



CONNECTING WORDS TO ACTION

Highlights of Transcontinental's
Sustainability Report 2010

With its second *Sustainability Report*, Transcontinental has confirmed its commitment to reporting on its environmental, social and economic performance while emphasizing its efforts to minimize its environmental footprint and contribute to the well-being of employees and host communities.

As indicated by its title, this report is a call to action. In it, Transcontinental identifies the targets that will guide its actions. The mobilization of its employees and partners in a proactive engagement will encourage innovation. Tangible solutions will be communicated to all stakeholders which will in turn mobilize them.

This is what Transcontinental means by
"Connecting Words to Action."



This document is a summary of Transcontinental's *Sustainability Report 2010*. The full document can be viewed on the Internet at

www.transcontinental-ecodev.com



GRI METHODOLOGY

Global Reporting Initiative (GRI) is a set of internationally recognized guidelines to help organizations report on their economic, environmental and social performance. Starting in 2009, Transcontinental formally adopted this methodology for the production of its first sustainability report.

In 2010, Transcontinental deepened its analysis through input from employees, customers, suppliers, investors, environmental groups and industry organizations. The consultation with these stakeholders was helpful in setting objectives and targets that will be tracked in subsequent years.

GRI's Report Services have concluded that Transcontinental's *Sustainability Report 2010: Connecting Words to Action* fulfills the requirements of their Application Level B.

" Looking ahead I can say with renewed conviction that by delivering on our sustainability commitment on a day-to-day basis we will continue to create value for our shareholders, employees, and customers and make a positive difference in the communities where we operate."



François Olivier
President and
Chief Executive Officer
Transcontinental Inc.



2010 HIGHLIGHTS

PEOPLE

Investing in the Well-Being of Our People and the Community



Talent Development

Status in 2010

100% of development plans were completed for Executive and senior management succession candidates

At Transcontinental we recognize that our employees are the driving force behind our success and one of the key pillars that enable our business to grow and transform successfully. A number of training programs allow our people to develop their leadership, communication, delegation and coaching skills. In 2010, 84% of management positions were filled through internal promotions.



Health, Safety and Wellness

Status in 2010

The accident frequency rate per 200,000 worked hours fell to 0.98, below the target of 1.0

Maintaining a safe and healthy work environment is our first priority. The Health, Safety and Wellness (HSW) Department manages the Corporation's efforts in this area through the *Vigilance* Program, which is implemented across the Corporation. Transcontinental's health and safety performance in 2010 remained well above the industry average.



Donations and Sponsorships

Status in 2010

\$5.8 million in community contributions

We invest in the communities in which our employees live and work by contributing to initiatives and organizations in the areas of health, education, culture, and community development. We provide direct funding for events as well as donations in kind, such as free printing and advertising space.

ENVIRONMENT

Protect and Restore Ecosystems and Optimize the Use of Resources



Eco-Paper Purchases

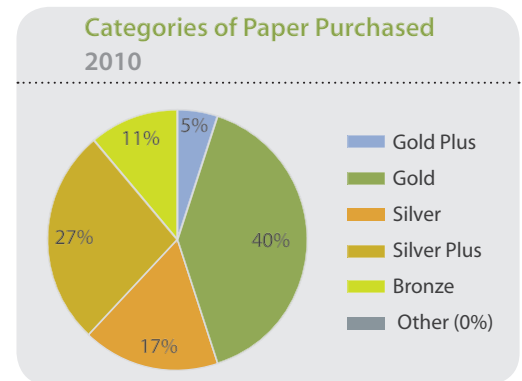
Status in 2010

Gold and Gold Plus papers in our eco-paper classification account for 45% of purchases by our printing facilities

The best way for us to ensure that a paper supply is sustainable is to encourage our suppliers to certify their forest under a recognized sustainable forest management system.

With this aim, in 2007 we introduced a Paper Purchasing Policy that states our preference for recycled fibre and for fibre from forests certified by a renowned organization, under a sustainable forest management system. The classification of papers that followed was devised to inform customers about their buying choices and encourage a switch to paper from certified sources.

In 2010, Transcontinental was recognized for its major contribution to efforts to conserve the boreal forest, namely through its Paper Purchasing Policy.



Greenhouse Gases

Status in 2010

11% reduction in greenhouse gas emissions relative to production (tonnes per \$1000 of value added) since 2008

To reduce our greenhouse gas emissions, we are moving to maximize operational efficiency and encourage a transition to low-carbon fuels and renewable energy. Specific initiatives explain the reduction in greenhouse gases. Here are a few examples:

- The reorganization of some business units and more efficient use of space
- Conversion of a number of forklifts from propane to electricity
- Numerous energy efficiency projects

Transcontinental tracks its consumption of fuel and electricity. We calculate the associated greenhouse gas emissions, reporting our results to the Carbon Disclosure Project since 2006.

Waste Management

Status in 2010

Implemented a global waste management program in two printing facilities

In 2010, two of our facilities worked on comprehensive waste management programs that aim to segregate different waste streams and divert that waste from landfill. The program follows the 3RVE hierarchy, where efforts are made to first:

- Reduce the amount of waste generated
- Reuse materials
- Recycle waste
- Extract value from waste that cannot be recycled
- Eliminate the rest

These initiatives go well beyond paper recycling — a long-standing practice — by including, among others, plastics and electronic waste.



Energy Use

Status in 2010

Energy efficiency projects have resulted in a 14.7% reduction in energy use, or 43,000,000 kWh since 2008

Recognizing the dual challenge of climate change and energy supply security, Transcontinental has embarked on a Global Energy Management Program to achieve energy savings and reduce greenhouse gas emissions. Business units are encouraged to apply for funds from a \$1.5 million capital expenditure reserve dedicated to energy efficiency projects. In 2010, 34 projects were submitted.

Transcontinental also collaborates with the Québec Association for Energy Advancement (AQME) and four other leading companies (National Bank of Canada, Desjardins Group, Société des alcools du Québec and Sobeys), who have set ambitious targets to reduce energy consumption over the next five years.



PROSPERITY

Preserve Company Value and Invest in Future Growth



Invest in Innovation

Status in 2010

Revenue that comes from new revenue streams totalled \$183 million, up 7% over 2009

The print and media industries are undergoing a transformation with the gradual shift of advertising to new platforms. We are thus adapting our products and services to meet evolving customer needs, namely through acquisitions in the Interactive Sector and through organic growth initiatives in new media and digital printing.



Maintain a Strong Balance Sheet

Status in 2010

Net debt to EBITDA ratio: 1.8 x

We are managing the transformation of our business from traditional markets to new digital platforms. The net debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio measures our performance with regard to maintaining a strong balance sheet while also continuing to reinvest in the business.

The benefits from certain capital investments, including those in our new hybrid retail and newspaper platform, combined with the planned reduction of our debt over the next few years, should enable us to strengthen our balance sheet.



Increase Efficiency

Status in 2010

8% Return on Net Assets (RONA)

The return on net assets (RONA) measures our ability to generate increased profitability from our asset base. More productive use of equipment promotes overall efficiency.

In 2010 our RONA started rising again due to improved profits and lower capital expenditures. Going forward, we expect our RONA to continue to improve as profitability increases from returns on our recent investments and as we pursue our efficiency improvement initiatives.

STAKEHOLDER ENGAGEMENT

Transcontinental considers it vital that both internal and external groups affected by its activities participate in sustainability.

In 2010, our list of stakeholders included employees, shareholders, customers, suppliers, industry associations and non-governmental environmental organizations, including NEI Investments, Cascades, Kodak, Sappi, Rogers, SAQ, Canopy, Forest Products Association of Canada (FPAC) and the Quebec Association for Energy Advancement (*Association québécoise pour la maîtrise de l'énergie - AQME*).



Transcontinental's Sustainability Steering Committee



Left to right:
Karyne Bouchard, Charles L'Écuyer,
Stephanie Hamilton (from the firm EEM),
François Blondin, Julia Wojciechowska,
Michel Bazinet, Sylvain Bédard, Denis Hénault,
Jean Denault, Donald Simard, Stuart Lister (EEM)
and Jennifer F. McCaughey.

Not in the photo:
Gabriella Kovacs, Brigitte Lépine and
Haig Poutchigian.

The Montreal-based sustainability consulting firm EEM (www.eem.ca) took part in the preparation of Transcontinental's *Sustainability Report 2010*.

TRANSCONTINENTAL'S SUSTAINABILITY OBJECTIVES AND TARGETS

People

Develop to Attract and Retain Talent

Target: Produce Development Plans for 100% of identified Executive and senior management succession candidates in 2010

Maintain and Enhance Employee Health, Safety and Wellness

Reduce the number of accidents and incidents

Target: Keep Lost Time Accident Frequency Rate below 1.00

Target: Improve Lost Time Accident Severity Rate to 20 by 2013

Invest in Community Well-being

Support community cohesion

Target: Through donations and sponsorships, support the critical areas of health, education, culture, and community development to achieve mutual objectives

Environment

Protect and Restore Ecosystems

Improve eco-paper purchases

Target: Increase the relative quantity of Gold and Gold Plus papers to 55% and decrease the relative quantity of Bronze papers to 10% by the end of fiscal year 2012

Improve the management of facility environmental aspects

Target: Improve the printing facility Environmental Management System (EMS) implementation score to 75% by the end of fiscal year 2012

Reduce emissions of Volatile Organic Compounds (VOCs)

Target: Launch initiatives to examine low VOC (volatile organic compound) printing chemicals

Reduce emissions of greenhouse gases

Target: Reduce greenhouse gas (GHG) emissions by 15% by the end of fiscal year 2012 (Baseline 2008)

Optimize the Use of Resources

Improve waste management

Target: Implement a Waste Management Program at four printing facilities by the end of fiscal year 2012

Reduce energy use

Target: Reduce energy consumption by 15% in printing facilities and by 10% in offices by the end of fiscal year 2012.
Baseline 2008

Prosperity

Preserve Company Value

Maintain a strong balance sheet

Target: Maintain a net debt to EBITDA around 1.5x

Maintain and enhance good governance

Target: Maintain a balanced Board of Directors with at least 2/3 independent members

Target: Increase the number of women in senior management roles to 25% (Board of Directors, Executive Management Committee and Sector Management Teams)

Invest in Future Growth

Increase efficiency

Target: Achieve a return on net assets (RONA) above the cost of capital

Invest in innovative products, services, platforms and processes

Target: Increase the share of revenue that comes from new revenue streams to \$300 million by the end of fiscal year 2013

View the full online version of the Transcontinental Sustainability Report 2010 at www.transcontinental-ecodev.com.

Questions? Send an email to ecodev@transcontinental.ca

The information in this report may contain certain forward-looking statements that are inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information.

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