



CANADIAN TIRE CORPORATION

2018 SUSTAINABILITY PERFORMANCE REPORT





2018 SUSTAINABILITY PERFORMANCE REPORT

Canadian Tire Corporation, Limited

Our Approach

Our environmental sustainability strategy focuses on innovation and aims to achieve productivity gains and economic benefits together with enhanced environmental and social outcomes by integrating sustainability into business operations. It engages our entire family of companies in the following areas:

- **Products:** working with our owned brands and vendors to ensure our products are safe, well made and responsibly packaged.
- **Transportation:** driving efficiencies across our entire network and finding new ways of transporting more goods while consuming less energy.
- **Buildings:** continuously improving our energy efficiency in our existing real estate portfolio and incorporating innovative new technologies into our store prototypes.
- **Waste:** increasing our diversion rate and reducing waste generated to minimize our impact on the environment.

What's New

In 2018, new economic and environmental benefits were realized through sustainability initiatives implemented across our Company. 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 relative to prior years realized \$79.6 million in net new economic benefit. They also resulted in environmental benefits equivalent to eliminating the waste generation of over 35,000 Canadian homes and the energy required to power about 5,400 Canadian homes for a year.

Our new, 1.4 million square foot distribution centre in Bolton was recognized by the Canada Green Building Council (CaGBC) with a LEED Gold certification, a rare feat for a distribution centre of this size. The Bolton DC incorporates extensive environmental sustainability features in its design, such as the remediation and stormwater management system, drought-tolerant landscaping and high-performance equipment.

Collaboration

In 2018, we chose to support and contribute to the work of the Circular Economy Leadership Coalition as a founding member. In a circular economy, a “take make waste” approach to finite resources is changed to a “reuse and renew” approach, and waste is designed out of the system. Our sustainability initiatives already include circular economy concepts; we will continue working collaboratively to develop science-based solutions and sharing the levers necessary to effect those solutions, to help sustain the quality of life we enjoy in Canada and lead to a better future.

Targets

In 2018, we announced our targets of reducing emissions from our buildings and operations by 22% by 2022 and keeping transportation emissions flat despite growth in e-commerce and home delivery. As at the end of 2017, we have achieved 41% of our emissions target and have kept our transportation emissions relatively flat, compared to our base year of 2011.



Innovation at our Distribution Centres: We are doing our part to bring clean and sustainable technology to communities in which we operate. At our distribution centres in Brampton and Caledon, Ontario we produce hydrogen via electrolysis to power our forklifts and other material handling equipment. Replacing the lead-acid batteries that power heavy equipment with hydrogen fuel cells significantly improves productivity levels, reduces operational costs and reduces greenhouse gas emissions.



2018 SUSTAINABILITY PERFORMANCE REPORT

Canadian Tire Corporation, Limited

2018 Sustainability Performance

This report outlines our **2018 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 **2018 Environmental Footprint** will be published in Q2 2019, after it is calculated.

In 2018, 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 2018 from our sustainability initiatives. These initiatives realized economic benefits of \$79.6 million in 2018 and environmental benefits of over 23,000 tonnes of waste avoidance, a diversion rate of 78% at our corporate store locations and distribution centres (DC), and the avoidance of over 22,000 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 2018, the lifetime economic benefit from sustainability initiatives completed since 2011 amounts to over \$374 million.

Sustainability Cost Avoidance Initiatives

Net new cost avoidance and environmental benefits realized in 2018, 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	-	-	-	-	-	-	-	22.69
Transportation & Handling Optimization	1,157.58	6,199	-	2,096	16	-	-	13.89
DC Energy Efficiency Upgrades	877.74	30,221	-	53	-	-	-	7.33
Building Upgrades	76.53	36,155	-	2,038	-	-	-	9.49
Building Control Upgrades	82.60	2,215	-	65	-	-	-	12.93
Lighting Upgrades	2,547.34	70,972	-	2,496	-	-	-	20.74
Flyer Reductions	5,650.61	-	-	-	1,793	-	-	23.14
Seasonal Signage Reductions	658.87	-	-	-	49	-	-	2.52
Paper Reductions	4,560.07	-	-	-	53	-	-	17.11
Corporate Waste Management	-	-	-	-	-	14,304	70%	1.64
TOTAL	15,611.34	145,762	-	6,748	1,911	14,304	70%	131.47

Sustainability Income Generation Initiatives

Net new income earned and environmental benefits realized in 2018, 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	16,791.21	-	-	-	4,692	-	-	67.98
Utility Partnership Rebate Events	15,706.89	396,459	-	14,737	-	-	-	48.72
Automotive Parts Take-Back	19,169.08	-	-	-	14,169	-	-	82.24
AS-IS Sales Program	10,193.27	-	-	-	2,935	-	-	31.87
DC Waste Management	695.31	-	-	-	-	10,802	93%	2.36
Rooftop Solar Installations	1,472.46	-	50,658	610	-	-	-	9.72
TOTAL	64,028.22	396,459	50,658	15,347	21,796	10,802	93%	242.89
GRAND TOTAL	79,639.56	542,221	50,658	22,095	23,707	25,106	78%	374.36

*Measured against a 2011 baseline



2018 SUSTAINABILITY PERFORMANCE REPORT

Canadian Tire Corporation, Limited

Appendix 1

CTC Sustainability Performance Glossary

METRICS	DEFINITIONS	DATA SOURCES
Economic Benefit	Expressed as the annual value in CAD of costs avoided or income earned by the Corporation, its Dealers, franchisees, and agents. The benefit is measured against the baseline, 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.
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 Greenhouse Gas (GHG) emissions intensity than energy generated from fossil fuel sources. 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 initiatives	Realized annual GHG emissions avoided by the Corporation, its Dealers, franchisees, 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 1990-2016; US Environmental Protection Agency Emission Factors for Greenhouse Gas Inventories, March 9, 2018; International Marine Organization (IMO), Second GHG Study 2009; and IPCC's 5 th Assessment Report Global Warming Potentials (GWPs).
Waste avoided from sustainability initiatives	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.
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).



2018 SUSTAINABILITY PERFORMANCE REPORT

Canadian Tire Corporation, Limited

CTC Current Sustainability Initiatives, including Measurement Gaps

INITIATIVES	DEFINITIONS	BUSINESS GROUPS INVOLVED	MEASUREMENT GAPS
Product & Packaging Right-sizing	<p>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.</p>	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 consumed by one LCV truck 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 consumed; 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. 5.) The reduction in waste associated with using rubber bands to wrap pallets instead of using plastic shrink wrap. The cost avoidance is derived from the reduced shrink wrap usage. 	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.
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 	Real Estate Design & Construction, Third Party Consultant, Business Sustainability	No known measurement gaps.



2018 SUSTAINABILITY PERFORMANCE REPORT

Canadian Tire Corporation, Limited

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	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.		
Building Control Upgrades	These sustainability initiatives measure the reduction in energy use, GHG emissions, and costs from the installation of: <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	These sustainability initiatives measure the reduction in energy use, GHG emissions, and costs from the upgrade to more energy efficient lighting equipment including: <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. The difference between the baseline and the post-implementation energy use is calculated based on the lamps' wattage consumption and number of hours used.	Real Estate Design & Construction, Mark's Store Design, FGL Sports Store Design, Petroleum, Supply Chain, Business Sustainability	No known measurement gaps.
Flyer Reductions	These sustainability initiatives measure the reduction in paper use, and costs as a result of: <ol style="list-style-type: none"> 1.) The reduction of Sportchek and Atmosphere paper flyers. 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. Waste avoidance is derived from reduced paper use.	FGL Marketing, Partsource Marketing, Business Sustainability	No known measurement gaps.
Seasonal Signage Reduction	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.	Store Design, Business Sustainability	GHG and energy avoidance from reduction in raw material, product manufacture and product transport.
Paper Reductions	These sustainability initiatives measure the reduction in paper use, and costs as a result of: <ol style="list-style-type: none"> 1.) Financial Services credit cardholders' conversion to an e-statement from traditional paper statements; 2.) Financial Services transitioning to electronic as opposed to paper applications for MasterCard customers; and 3.) Financial Services credit cardholders receiving an enhanced statement with Balance Transfer marketing materials vs. a separate Balance Transfer marketing mailing. The cost avoidance is derived from material, distribution and processing costs. Waste avoidance is derived from reduced paper use.	Financial Services Marketing, Financial Services Customer Acquisition, Business Sustainability	No known measurement gaps.



2018 SUSTAINABILITY PERFORMANCE REPORT

Canadian Tire Corporation, Limited

INITIATIVES	DEFINITIONS	BUSINESS GROUPS INVOLVED	MEASUREMENT GAPS
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, the enterprise margin reversal, and the 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 9 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 the 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 have a lower impact than power generated from fossil fuel sources. 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 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.



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 the environmental impact of 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 general merchandise retail and services businesses carried on under the Canadian Tire name and trademarks.
DC	Distribution Centre.
FGL Sports	Refers to the retail business carried on by FGL Sports Ltd. under the SportChek, Sports Experts, Atmosphere, National Sports, Sports Rousseau and Hockey Experts names and trademarks.
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 retail business carried on by Mark's Work Wearhouse Ltd. under the Mark's, Mark's Work Wearhouse and L'Équipeur names and trademarks.
PartSource	Refers to stores operated under the PartSource name and trademark.
Petroleum	Refers to the retail petroleum business carried on under the Canadian Tire and Gas+ names and trademarks.
t	Tonne (metric ton) - a unit of mass equal to 1,000 kilograms.