



CANADIAN TIRE CORPORATION

2017 SUSTAINABILITY PERFORMANCE REPORT





2017 SUSTAINABILITY PERFORMANCE REPORT

Canadian Tire Corporation, Limited

Our Approach to Environmental Sustainability

Our environmental sustainability strategy engages each of Canadian Tire Corporation's retail banners and its financial services division. The strategy focuses on innovation and aims to achieve productivity gains and economic benefits from enhanced environmental and social outcomes by integrating sustainability into business operations.

Our 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.

Highlights of Our Report

In 2017, new economic and environmental benefits were realized through a number of sustainability initiatives implemented across CTC. Initiatives targeted at increasing sales of products that reduce energy use or waste, reducing fuel used to transport products, and increasing energy efficiency in buildings realized \$81.3 million in net new economic benefit. They also resulted in environmental benefits equivalent to eliminating the waste generation of over 31,000 Canadian homes and the energy required to power about 7,000 Canadian homes for a year.

CTC partners with local utility providers to offer customers rebates on the purchase of energy efficient products. In 2017, customers received \$35 million worth of rebates and will save approximately \$495 million on their electricity bills over the products' lifetime. In addition, annual electricity use equivalent to usage of over 16,700 Canadian homes will be avoided, reducing the demand on provincial electricity grids and avoiding nearly 800,000 tonnes of greenhouse gas emissions.

Reading Our Report

In this report, we often refer to Canadian Tire Corporation, Limited as "CTC" or the "Company". When we use the words "we" and "our", we are similarly referring to Canadian Tire Corporation, Limited. Acronyms or other terms that are capitalized in this document are defined the first time they are used or in the Glossary of Terms found in Appendix 2.

Our 2017 Sustainability Performance Report

This report outlines our **2017 Sustainability Performance**, which provides a view of the benefits realized from the implementation of business sustainability initiatives that aim to enhance productivity, reduce the Company's environmental footprint and provide our customers with sustainable solutions for the jobs and joys of life in Canada.

CTC's **2017 Environmental Footprint** is currently being calculated and is expected to be disclosed in Q2 2018.



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2017 Sustainability Performance

In 2017, new economic and environmental benefits were realized through a number of sustainability initiatives. The initiatives were targeted at increasing sales of products that reduce energy use or waste, reducing fuel used to transport products, and increasing energy efficiency in buildings relative to prior years. For a complete description of initiatives, disclosure of measurement gaps and glossary of terms, refer to Appendices 1 and 2 respectively.

This report discloses the net new economic and environmental benefits to the Corporation, its Dealers and franchisees, realized in 2017 from our sustainability initiatives. These initiatives realized economic benefits of \$81.3 million in 2017 and environmental benefits of over 21,000 tonnes of waste avoidance, a diversion rate of 78% at our corporate store locations and distribution centres (DC), and the avoidance of nearly 51,000 tonnes of greenhouse gas (GHG) emissions.

CTC also measures the lifetime economic benefit of sustainability initiatives from a 2011 baseline. Lifetime economic benefit is the benefit realized since our baseline year of 2011 for the entire useful life of the initiative. Each initiative has a unique useful life ranging from 1 to 25 years. In 2017, the lifetime economic benefit from sustainability initiatives completed since 2011 amounts to over \$280 million.

Sustainability Cost Avoidance Initiatives

Net new cost avoidance and environmental benefits realized in 2017, and the lifetime economic benefit realized since our baseline year of 2011

Initiative	Economic Benefit	Energy use Avoidance	Low-Carbon Energy Generated	GHG Emissions Avoidance	Waste Avoidance	Waste Diversion		Lifetime Economic Benefit*
	(\$ 000)	(GJ)	(GJ)	(t CO ₂ e)	(t)	(t)	(%)	(\$M)
Product and Packaging Right-Sizing	6.00	28	-	0.2	2	-	-	22.06
Transportation & Handling Optimization	442.30	11,232	-	788	2	-	-	12.17
DC Energy Efficiency Upgrades	95.80	2,115	-	29	-	-	-	5.06
Building Upgrades	252.02	14,923	-	742	-	-	-	8.27
Building Control Upgrades	114.88	4,071	-	155	-	-	-	9.63
Lighting Upgrades	483.59	12,028	-	634	-	-	-	14.09
Flyer Reductions	9,088.44	-	-	-	2,233	-	-	17.49
Seasonal Signage Reductions	710.36	-	-	-	49	-	-	1.86
Paper Reductions	3,928.12	-	-	-	58	-	-	11.51
Corporate Waste Management	86.94	-	-	-	-	12,831	69%	1.63
TOTAL	15,208.45	44,397	-	2,348	2,344	12,831	69%	103.77

Sustainability Income Generation Initiatives

Net new income earned and environmental benefits realized in 2017, and the lifetime economic benefit realized since our baseline year of 2011

Initiative	Economic Benefit	Energy use Avoidance	Low-Carbon Energy Generated	GHG Emissions Avoidance	Waste Avoidance	Waste Diversion		Lifetime Economic Benefit*
	(\$ 000)	(GJ)	(GJ)	(t CO ₂ e)	(t)	(t)	(%)	(\$M)
After Sales Service Program	16,118.81	-	-	-	4,249	-	-	51.19
Utility Partnership Rebate Events	21,796.51	687,558	-	48,186	3	-	-	33.02
Automotive Parts Take-Back	18,011.98	-	-	-	12,901	-	-	63.07
AS-IS Sales Program	7,946.00	-	-	-	1,524	-	-	21.67
DC Waste Management	775.69	-	-	-	-	9,315	94%	1.67
Rooftop Solar Installations	1,472.46	-	36,670	442	-	-	-	8.25
TOTAL	66,121.45	687,558	36,670	48,628	18,677	9,315	94%	178.87
GRAND TOTAL	81,329.90	731,955	36,670	50,976	21,021	22,146	78%	282.64

*Measured against a 2011 baseline



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Appendix 1

CTC Sustainability Performance Glossary

METRICS	DEFINITIONS	DATA SOURCES
Annual realized benefits from sustainability initiatives	Values express a 12-month measurement of the realized benefits. Benefits are measured against a baseline which is defined as 'what would most likely have occurred in the absence of the sustainability initiative'. Sustainability initiatives reported represent a sampling of key projects within various operational areas across CTC.	May include the business group(s) responsible for the implementation of the initiative, as well as those involved in the reporting of the sustainability initiative, such as Finance, Business Sustainability and third party consultants.
Lifetime Economic Benefit	Economic benefit to the Corporation, its Dealers, franchisees and agents realized since our baseline year of 2011 for the entire useful life of the initiative (e.g. in-store lighting upgrades completed in our baseline year of 2011 will continue to reap benefits every year for the expected lifetime of the asset). Each initiative has a unique useful life ranging from 1 to 25 years. Economic benefit includes both cost avoidance and income earned.	May include the business group(s) responsible for the implementation of the initiative, as well as those involved in the reporting of the sustainability initiative, such as Finance, Business Sustainability and third party consultants.
Costs avoided from sustainability initiatives	Realized annual costs avoided for the Corporation, its Dealers, franchisees and agents in comparison to 'what would most likely have occurred in the absence of the sustainability initiative'. Examples of cost avoidance reported include freight and energy cost avoidance. Values are reported in Canadian Dollars (CAD).	May include the business group(s) responsible for the implementation of the initiative, as well as those involved in the reporting of the sustainability initiative, such as Finance, Business Sustainability and third party consultants.
Income earned from sustainability initiatives	Realized annual income earned for the Corporation, its Dealers, franchisees and agents in comparison to 'what would most likely have occurred in the absence of the sustainability initiative'. Examples of income earned include revenue, incremental retail gross margin and recovered costs. Values are reported in Canadian Dollars (CAD).	May include the business group(s) responsible for the implementation of the initiative, as well as those involved in the reporting of the sustainability initiative, such as Finance, Business Sustainability and third party consultants.
Energy use avoided from sustainability initiatives	Realized annual energy avoided by the Corporation, its Dealers, franchisees and agents, and/or in some cases its value-chain partners such as vendors or customers, in comparison to 'what would most likely have occurred in the absence of the sustainability initiative'. Examples of energy use avoidance include electricity and natural gas avoidance. Values are reported in gigajoules (GJ).	May include the business group(s) responsible for the implementation of the initiative, as well as those involved in the reporting of the sustainability initiative, such as Finance, Business Sustainability and third party consultants.
Low-carbon energy generated from sustainability initiatives	Realized annual energy generated that has a lower GHG emissions intensity than energy generated through traditional means of power generation. Examples of low-carbon energy generation include electricity generated from on-site solar installations. Values are reported in gigajoules (GJ).	May include the business group(s) responsible for the implementation of the initiative, as well as those involved in the reporting of the sustainability initiative, such as Finance, Business Sustainability and third party consultants.
GHG emissions avoided from sustainability initiative	Realized annual GHG emissions avoided by the Corporation, its Dealers, franchisees and agents and/or in some cases its value-chain partners such as vendors or customers, in comparison to 'what would most likely have occurred in the absence of the sustainability initiative'. Values are reported in metric tonnes of carbon dioxide equivalents (t CO ₂ e).	GHG emission factor sources: Environment Canada's National Inventory Report 1990-2015; US Environmental Protection Agency Emission Factors for Greenhouse Gas Inventories, Nov. 19, 2015; International Marine Organization (IMO), Second GHG Study 2009; and IPCC's 5 th Assessment Report Global Warming Potentials (GWPs).
Waste avoided from sustainability initiative	Realized annual waste avoided by the Corporation, its Dealers, franchisees and agents, and/or in some cases its value-chain partners such as vendors or customers, in comparison to 'what would most likely have occurred in the absence of the sustainability initiative'. Examples of waste avoidance include end-of-life waste from products, packaging and in-store decor. Values are reported in tonnes (t).	May include the business group(s) responsible for the implementation of the initiative, as well as those involved in the reporting of the sustainability initiative, such as Finance, Business Sustainability and third party consultants.
Waste diverted from sustainability initiatives	Realized annual waste diverted from landfill, in comparison to 'what would most likely have occurred in the absence of the sustainability initiative'. Values are reported in tonnes (t) and as a percentage of total waste (%).	May include the business group(s) responsible for the implementation of the initiative, as well as those involved in the reporting of the sustainability initiative, such as Finance, Business Sustainability and third party consultants.



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METRICS	DEFINITIONS	DATA SOURCES
Equivalent to powering this many homes annually	Calculates the number of average Canadian homes that could be powered for a year by the realized annual avoided energy use or low-carbon energy generated resulting from sustainability initiatives. 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, 2013 Energy Intensity (GJ/household).
Equivalent annual household waste	Equates the realized annual avoided waste resulting from sustainability initiatives to the number of average Canadian households it would take to generate the equivalent amount of waste in a year.	Source of waste per capita: Statistics Canada, Waste Management Industry Survey: Business and Government Sectors (2010). Source of Household size: Statistics Canada (2011).

CTC Current Sustainability Initiatives, including Measurement Gaps

INITIATIVES	DEFINITIONS	BUSINESS GROUPS INVOLVED	MEASUREMENT GAPS
Product & Packaging Right-sizing	This sustainability initiative 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: reductions in product volume are always translated into container loading efficiency). Waste avoidance is derived from the reduced weight of product at end-of-life.	Product Quality, Transportation, Business Sustainability	GHG and energy avoidance from reduction in raw material and product manufacture.
Transportation and Handling Optimization	<p>These sustainability initiatives measure:</p> <ol style="list-style-type: none"> 1.) 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 by customers). Cost avoidance is derived from damage cost avoidance. Waste avoidance is derived from avoided disposal of damaged products; 2.) 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 specially 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; 3.) The reduction in energy use associated with reducing the number of round-trip journeys leaving the Calgary DC by shipping an increased percentage of truck loads using one-way carriers. The cost avoidance is derived from reduced transportation cost. The energy and GHG emissions avoidance is derived from the reduction in fuel used; and 4.) The reduction in energy use associated with enhancing the outbound cube utilization efficiency in trailers for CTR DC shipments. The cost avoidance is derived from reduced transportation and labour costs. The energy and GHG emissions avoidance is derived from the reduction in fuel from shipping fewer trailers. 	Transportation, Business Sustainability	No known measurement gaps.
DC Energy Efficiency Upgrades	<p>These sustainability initiatives measure the reduction in energy use, GHG emissions and costs from the installation of energy-saving equipment at the DCs including:</p> <ol style="list-style-type: none"> 1.) Energy efficient lighting; and 2.) Computer room air conditioning (CRAC) units. 	Supply Chain, Transportation, Business Sustainability	No known measurement gaps.



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INITIATIVES	DEFINITIONS	BUSINESS GROUPS INVOLVED	MEASUREMENT GAPS
Building Upgrades	<p>These sustainability initiatives measure the reduction in energy usage, GHG emissions and costs from:</p> <ol style="list-style-type: none"> 1.) The construction of new buildings in areas where there was no existing Canadian Tire store. 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; 2.) The replacement of an existing Canadian Tire store. The baseline comparison is the Prototype Store replaced. Proto C size average per square foot energy consumption is assumed except for small market stores; and 3.) The installation of higher R-value roofing on Canadian Tire stores and the resulting reductions in electricity and natural gas use. R-value is a measure of thermal resistance used in construction industry. 	Real Estate Design & Construction, Third Party Consultant, Business Sustainability	No known measurement gaps.
Building Control Upgrades	<p>These sustainability initiatives measure the reduction in energy use, GHG emissions and costs from the installation of:</p> <ol style="list-style-type: none"> 1.) Demand Control Ventilation (DCV) units – carbon dioxide sensors which allow the rooftop ventilation units to bring in additional fresh air based on carbon dioxide demand; 2.) New energy efficient HVAC units in Canadian Tire stores and the resulting reductions in electricity and natural gas use; and 3.) Energy Recovery Ventilator (ERV) units at Canadian Tire stores and the resulting reductions in natural gas use, net of electricity use increases. 	Real Estate Design & Construction, Third Party Consultant, Supply Chain, Business Sustainability	No known measurement gaps.
Lighting Upgrades	<p>These sustainability initiatives measure the reduction in energy use, GHG emissions and costs from the upgrade to more energy efficient lighting equipment including:</p> <ol style="list-style-type: none"> 1.) Interior relamping to lower wattage T8 bulbs at Canadian Tire stores; 2.) Exterior LED retrofits at Canadian Tire stores; 3.) Interior LED or T8 retrofits at Mark's stores; 4.) Interior LED installations at FGL new build stores; 5.) Interior LED relamping for track lighting at FGL stores; 6.) Interior and exterior LED retrofits at Petroleum locations. <p>The difference between the baseline and the post-implementation energy use is calculated based on the lamps' wattage consumption and number of hours used.</p>	Real Estate Design & Construction, Mark's Store Design, FGL Sports Store Design, Petroleum, Supply Chain, Business Sustainability	No known measurement gaps.
Flyer Reductions	<p>These sustainability initiatives measure the reduction in paper use, and costs as a result of:</p> <ol style="list-style-type: none"> 1.) The discontinuation of Atmosphere paper flyer and the reduction of Sportchek paper flyer. The cost avoidance is derived from material, printing, shipping and distribution costs; and 2.) The discontinuation of PartSource commercial paper flyers and the reduction of retail paper flyers. The cost avoidance is derived from production, material and distribution costs. <p>Waste avoidance is derived from reduced paper use.</p>	FGL Marketing, Partsource Marketing, Business Sustainability	No known measurement gaps.
Seasonal Signage Reduction	<p>This sustainability initiative measures the reduction in cost and waste from discontinuing and reducing printing quantities of in-store seasonal signage. Cost avoidance is derived from reduced product cost. Waste avoidance is derived from the reduced weight of disposed signage at end-of-life.</p>	Store Design, Business Sustainability	GHG and energy avoidance from reduction in raw material, product manufacture and product transport.
Paper Reductions	<p>These sustainability initiatives measure the reduction in paper use, and costs as a result of:</p> <ol style="list-style-type: none"> 1.) Financial Services credit cardholders' conversion to an e-statement from traditional paper statements; 	Financial Services Marketing, Financial Services Customer Acquisition, Business Sustainability	No known measurement gaps.



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INITIATIVES	DEFINITIONS	BUSINESS GROUPS INVOLVED	MEASUREMENT GAPS
	<p>2.) Financial Services transitioning to electronic as opposed to paper applications for MasterCard customers; and</p> <p>3.) Financial Services credit cardholders receiving an enhanced statement with Balance Transfer marketing materials vs. a separate Balance Transfer marketing mailing.</p> <p>The cost avoidance is derived from material, distribution and processing costs. Waste avoidance is derived from reduced paper use.</p>		
Corporate Waste Management Program	This sustainability initiative measures the waste diverted from landfill and cost savings from implementing a centralized waste management solution for all corporate locations.	Product Environmental Stewardship, Third Party Waste Management Company, Business Sustainability	No known measurement gaps
After Sales Service Program (ASSP)	This sustainability initiative measures the waste avoided from product disposal and the enterprise margin reversal and non-recoverable cost avoidance resulting from customers seeking call centre support and warranty parts replacement instead of returning the products to the store.	Product Quality, Finance, Business Sustainability	No known measurement gaps
Utility Partnership Rebate Events	This sustainability initiative measures customer energy use and GHG emissions avoidance from the incremental sale of energy efficient products resulting from in-store rebate events run in partnership with local utilities in 8 provinces. The Corporation's incremental retail gross margin earned through these events is also reported.	Finance, Business Sustainability	No known measurement gaps
Automotive Parts Take-Back	This sustainability initiative measures the amount of waste diverted and the recovery dollars from the recycling of automotive parts.	Automotive Merchandising, Business Sustainability	No known measurement gaps
AS-IS Sales Program	This sustainability initiative measures the waste avoided and the additional revenue earned by Canadian Tire Dealers for the sale of defective products to customers at a discount. Only products that would otherwise have been disposed of at store are included in the program.	Finance, Business Sustainability	No known measurement gaps
Rooftop Solar Installations	This sustainability initiative measures the low carbon energy generated from on-site solar installations. To be considered "low carbon", the GHG emissions associated with the energy generated must be lower impact than the traditional means of power generation. GHG emissions avoided refer to the emissions avoided in the local economy (low carbon energy generated is sent to the grid). Revenue generated refers to rent revenue collected by CTC.	Real Estate Design & Construction, Finance, Third Party Consultant, Business Sustainability	No known measurement gaps.
Waste Diversion Program - Greater Toronto Distribution Centres	This sustainability initiative measures the amount of industrial solid waste diverted and the recovery dollars from the recycling of several waste streams (e.g. cardboard, metal, wood, plastic) and the salvaging of damaged products.	Supply Chain, Business Sustainability	No known measurement gaps.



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Appendix 2

Glossary of Terms

Sustainability Terms

TERM	DEFINITIONS
Business Sustainability	An innovation strategy that aims to achieve productivity gains and economic benefits from enhanced environmental and social outcomes by integrating sustainability into business operations. Through its Business Sustainability strategy, the Company aims to serve its customers, communities, employees and shareholders, both now and in the future.
Carbon Dioxide Equivalents (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 their carbon dioxide equivalent based on their relative Global Warming Potential (GWP). In this report, CO ₂ e is measured in either tonnes (t, or t CO ₂ e) or kilograms (kg, or kg CO ₂ e).
Emission Factors	Calculation factor used to measure greenhouse gases (GHG) released from the production/use of raw material/energy.
Global Warming Potential (GWP)	Calculation factor used to measure CO ₂ e from different greenhouse gases. A relative measure of how much heat a greenhouse gas traps in the atmosphere.
Greenhouse Gas (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).
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 on climate change and its potential environmental and socio-economic impacts.

Other Terms

TERM	DEFINITIONS
“CTC”, “Company”, “Corporation”, “Enterprise”	Canadian Tire Corporation Limited.
Canadian Tire	Refers to the Company’s general merchandise retail business.
DC	Distribution Centre.
FGL Sports	Refers to the Company’s retail business carried on by FGL Sports Ltd.
Financial Services	Refers to the business carried on by the Company’s financial services division.
Gigajoules (GJ)	A unit of measurement for energy use.
kg	Kilogram - the International System of Units base unit of mass.
Mark’s	Refers to the Company’s retail business carried on by Mark’s Work Wearhouse Ltd.
PartSource	Refers to the Company’s specialty automotive retail business.
Petroleum	Refers to the Company’s retail petroleum business.
t	Tonne (metric ton) - a unit of mass equal to 1,000 kilograms.