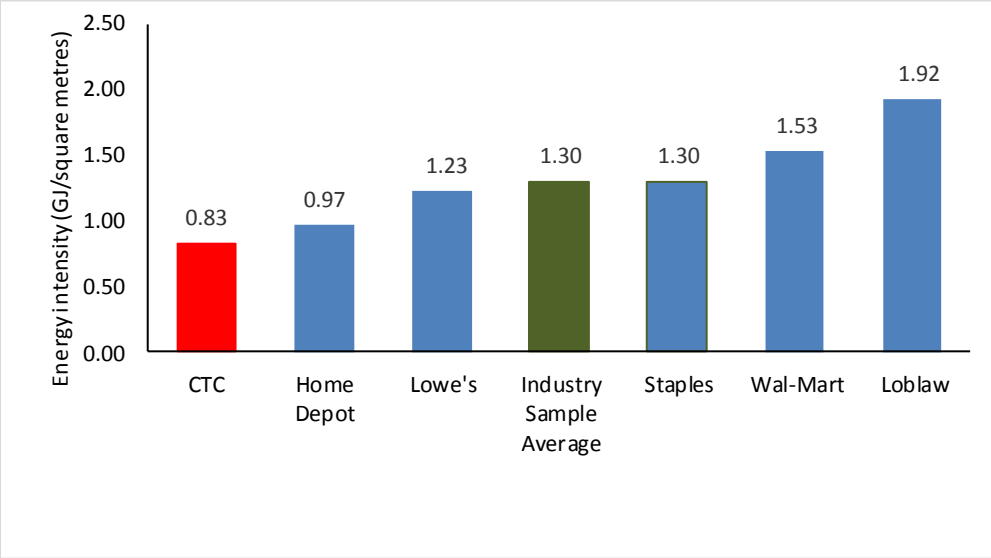
[1] Several jurisdictions in Canada, including Ontario, Alberta, British Columbia, and Quebec have implemented GHG regulations over the past few years, which do impact Canadian Tire's operations. However, current regulations impact only aspects of CTC's operations and corporate-wide disclosure on energy and GHG emissions is not required.

To allow for best comparability within the sample set, the boundary for total floor area, energy usage and GHG emissions includes corporate offices, distribution centres, corporate stores, agents, franchise and Dealer stores and corporate-owned transportation fleet[2]. This analysis allows for a comparison of energy and GHG efficiency of the entity's operations.

Energy Intensity:

CTC has the lowest energy intensity of the peer group, with an energy intensity of 0.83 GJ per square metre[3] for 2015. As shown in Figure 1 CTC's energy intensity for 2015 is significantly lower than the industry sample average of 1.3 GJ per square metre.

Figure 1: Energy Intensity from Buildings and Corporate-Owned Fleet (2015)



On a historical basis, CTC's energy intensity in 2015 (0.83 GJ per square metre) is at a 3-year low[4] as shown in Figure 2 and Table 1; CTC was also the company with the highest percentage reduction in energy intensity among the peer set over the period 2014 – 2015 (-6.01%).[5]

[2] Energy use and GHG emissions for Loblaw Companies Limited's ("Loblaw") franchise stores was not available.
[3] Calculated as the sum of energy used by CTC's buildings and operation of 4,667,094 GJ and CTC's fleet and PartSource Commercial Delivery of 189,173 GJ divided by total floor area.
4 Overall store, office and distribution centre energy use decreased due to a warmer winter season resulting in less fuel used for heating.
[5] Loblaw experienced the steepest increase in energy intensity over the period 2014 – 2015. However, Loblaw acquired Shoppers Drug Mart in 2014, and 2015 is the first full year of energy and GHG emissions reporting under the combined entity.

Figure 2: Change in Energy Intensity Year-Over-Year (%)

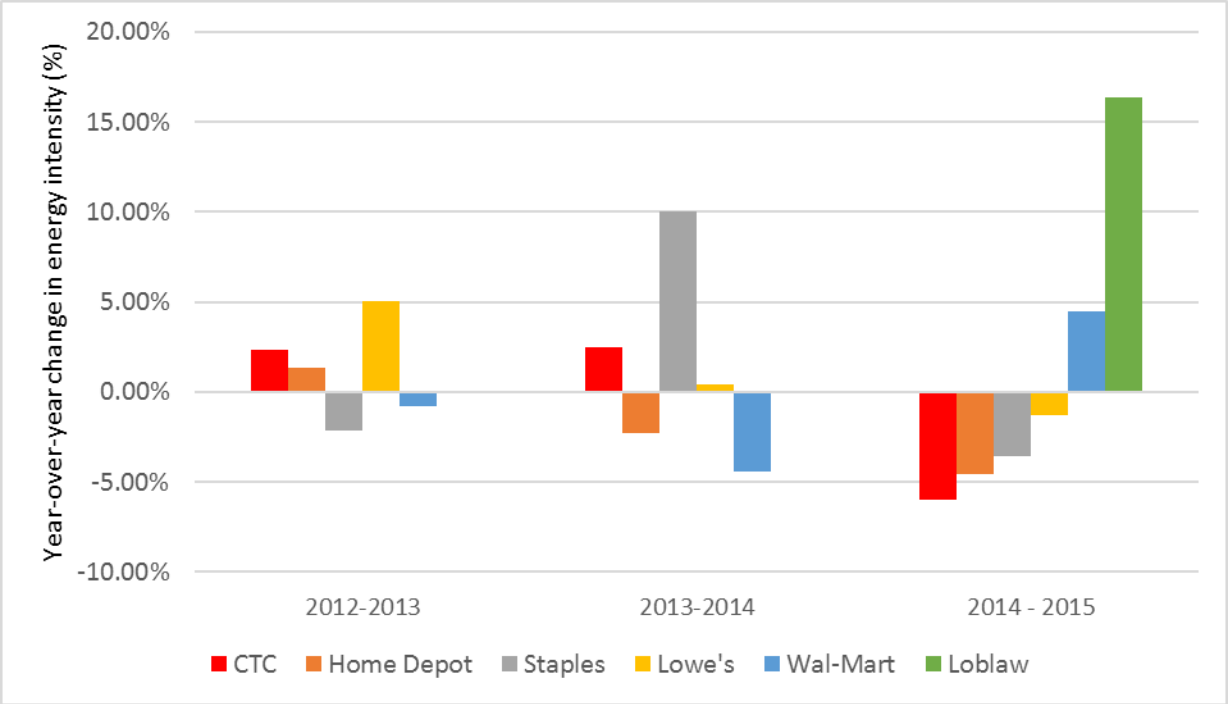


Table 1: Change in Energy Intensity Year-Over-Year (%)

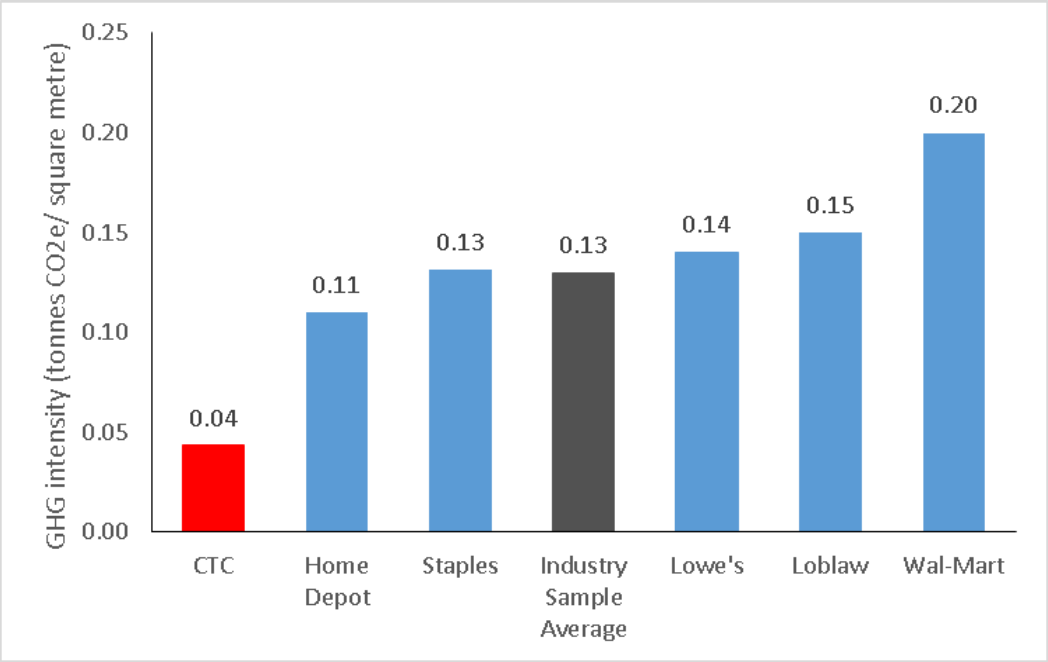
Peer company	2012-2013	2013-2014	2014 - 2015
CTC	2.32%	2.46%	-6.01%
Home Depot	1.36%	-2.25%	-4.57%[6]
Staples	-2.14%	10.05%	-3.56%[7]
Lowe's	5.07%	0.39%	-1.30%[8]
Wal-Mart	-0.80%	-4.41%	4.45%[9]
Loblaw		0.00%	16.36%

[6] Home Depot states the reductions are mainly due to emission reduction activities such as awareness and facility upgrades, including variable frequency motors.
7 Staples undertook a number of facility portfolio openings, closures or relocations/downsizing coupled with energy reduction projects resulted in increased efficiency.
8 Lowe's decline in energy intensity resulting from continuous improvements in electricity use reductions in operating HVAC units.
[9] Wal-Mart has been adding grocery areas to many existing stores contributing to increased energy use per store. On the other hand, Wal-Mart has stepped up its emissions reduction initiatives refrigerant management optimization, low carbon energy installations and purchases.

GHG Intensity:

As shown in Figure 3, CTC was found to have the lowest GHG intensity among the peer set in 2015 at 0.04[10] tonnes of CO2e per square metre. This compares favourably to the industry sample average of 0.13 tonnes of CO2e per square metre for the same year.

Figure 3: GHG Intensity from Buildings and Corporate-Owned Fleet (2015)



CTC's GHG intensity declined by 9.47% over the period 2014 to 2015[11], as shown in Figure 4 and Table 2. Peer company performance differs for GHG intensity compared to energy intensity because energy and GHG emisions do not follow a 1:1 ratio. GHG intensity is influenced by the carbon intensity of regional electricity grids, which is based on the fuels used to produce electricity in each jurisdication (coal, natural gas, nuclear, hydroelectricity, wind, solar, etc.). For example, emission factors in Canada are typically lower than those in the United States due to the fact that several Canadian provinces (including Ontario, BC, Quebec) generate a high proportion of electricity from hydropower as opposed to fossil fuels.

[10] Calculated as the sum of GHG emissions by CTC's buildings and operation of 235,270 tonnes of CO2e (emissions related to electricity transmission and distribution loss and business air travel are excluded) and CTC's fleet and PartSource Commercial Delivery of 13,386 tonnes CO2e divided by total floor area.

[11] Overall store, office and distribution centre energy use decreased due to a warmer winter season resulting in less fuel used for heating.

Figure 4: Change in GHG Intensity Year-Over-Year (%)

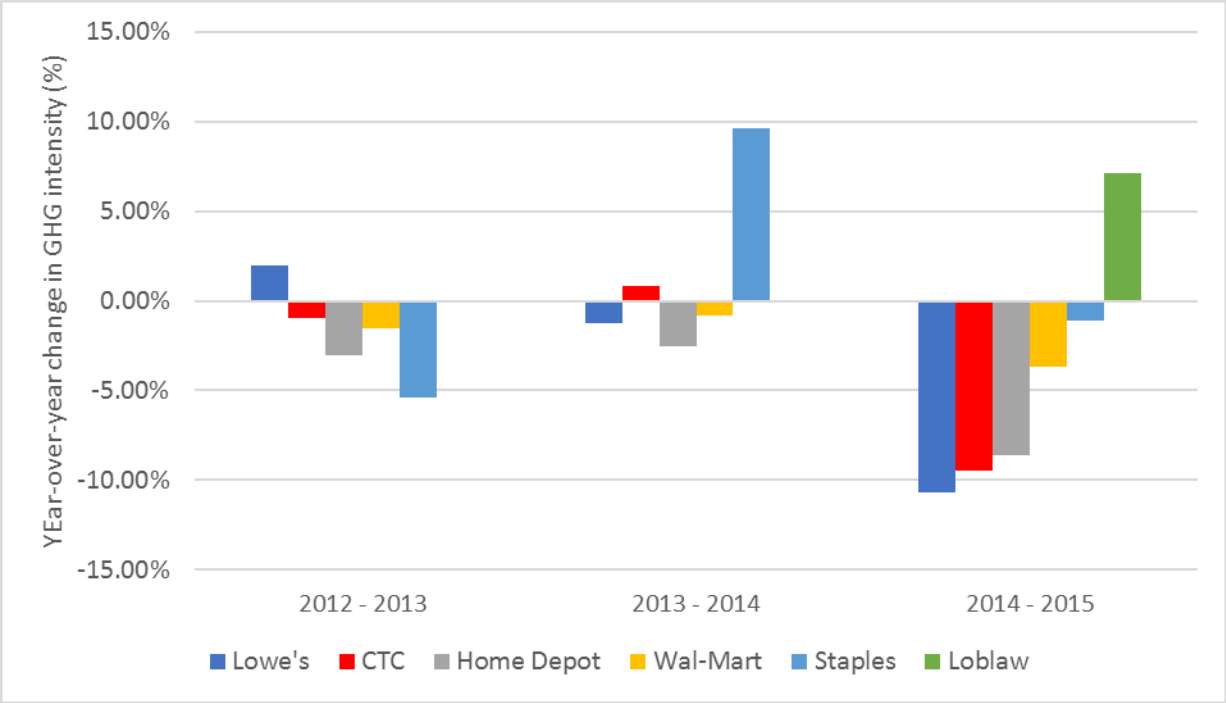


Table 2: Change in GHG Intensity Year-Over-Year (%)

Peer company	2012 - 2013	2013 - 2014	2014 - 2015
CTC	-1.0%	0.84%	-9.47%
Lowe's	1.99%	-1.25%	-10.68%
Home Depot	-3.04%	-2.53%	-8.59%
Wal-Mart	-1.55%	-0.84%	-3.69%
Staples	-5.38%	9.64%	-1.12%
Loblaw[12]			7.14%

[12] While GHG emissions data is available for Loblaw for the year 2012 and 2013, floor area data broken down into corporate-owned stores and franchised stores was not available.

Recommendations Moving Forward:

1. **Environmental Projects:** Continue to make available relevant, accurate and transparent data related to environmental project performance and environmental benefits. Consider describing how the environmental benefits from these projects (e.g. energy, GHG or waste avoidance) relate to CTC's reported environmental footprint.

2. **Energy and GHG Performance Benchmarking:** Continue with initiatives to reduce energy consumption over time, especially to accelerate the shift towards an increased proportion of non-fossil fuel energy sources both for its facilities and transportation fleet.

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.

Bruce Dudley
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Doug Morrow
VP, Research Corporate Knights

Appendix A:

Overview of Methodology:

1. **Document Review**: Review all internal and external documentation provided.
2. **Product & Packaging Right Sizing Project Metric Selection**: Independently select a sample of 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[13]. For the purposes of this assessment the following metrics were reviewed:
    - **Waste Avoidance**
    - **Energy Use Avoidance**
    - **GHG Avoidance**
    - **Cost Avoidance**
3. **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. General recommendations for improvement are also provided as necessary.
4. **Benchmarking:** CTC's performance in terms of energy intensity and greenhouse gases (GHG) intensity for the year 2015 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 Intensity:** Total direct and indirect energy usage consumed in GJ in a given year divided by total floor area in square metres in the same year.
    - **GHG Intensity:** Sum of GHG emissions (tonnes CO2e) in a given year divided by total floor area in square metres in the same year.
5. **Recommendations:** Make recommendations to CTC in terms of disclosure and reporting.

[13] 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.