

simplify
collaborate
innovate

“To continue our progress in our Sustainable Development, we need to simplify our operations, encourage collaboration internally and develop a culture of innovation.”

FRANÇOIS OLIVIER



message from the president and CEO

I am proud to present our fourth Sustainability Report based on the Global Reporting Initiative (GRI) guidelines. We continued to improve upon, and in some instances even surpassed, the majority of the targets we had outlined in our three-year plan which officially ends in 2013.

In fact, over the past few years, we increased the purchase of environmentally preferable (Gold and Gold Plus) papers, reduced the annual energy consumption of our printing facilities, reduced our greenhouse gas emissions, improved our lost time accident severity and frequency rates, formalized our Donations Policy and increased our return on net assets, to name just a few accomplishments. While we are committed to Sustainable Development and we will continue our efforts in that regard, we will do so by prioritizing pillars we believe are the most important given the context in which we are operating.

At TC Transcontinental, more than 80% of our revenues come, directly or indirectly, from the advertising and marketing budgets of our customers. As a result, our biggest challenge by far is transitioning our Corporation to the new realities of the market. In terms of Sustainability, this means our primary focus is on “Prosperity”, to ensure the viability of our Corporation in the future and “People”, as we need to attract and retain the best talent for this transformation process.

Over the coming year, we will work on another three-year sustainability plan that will build on our accomplishments thus far and propel us forward. Finally, I would like to sincerely thank all the members of our Sustainable Development Steering Committee for their dedication, time and efforts over the past year. I would also like to thank all our stakeholders who have taken the time to send us their feedback and thus have helped move us forward.

A stylized, handwritten signature in dark ink, appearing to read 'FO' followed by a flourish.

FRANÇOIS OLIVIER
President and Chief Executive Officer



governance

"We believe that promoting women in positions of influence brings a competitive advantage to our organization."

ISABELLE MARCOUX

Chair of the Board of Transcontinental Inc.



people

"We strive to ensure our people are equipped to play a leadership role in supporting our organization's business transformation and creating an environment where our employees feel their needs are understood and respected."

KATYA LAVIOLETTE

Chief Human Resources Officer



environment

"Whether we are sending a message on paper, on a computer, on a television or through a mobile device, our objective is to make sure that the message is communicated efficiently and responsibly. We are committed to recognizing and actively managing our environmental impacts."

JEAN DENAULT

Senior Vice-President, Procurement and Technology



prosperity

"Our industry is in a profound transformation and we need to strike a delicate balance between managing our balance sheet prudently and investing for the future growth of the organization."

NELSON GENTILETTI

Chief Financial and Development Officer

KEY NUMBERS

15

Members of the Board of Directors.

3

Standing Board Committees made up of independent Directors.

17%

Equity owned by the Marcoux family.

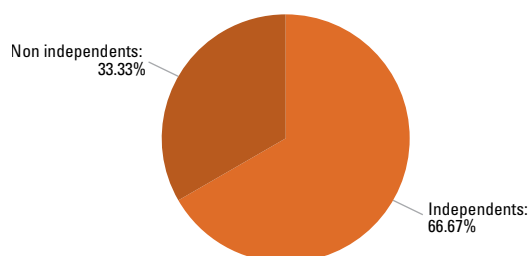
10

Years on average of Board members' tenure.

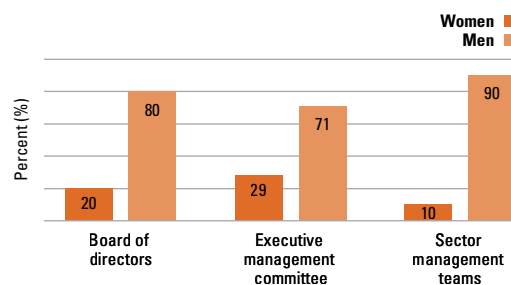
15

Risks identified and for which a reporting and review process has been established.

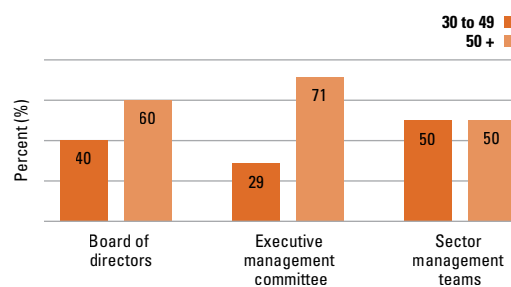
Board independence



Senior management gender breakdown



Senior management age breakdown



PRESERVE
COMPANY VALUE
BY MAINTAINING
AND ENHANCING
GOOD GOVERNANCE.

OUR RESULTS

governance

BOARD**67%**

Independent
board members

OUR TARGET is to maintain a balanced Board of Directors with at least two thirds of independent members.

The addition of Alain Tascan, who replaced Monique Lefebvre, maintained the proportion of independent Board members at 67%.

WOMEN**17%**

Women in senior
management roles

OUR TARGET is to increase the number of women in senior management roles to 25 %, assuming people with the appropriate skills and competencies are available.

We have defined senior management as the Board of Directors, the Executive Management Committee and the two Sector Management Teams. The resignation of two women in senior management roles this year has temporarily brought down this percentage from 22% in 2011 to 17% in 2012. However, we remain committed to increase this percentage over time.

AGE**43%**

Individuals at the senior
management level aged
between 30 and 49

NO TARGET related to age.

Overall, 43% of the individuals at the senior management level are aged between 30 and 49, while 57% of the individuals are 50 or over.

KEY NUMBERS

9,243

Employees

96%

Employees in Canada

40%

Women

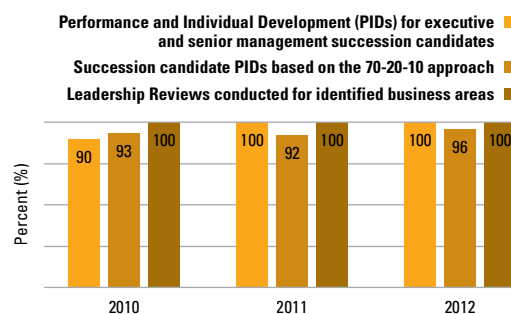
18%

Unionized employees

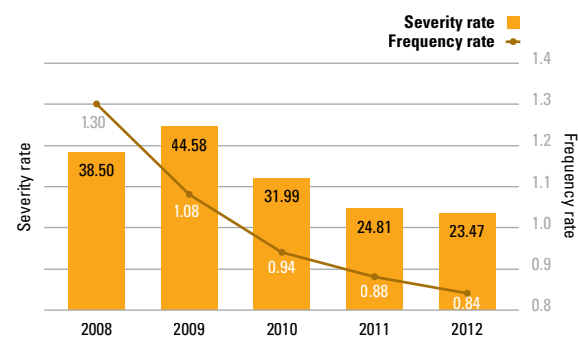
\$3M

Investment in employee training courses

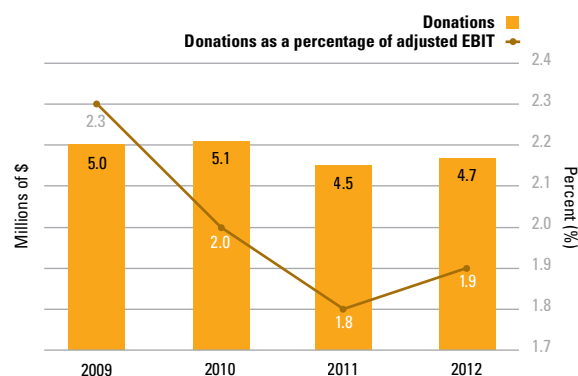
Talent management



Lost time accident severity and frequency rate



Donation of cash, goods and services



ATTRACT, RETAIN AND DEVELOP TALENT.

MAINTAIN AND ENHANCE EMPLOYEE HEALTH, SAFETY AND WELLNESS.

INVEST IN THE COMMUNITIES IN WHICH WE OPERATE.

OUR RESULTS

people

TALENT

96%

Development plans produced for identified executive and senior management succession candidates

OUR TARGET is to produce Development Plans for 100% of identified executive and senior management succession candidates for the year.

We successfully met this annual target but have also required that those development plans meet our rigorous 70-20-10 approach. To date, 96% of succession candidate's development plans meet this standard. Also this year, we have included two additional talent management targets into this report: to conduct Performance and Individual Development reviews with all our employees at least twice a year and to conduct Leadership Reviews across all business entities.

HEALTH & SAFETY

23.47

Lost time accident severity rate

OUR TARGETS are to improve Lost Time Accident Severity Rate to 20 by 2013 and to maintain Lost Time Accident Frequency Rate below 1.00.

In 2012, we continued to reduce our Accident Severity Rate from 24.81 in 2011 to 23.47 and reduced our Accident Frequency Rate to 0.84, out-performing industry peers in most regions.

DONATIONS

\$4.7M

Donation of cash, goods and services

OUR TARGET is to support, through donations and sponsorships, the critical areas of health and education to achieve mutual objectives, at a level appropriate to the Corporation's performance.

Cash and in-kind donation of advertising space increased to \$4.7 million in 2012 due to timing and availability. Overall, the ratio of donations to adjusted income before interest and taxes was 1.9%.

KEY NUMBERS

29

Printing plants,
5 administrative buildings
and numerous other locations

576,000

Tonnes of paper purchased

67%

Gold and Gold Plus
environmentally preferable
paper purchased

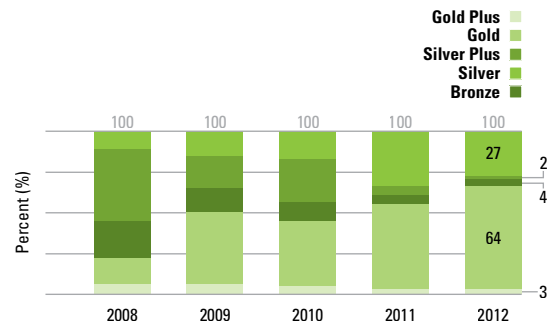
31%

Renewable energy used

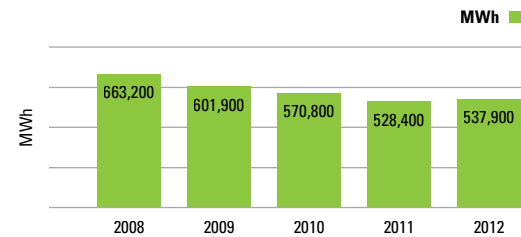
96%

Waste diverted from landfill

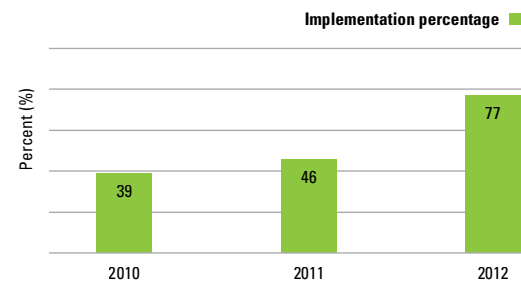
Categories of paper purchased



Energy use at printing operations



EMS implementation at printing operations



PROTECT
AND RESTORE
ECOSYSTEMS.
OPTIMIZE THE USE
OF RESOURCES.

OUR RESULTS

environment

PAPER

67%

Gold and Gold Plus
environmentally preferable
paper purchased

OUR TARGET was to increase our purchases of Gold and Gold Plus environmentally preferable paper to 55% by the end of FY 2012 and to decrease our purchases of bronze papers to below 10%.

In 2008, Gold and Gold Plus papers constituted 22% of our purchases while Bronze paper purchases added up to 23%. Sustained efforts by our Paper Procurement Department as well as our sales force in discussion with our customers means that we have exceeded the targets for Bronze paper reduction (now at 4%) and for Gold and Gold Plus Papers (now at 67%).

ENERGY

19%

Reduction in energy
consumption since 2008

OUR TARGET was to reduce the annual energy consumption of our printing facilities by 15% by the end of FY2013 as compared to 2008.

With the gains from our energy saving projects, we have reduced our energy consumption by 19% since 2008, exceeding our reduction target of 15%. The energy intensity of our printing operations has also decreased by 4% in the same period. We saw a rise in 2012 due principally to restructuring of operations.

EMS

77%

Environmental management
system implementation score

OUR TARGET was to improve the printing facility Environmental Management System Implementation Score from 39% in 2010 to 75% by the end of FY2012.

With renewed effort from the Manufacturing Efficiency Committee and increased attention from the Sector Management Teams, we have been able to improve this score considerably and have exceeded our target. Restructuring in our printing operations also had an influence on our score as we closed some facilities. Our most recently acquired facilities have not yet been assessed under this program.

KEY NUMBERS

\$2.1B

Revenues

\$2.1B

Total assets

\$1.4B

Enterprise value

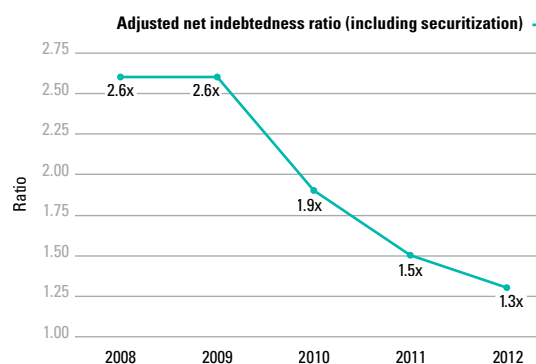
\$471M

Adjusted net indebtedness

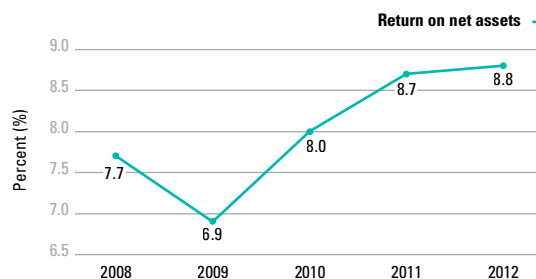
\$358M

Adjusted operating income
before amortization

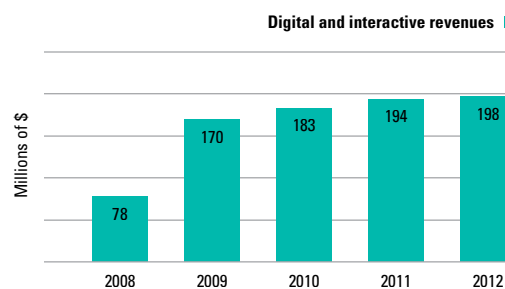
Adjusted net indebtedness ratio



Return on net assets



Digital and interactive revenues



PRESERVE COMPANY
VALUE BY MAINTAINING
A STRONG BALANCE
SHEET.

INVEST IN FUTURE
GROWTH BY INVESTING
IN INNOVATIVE
PRODUCTS, SERVICES,
PLATFORMS AND
PROCESSES.

OUR RESULTS

prosperity

LEVERAGE

1.3xAdjusted net
indebtedness ratio

OUR TARGET is to maintain a net indebtedness to EBITDA ratio around 1.5x.

Our increased profitability coupled with our free cash flow generation and our disciplined financial approach allowed us to reach our target in 2011. We continued to improve it in 2012 as debt repayment is our priority use of cash. The average net indebtedness ratio for the industry peers is about 2.2x.

ROI

8.8%

Return on net assets

OUR TARGET is to achieve a return on net assets above our weighted average cost of capital (WACC), estimated at 9% as at October 31st, 2012.

Our return on net assets only slightly improved in 2012 as the acquisition of Quad/Graphics Canada, Inc. completed mid-year had a temporary unfavourable impact. Our return should continue to improve going forward as we leverage our printing platform and generate the full synergies from this acquisition.

INNOVATION

\$198MRevenues from
new streams

OUR TARGET is to increase our digital and interactive revenues to \$300 million by 2013.

Our digital and interactive revenues reached \$198 million in 2012. The acquisition of Redux Media combined with growth from existing operations more than compensated for some divestitures. At this point, we do not believe we will reach our target as the transition to digital advertising is slower than expected.



View the full version of TC Transcontinental's Sustainability Report 2012 at www.tc.tc/sustainability.
Questions? ecodev@tc.tc

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

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