

simplify
collaborate
innovate

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Click on [hyperlinks](#) for easy navigations.

report card

	2012	2011	Change 2012/2011
governance			
Number of Board members	15	15	–
% of independent Directors	67%	67%	–
% of women in senior management role	17%	22%	-4%
people			
Employees	9,243	9,724	-5%
% Women in Canada	41%	42%	-1%
% Men in Canada	59%	58%	1%
% Women in United States	26%	40%	-14%
% Men in United States	74%	60%	14%
Employee wages and benefits (in millions)	\$683.6	\$658.8	4%
Benefits plan obligations (in millions)	\$766.6	\$398.8	92%
% Employees covered by formal joint manager-worker Health and Safety committees	100%	100%	–
% Employees covered by collective bargaining agreements	18.2%	18.0%	–
% Employees covered by the pension plan	70%	67%	3%
Investment in employee training courses (including salaries and related supplies) (in millions)	\$3.04	\$3.18	-4%
Management positions filled through internal promotions	88%	80%	8%
% Managers and employees receiving regular performance and career development reviews (non-unionized)	100%	100%	–
Lost time accident frequency rate (see calculation in “people” section)	0.84	0.88	-5%
Lost time accident severity rate (see calculation in “people” section)	23.47	24.81	-5%
Community investment (donation, sponsorships, goods and services) (in millions)	\$4.7	\$4.5	4%
environment			
Building owned (in ft ²)	3,380,000 or 43 properties	3,114,000 or 40 properties	9%
Building leased (in ft ²)	3,051,000 or 130 properties	2,266,000 or 129 properties	35%
Paper purchased (excluding paper provided by customers) (in tonnes)	576,000	518,000	11%
Ink purchased (in tonnes)	16,400	14,000	17%
Energy from fossil fuels (natural gas, propane and diesel) (in MWh)	253,700	252,600	–
Energy from electricity purchased (in MWh)	284,200	275,800	3%
% Renewable energy	30.8%	30.0%	1%
Greenhouse gases (GHG) – Scope 1 and 2 from printing operations (in tonnes)	111,800	114,800	-3%
Volatile organic compounds (VOC) (in tonnes)	557	451	24%
Cash and in-kind contribution to public recycling programs	\$2,182,000	\$653,000	>100%
% Waste (paper, press plates, cardboard, plastic, etc.) recycled by printing operations	95.5%	94.5%	1%
Spills	1	0	–
Fines for environmental damage or non-compliance (in USD)	\$0	\$10,000	–
prosperity			
Revenues (in millions)	\$2,112.1	\$1,989.3	6%
Operating expenses (includes selling, general and administrative expenses but excludes severance costs, wages and benefits) (in millions)	\$1,077.3	\$993.0	8%
Revenues from new streams (in millions)	\$197.7	\$193.7	2%
Return on net assets (RONA)	8.8%	8.7%	–
Dividends on participating shares (in millions)	\$46.0	\$39.7	16%
Dividends on preferred shares (in millions)	\$6.8	\$6.8	–
Interest paid on debt (in millions)	\$26.1	\$30.5	-14%
Taxes and interest paid to government (in millions)	\$56.1	\$19.5	>100%
Adjusted operating income before amortization (EBITDA) (in millions)	\$357.6	\$365.4	-2%
Adjusted net indebtedness ratio (includes securitization)	1.32x	1.48x	-11%
Total assets (in millions)	\$2,136.2	\$2,360.0	-9%
Total capitalization (in millions)	\$1,105.5	\$1,495.4	-26%
Equity (in millions)	\$901.4	\$1,202.9	-25%
Long-term debt (in millions)	\$204.1	\$292.5	-30%

Note: Highlighted elements represent some of our targets.

Reporting approach

Report profile

TC Transcontinental's 2012 Sustainability Report covers the period from November 1st, 2011 to October 31st, 2012, its fiscal year, and all figures relate to this period unless otherwise indicated. TC Transcontinental has produced an annual Sustainability Report since 2009. Its most recent Sustainability Report was released in March 2012 and was based on its 2011 fiscal year. In 2009, TC Transcontinental issued a level "C" report according to the Global Reporting Initiative (GRI) Application Level Check process. In 2010, this was improved to a level "B" and it maintained this level in 2011.

Report scope and boundary

The scope of information presented is based on the GRI guidelines for materiality, stakeholder inclusiveness, sustainability context and completeness. The Sustainable Development Steering Committee identified topics and aspects through consideration of the Corporation's sustainability context and discussion with expected readers of the report, prioritized the important aspects taking into account their materiality and validated the information for completeness before including them in the report. The setting of reporting boundaries is based on degree of control and significance of impact. TC Transcontinental is a printer and a provider of media and marketing activation solutions that operates in urbanized areas with relatively small environmental impacts, both actual and potential. Given the nature of its business, TC Transcontinental determined that it would prioritize topics that relate to paper, energy use, health and safety and financial performance.

Similarly, although TC Transcontinental exerts influence in the industry as the largest printer in Canada, and influences the public with its publications, the Corporation's "significant" influence was determined to lie uniquely within the purview of its own operations and facilities. As such, the reporting boundary for all performance indicator data has been determined to be the facilities and operations in Canada and the United States that TC Transcontinental owns and operates, for which it has a direct control and upon which it exerts significant influence.

The consolidated financial statements include the accounts of the Corporation and those of its subsidiaries and joint ventures. Business acquisitions are accounted for under the acquisition method and their operating results are included in the consolidated financial statements from the acquisition date. Investments in joint ventures are accounted for using the proportionate consolidation method. Other investments are recorded at fair value or cost if there is no quoted market.

Significant changes in 2012

During the fiscal year, TC Transcontinental consolidated a number of printing plants and made some acquisitions, including Quad/Graphics Canada, Inc. which closed on March 1st, 2012. In addition, the Corporation divested the remaining portion of its black and white book printing operations. Therefore, all financial data presented in this report has been restated to present net results from discontinued operations unless otherwise indicated. Fiscal years 2011 and 2012 financial data were prepared in accordance with International Financial Reporting Standards (IFRS), while prior years' financial data are prepared according to Canadian General Accepted Accounting Principles ("GAAP"). Data in the "people" and "environment" sections includes discontinued operations (black and white book printing operations in 2012 and prior years and Mexican operations in 2011 and prior years). Percentage of employees covered by collective bargaining agreements has been restated for 2011. VOC data in tonnes has been restated for previous years.

Assurance

While TC Transcontinental's 2012 Sustainability Report has not been submitted to an external verification, it has submitted all of its Sustainability Reports to the Global Reporting Initiative (GRI) for an application level check. This year, TC Transcontinental provided data for 50 GRI indicators (40 complete and 10 partial) that are considered relevant to its business operations and that can be measured meaningfully. Along with its other disclosures, this allowed GRI to confirm that the Corporation continues to report at Application Level B (for GRI Letter and GRI reference table please go to our website at www.tc.tc/sustainability).

The data and content has been reviewed internally by members of the Executive Management Committee as follows:

Internal review process

Strategy and analysis, organizational profile, report parameters, commitments and engagement	Information for these sections is collected by the Sustainable Development Steering Committee and validated by the Chief Communications Officer.
Governance	Information for this section is collected by the Sustainable Development Steering Committee and validated by the Chair of the Board and the Chief Legal Officer and Corporate Secretary.
Economic performance indicators	Information for the “prosperity” section is gathered by the Finance Department and validated by the Chief Financial and Development Officer.
Environmental performance indicators	Most of the environmental data is collected at the facility and rolled up for reporting to senior management through the use of an on-line environmental performance indicator dashboard that TC Transcontinental developed in 2009 and 2010. The information in this section is validated by the Senior VP, Procurement and Technology.
Social performance indicators	
Labour practice, decent work and human rights	Information for this section is gathered by the Human Resources Department and validated by the Chief Human Resources Officer.
Society	Information for this section is sourced from the business units and validated by a combination of the following: the Director of Internal Audit, the Chief Communications Officer, the Chief Human Resources Officer and the Chief Legal Officer and Corporate Secretary. Donations and community investment information is sourced from the Chair of the Board and the Chief Financial and Development Officer. Information concerning incidents of corruption, fines or sanctions is sourced from the business units, the Internal Audit department as well as the corporate Legal Affairs department.
Product responsibility	Information for this section is sourced from the business units and validated by a combination of the following: Senior VP, Procurement and Technology, Chief Communications Officer and Heads of Marketing in each sector. Information on breaches in customer privacy is sourced from the business units and reviewed by the Chief Financial and Development Officer. Information with respect to product safety is reviewed by the Senior VP, Procurement and Technology.

Cautionary notice

This report may contain certain forward-looking statements concerning the future performance of the Corporation. Such statements, based on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, many of which are beyond the Corporation's control, including, but not limited to, the economic situation, structural changes in its industries, exchange rate, availability of capital, energy costs, increased competition, as well as the Corporation's capacity to engage in strategic transactions and integrate acquisitions into its activities. The risks, uncertainties and other factors that could influence actual results are described in the latest annual Management's Discussion and Analysis (MD&A) and in the 2012 Annual Information Form.

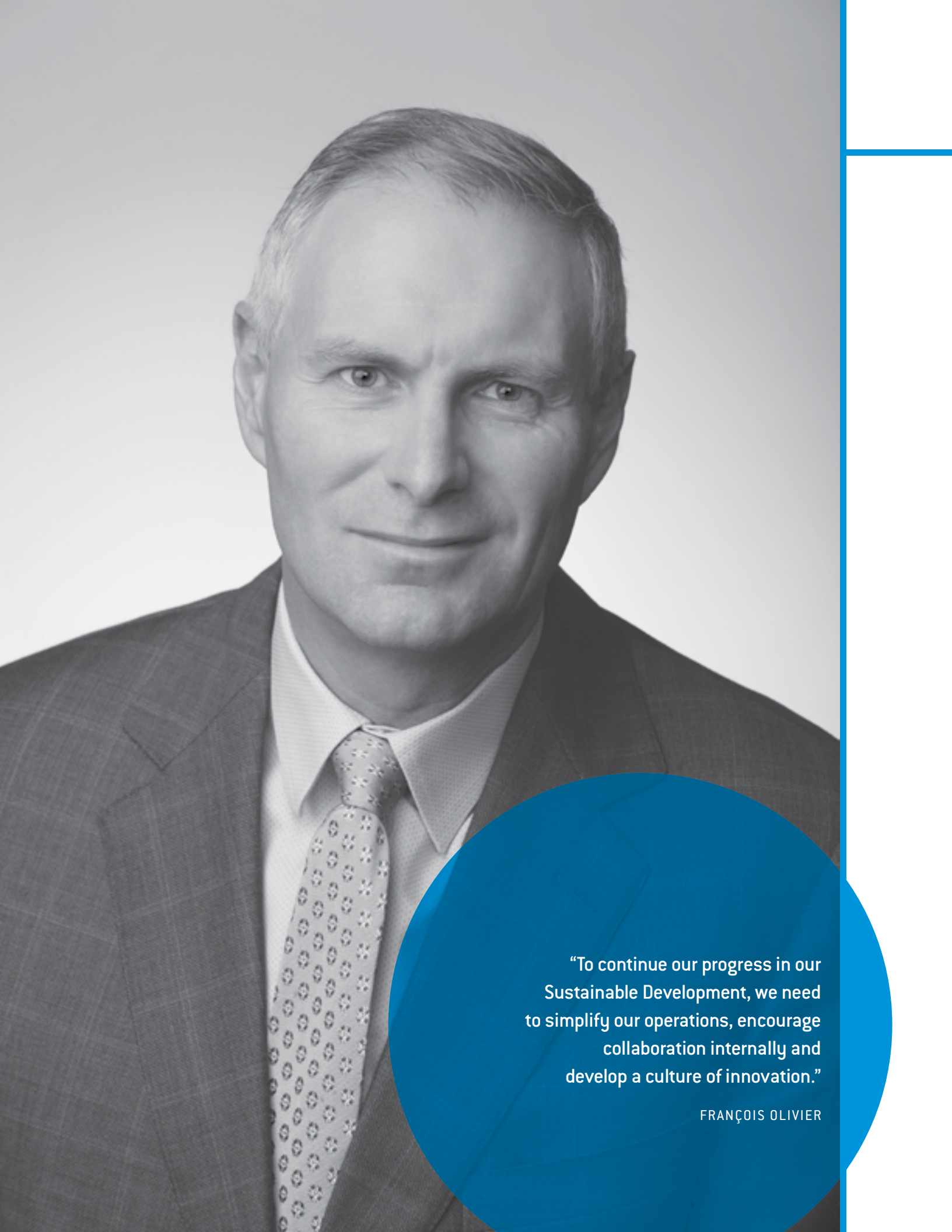
The forward-looking information in this report is based on current expectations and information available as at March 13, 2013. The Corporation's management disclaims any intention or obligation to update or revise any forward-looking statements unless otherwise required by the Securities Authorities.

Additional resources

- www.tc.tc
- [2011 Sustainability Report and Highlights](#)
- [2010 Sustainability Report and Highlights](#)
- [2009 Sustainability Report](#)
- [2012 Annual Report](#)
- [Management Proxy Circular as at January 8, 2013](#)
- [2012 Annual Information Form](#)
- [Code of Ethics](#)
- [Insider Trading Policy](#)
- [Whistleblowing Policy](#)
- [Corporate Disclosure Policy](#)
- [Social Media Policy](#)
- [Donation Policy](#)
- [Paper Purchasing Policy](#)
- [Environmental Policy](#)

Contact point

Jennifer F. McCaughey, Senior Director, Investor Relations and External Corporate Communications at 514-954-4000 or jennifer.mccaughey@tc.tc or ecodev@tc.tc



“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. Our plan outlines specific targets around key sustainability themes: “people”, including talent development, employee health, safety and wellness and community well-being; “environment”, including the protection and restoration of ecosystems and the optimization of resources and; “prosperity” including the preservation of company value and investment in future growth.

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. While Canadian consumers still rely more on traditional media than on the Internet, future growth will be almost entirely on the Web. 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.

Our strategy is focused on building on existing assets and developing the new. Our strategy is both to accompany our customers in their new marketing needs, and to continue offering them our traditional, yet proven, products and services to help them attract, reach and retain their target consumers. In other words, to be successful, we need to simplify our operations, encourage collaboration internally and develop a culture of innovation.

In 2012 we executed on this strategy. On the printing side, we acquired the printer Quad/Graphics Canada, Inc. confirming our position as the largest printer in Canada. We also renewed and extended several multi-year contracts totalling over \$1.75 billion in revenues and divested our black and white book printing operations. On the media side, we broadened our digital offering, we enriched our content and enhanced our multiplatform offering. Furthermore, we finished the year with a solid financial position which provides us with flexibility to pursue our transformation.

To conclude, 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.



FRANÇOIS OLIVIER

President and Chief Executive Officer



..... **LARGEST PRINTER
AND LEADING
PROVIDER OF MEDIA
AND MARKETING
ACTIVATION
SOLUTIONS IN CANADA.
..... 9,500 EMPLOYEES.
..... REVENUES OF
\$2.1 BILLION.**

Profile

Largest printer and leading provider of media and marketing activation solutions in Canada, TC Transcontinental creates products and services that allow businesses to attract, reach and retain their target customers. The Corporation specializes in print and digital media, the production of magazines, newspapers, books and custom content, mass and personalized marketing, interactive and mobile applications, TV production and door-to-door distribution.

Transcontinental Inc., known by the brands TC Transcontinental, TC Media and TC Transcontinental Printing, has approximately 9,500 employees in Canada and the United States, and revenues of \$2.1 billion. Eighty-nine percent (89%) of total revenues were generated from Canadian operations, while the balance (11%) were generated in U.S. entities or were exported to the U.S.

Transcontinental Inc. (TSX : TCL.A, TCL.B, TCL.PR.D) is a public company listed on the Toronto Stock Exchange and its head office is located in Montreal, Quebec. As at October 31st, 2012, the Corporation's largest shareholder is Capinabel Inc.¹, which holds 13,209,840 or 88.07% of outstanding Class B shares, or 16.96% of total outstanding shares, representing 72.81% of voting rights. QV Investors Inc. holds 8,720,810 or 13.86% of outstanding Class A shares. Jarislowsky, Fraser Limited holds 8,230,272 or 13.08% of outstanding Class A shares and 76,200 or 0.51% of outstanding Class B shares. Jarislowsky, Fraser Limited's total holding represents 10.66% of outstanding shares. Mackenzie Financial Corporation holds 6,788,628 or 10.79% of outstanding Class A shares and 513,835 or 3.43% of outstanding Class B shares. Mackenzie Financial Corporation's total holding represents 9.37% of outstanding shares.

1. All outstanding shares of Capinabel Inc. are held directly and indirectly by Mr. Rémi Marcoux, founder of TC Transcontinental, and members of his immediate family.

our business

Market presence

2012 Revenues by group

Printing Sector	Revenues (in millions)	Share of consolidated revenues
Retail and newspaper group	\$885	41%
Magazine and book group	\$330	15%
Commercial products group	\$265	12%
Total	\$1,480	68%

Media Sector	Revenues (in millions)	Share of consolidated revenues
Newspapers and distribution group	\$370	17%
Business and consumer magazines group	\$144	7%
Digital solutions group	\$78	3%
Content solutions group	\$69	3%
Book publishing group	\$51	2%
Total	\$712	32%

Note: Excluding intersegment and other activities which represent (\$80M) in 2012.

Over the years, TC Transcontinental has become a Canadian leader in marketing activation, which involves the creation of integrated campaigns that are based on knowledge of the consumer, driven by content and delivered on multiple media platforms through digital and interactive solutions as well as print products. Such programs meet customers' marketing challenges and are supported by their brand image and operational strengths.

With our unique marketing activation strategy, based on insight, content and deployment, we plan to differentiate ourselves in industries that are undergoing an unprecedented transformation. The marketing communications market is oriented toward a "personalized" approach. Customers of these services are putting more and more emphasis on return on investment and measurability. Campaigns have become more targeted and advertisers strive to establish and develop a special relationship with their target clientele. At the same time, the emergence of new media, digital platforms and changes in consumer behaviour, coupled with the increasing availability of data and technologies that allow for better data mining, have led to a fragmentation of audiences, personalization of content and the emergence of content generated by online users and communities. A number of trends are taking hold with increasing speed. This acceleration can particularly be seen in the rate of adoption of new media and the migration of the advertising dollar to online platforms.

The current transformation of the media and marketing industries has had profound impacts on the printing industry as a whole. Print products are still a key component of the media mix, but their growth is restricted by the growing importance of the above trends. The printers who will be able to profit from this evolving market are those who use state-of-the art technology to lower their production costs, and who can offer a full line of cross-platform solutions. In addition, certain macroeconomic factors, including the economic slowdown, the growing environmental and social awareness and the globalization of markets all have an impact on the Corporation's business.

As a whole, these new trends have started to have an impact on customers' demands and expectations. More and more customers are turning to personalized marketing, new platforms and the integrated services proposed by their providers. TC Transcontinental plans to take full advantage of these trends through its marketing activation strategy.

Strategy

From the very beginning, our mission has been to enable businesses to attract, reach and retain their target audiences while ensuring our own long-term growth and profitability and protecting the interests of our four pillars: employees, customers, shareholders and the communities in which we operate.

OUR STRATEGY IS BASED ON SEVERAL FUNDAMENTAL PRINCIPLES: TO BE A LEADER IN THE MARKETS SERVED, TO MAINTAIN A DISCIPLINED APPROACH TO ACQUISITIONS AND FINANCIAL MANAGEMENT, AND TO INSTILL A CULTURE FOCUSED ON INNOVATION, RESPECT, TEAMWORK AND PERFORMANCE.



Printing Sector

TC Transcontinental is the largest printer in Canada. As at October 31st, 2012, the 29 printing plants in its state-of-the-art network across Canada and in the United States mainly produce retail flyers, magazines, newspapers, four-colour books and personalized and mass marketing materials. The Printing Sector has close to 5,500 employees and accounts for 68% of the Corporation's consolidated revenues and 79% of the adjusted operating income. Over 75% of the print business is under multi-year contracts.

PRINTING NETWORK – AS AT OCTOBER 31st, 2012

- Marketing products (8 plants)
Commercial products & direct marketing
- Magazines (4 plants)
TC's, Rogers' magazines, etc.
- Newspaper (8 plants, including 4 hybrid)
LaPresse, SFC, G&M, community newspapers
- Retail (4 plants, including 2 hybrid)
Flyers and inserts
- Books (1 plant)
Trade and Educational books
- Quad/Graphics Canada, Inc. (4 plants)

Note: Since October 31st, 2012, the LaSalle plant in Montreal, Quebec, acquired from Quad/Graphics Canada, Inc. was closed and the Aurora plant operation in Ontario was merged with the Markham operations in Ontario.

HIGHLIGHTS IN 2012

Acquisition

and ongoing integration of Quad/Graphics Canada, Inc.

Renewal

and expansion of multi-year contracts with major customers in the retail and publishing industries in Canada, worth more than \$1.75 billion.

Divestiture

of the black and white book printing operations.



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PRINTING
PLANTS



our business

Media Sector

TC Media is the leading provider of media and marketing activation solutions in Canada. The content it creates primarily for local communities, women and the business community, as well as for its customers, is delivered on multiple platforms that include magazines, television, digital and interactive media, newspapers and distribution by Publisac in Quebec and Targeo in the rest of Canada. TC Media is also a publisher of educational resources and consumer books. The Media Sector has close to 4,000 employees and accounts for 32% of the Corporation's consolidated revenues and 21% of the adjusted operating income.

- 180 community newspapers
- 11 daily newspapers
- More than 30 business and consumer magazines
- Geo-targeted distribution through Publisac in Quebec and Targeo in the rest of Canada
- Network of more than 3,500 websites
- Branded content, creative development, photography, video, copywriting
- About 7,700 book titles

HIGHLIGHTS IN 2012

Expanded
the reach of its digital network, primarily through the acquisition of a majority interest in Redux Media.

Enriched
its content by buying all of the shares of the daily newspaper *Métro* in Montreal, among other things.

Increased
deployment capabilities by starting television production activities.

REACHES
24.1 MILLION
CANADIAN
CONSUMERS





“This year we decided to guide TC Transcontinental to the next steps in its Sustainability journey by mobilizing senior executives around three priority projects.”

JENNIFER F. McCAUGHEY

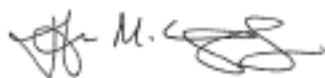
our commitment

Mobilization is to organize and encourage a group of people to take collective action in pursuit of a particular objective.

Since its formation in 2009, the role of the Sustainable Development Steering Committee is to: inform, educate and engage employees, Senior Management and the Board on Sustainability issues; guide TC Transcontinental to the next steps in its Sustainability journey; develop and increase internal and external stakeholder awareness of sustainability; ensure that TC Transcontinental acts and reports on its Sustainability objectives; oversee the production of the Sustainability Report; be the reference for Sustainable Development in TC Transcontinental.

This year we decided to guide TC Transcontinental to the next steps in its Sustainability journey by mobilizing Senior Executives around three priority projects. First, we formalized our Donation Policy. Although we have been giving to various causes over the years, we did not have a formal Donation Policy. Today, there is a [Donation Policy](#) on our Internet site and a Committee has been formed to review all requests. We also broadened the external and internal scope of our [Paper Purchasing Policy](#). In essence, our Paper Purchasing Policy now stipulates that only recycled or certified papers be used for our printing and publishing activities and that we place the chain-of-custody logo on all TC Media publications. Finally, we developed a sustainability communication plan. While we issue press releases to inform stakeholders of our progress in terms of Sustainability, we expanded our communication deployment to our Intranet site and twitter. Furthermore we developed an advertising campaign around key messages to promote our progress in Sustainability.

Over the coming year, we believe that we can move Sustainability forward at TC Transcontinental by focusing on a few projects per year, given that we do not have a team dedicated to Sustainable Development on a full time basis. Fiscal 2013 is the last year of our three-year plan. Next year, we will present updated targets within another three-year Sustainability plan. Stay tuned!



JENNIFER F. McCAUGHEY

Senior Director, Investor Relations and External Corporate Communications
Chairperson, Sustainable Development Steering Committee



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9



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Our Sustainable Development Steering Committee

The Sustainable Development Steering Committee is made up of employees from across the organization and supported by ÉEM, a sustainable management consulting firm. The members of the Steering Committee vary from year to year and are selected for their company knowledge, technical expertise and levels of seniority. The Steering Committee meets six to eight times a year.

-
- 1 Karyne Bouchard**
Sustainable Procurement Coordinator
TC Transcontinental Printing
-
- 2 Shirley Chenny**
Investor Relations Analyst
TC Transcontinental
-
- 3 Jean Denault**
Senior VP, Procurement and Technology
TC Transcontinental Printing
-
- 4 Zoraya Esplugas**
Sr. Advisor, Org. Development
TC Transcontinental
-
- 5 Stephanie Hamilton**
VP, Sustainable Business
EEM
-
- 6 Mathieu Hébert**
Director, Corporate Financial Analytics
TC Transcontinental
-
- 7 Lisa Lemay**
Director, Corporate Brand Strategie
TC Transcontinental
-
- 8 Jennifer F. McCaughey**
Senior Director, Investor Relations and External Corporate Communications
TC Transcontinental
-
- 9 Ann Picard**
Senior Marketing Director
TC Media
-
- 10 Donald Simard**
Director, MRO Procurement, Energy and Environment
TC Transcontinental Printing
-

■ Chairperson, Sustainable Development Steering Committee

■ Leader – “governance” section

■ Leader – “people” section

■ Leader – “environment” section

■ Leader – “prosperity” section

Our sustainable development journey

TC Transcontinental's Sustainability journey started 20 years ago when we adopted our Environmental Policy. Since then, we have continuously worked to improve our social, environmental and financial performance under the umbrella of good governance. We have made public our accomplishments by releasing in 2009 our first Sustainability Report, in line with the Global Reporting Initiative (GRI) standards. The Sustainable Development Steering Committee, formed that same year, was a step further into our commitment to Sustainable Development as one of its roles is to lead the organization in the next steps of its Sustainability journey.

1993	Environmental Policy
2000	Code of Ethics
2002	Corporate Disclosure Policy
2005	Whistleblowing Policy Insider Trading Policy
2007	Paper Purchasing Policy
2008	Senior Manager Sustainability Awareness-raising Workshops Energy Policy Global Energy Management Program
2009	SD Steering Committee Inaugural SD Report, GRI Level C
2010	Corporate Social Media Policy Formalization of Stakeholder Engagement SD Objectives and Targets SD Report, GRI Level B (fully reporting on 28 indicators and providing details for 7 others)
2011	Progress on SD Objectives and Targets, meeting some targets ahead of schedule SD Report, GRI Level B (fully reporting on 37 indicators and providing details for 13 others)
2012	Formalization of our Donation Policy Broadening External and Internal Scope of our Paper Purchasing Policy SD Report, GRI Level B (fully reporting on 40 indicators and providing details for 10 others)



Targets and performance

In 2010, we set ourselves a number of short and medium term goals. We tried to set challenging yet achievable objectives and specific targets. We chose the targeted areas based on the importance of the issue to our stakeholders, the significance of the impacts and our ability to measure and control our performance. We also focused on areas that would create traction and encourage sustainability-thinking in other areas of the business.

2013 is the last year of the three-year plan. Next year, we will present updated targets within another three-year Sustainability plan.

Objectives

governance

Preserve company value	Maintain and enhance good governance	

people

Attract, retain and develop talent		
Maintain and enhance employee health, safety and wellness	Reduce the number of accidents and incidents	
Invest in the communities in which we operate	Support community cohesion	

environment

Protect and restore ecosystems	Improve eco-paper purchases	
	Improve the management of facility environmental aspects	
	Reduce emissions of volatile organic compounds (VOCs in tonnes)	
	Reduce emissions of greenhouse gases relative to production (kg per \$1000 VA)	
Optimize the use of resources	Improve waste management	
	Reduce energy use (baseline 2008, in % for kWh per \$1000 VA)	

prosperity

Preserve company value	Maintain a strong balance sheet	
Invest in future growth	Increase efficiency	
	Invest in innovative products, services, platforms and processes	

Targets		Target date (end of fiscal year)	2012	2011	Progress
	Maintain a Board of Directors with at least 2/3 independent members.	on-going	67%	67%	The two Board member changes did not affect Board independence.
	Increase the number of women in senior management roles to 25% (Board of Directors, Executive Management Committee and Sector Management Teams).	on-going	17%	22%	The decrease came principally from the resignation of two women in senior management roles.
	Ensure Leadership Reviews are conducted across all business entities.	annual	100%	not reported	We have added this talent management target to this report to bring it new focus.
	Produce Development Plans for 100% of identified Executive and Senior management succession candidates for this year.	annual	96%	100%	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 the plans meet this standard.
	Ensure that all managers and employees meet at least twice a year to review their Performance and Individual Development plans.	annual	100%	not reported	We have added this talent management target to this report to bring it new focus.
	Keep Lost Time Accident Frequency Rate below 1.00.	on-going	0.84	0.88	We continued to reduce both our accident frequency and severity rates with continuous improvement to our <i>Vigilance</i> Prevention Program and its implementation across our operations.
	Improve Lost Time Accident Severity Rate to 20 by 2013.	2013	23.47	24.81	
	Through donations and sponsorships, support the critical areas of health and education to achieve mutual objectives at level appropriate to the Corporation's performance.	on-going	\$4.7 M	\$4.5 M	In-kind donation of advertising space increased in 2012 due to timing and availability. Overall, the ratio of donations to adjusted income before interest and taxes was close to 2%.
	Increase the relative quantity of Gold and Gold Plus papers purchased to 55%.	2012	67%	55%	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 Gold and Gold Plus Papers. We have already set an ambitious target to increase our purchases of Gold and Gold Plus environmentally preferable paper to 80% by the end of FY 2015.
	Decrease the relative quantity of Bronze papers purchased to 10%.	2012	4%	6%	
	Improve the printing facility Environmental Management System (EMS) implementation score to 75%.	2012	77%	46%	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.
	Launch initiatives to examine low VOC (volatile organic compound) printing chemicals.	—	557	451	The 2012 increase is explained primarily by our recent acquisition of several printing operations where the presses are cleaned manually with solvent-soaked rags. Our current restructuring and press modernisation plan for these facilities will lead to more automatic cleaning in 2013 with the corresponding VOC reduction.
	Reduce greenhouse gas (GHG) emissions by 15% relative to 2008.	2012	-18%	-17%	The decrease in absolute emissions is principally due to the sale of the Mexico facilities towards the end of 2011, re-organization and more efficient use of space; and, the numerous energy efficiency projects implemented in 2012.
	Implement a Waste Management Program at four printing facilities.	2012	29	4	The success of the four pilot projects has led to the implementation of Waste Reduction Plans at all our printing operations.
	Reduce energy consumption by 15% in printing facilities relative to 2008.	2012	-3.6%	-6.8%	With the gains from our energy saving projects, we have reduced our absolute energy consumption by 19% since 2008. The energy intensity of our printing operations has also decreased by 4% in the same period, but we saw a rise in 2012 due principally to restructuring of operations with the acquisition of Quad/Graphics Canada, Inc.
	Reduce energy consumption by 10% in offices relative to 2008.	2012	To be compiled in 2013		
	Maintain a net debt to EBITDA ratio around 1.5x.	on-going	1.32x	1.48x	Our adjusted net indebtedness ratio improved from 1.48x to 1.32x as the adjusted net debt decreased from \$539 million to \$471 million.
	Achieve a return on net assets (RONA) above the cost of capital (estimated at 9%).	on-going	8.8%	8.7%	We continue to progress as our operating income and asset base has not changed significantly.
	Increase the revenue that comes from Digital and Interactive activities to \$300 million.	2013	\$197.7 M	\$193.7 M	New revenue streams have increased slightly, as we acquired assets in the digital field, while divesting others.



Stakeholder engagement

Who we engaged

We believe that systematically reaching out to stakeholders is a good way to improve our Sustainability commitment. While our employees will always be the primary focus of stakeholder engagement efforts, comments received through pro-active external outreach also help our focus efforts. In 2010, the Corporation completed a stakeholder mapping exercise and reached out to a number of different stakeholder groups.

This year, we continued to build on this approach. We consulted with the same stakeholder groups, including employees, investors, customers, suppliers, industry associations and non-governmental organizations. Individual stakeholders in each group are:

- Employees
- Investors: the Caisse de dépôt et placement du Québec, British Columbia Investment Management Corporation (BCIMC), NEI Investments;
- Suppliers: Acklands Grainger, Sappi, Resolute Forest Products, Domtar, Fujifilm;
- Customers: Loblaws, Rona, Canadian Tire;
- Industry associations: Institut des communications graphiques du Québec, Association québécoise pour la maîtrise de l'énergie (AQME);
- Non-governmental organizations: Éco-Entreprises Québec, Recyc-Québec, Canopy, Centraide;
- Other stakeholders who wish to remain anonymous.

We consulted with stakeholders expected to use the report, those that we thought would be interested in providing their opinions and those that would have a significant vested interest in the subject matter. For example, we selected investors that were signatories to the Carbon Disclosure Project, suppliers that have the most impact on our environmental footprint and customers who deal with our two operating sectors. We also reached out to new stakeholders to get a fresh perspective.

Approaches to Stakeholder Engagement

Stakeholders	How we engaged	Frequency
Employees	Conducted an employee intranet survey on the <i>2011 Sustainability Report</i> .	Annual
	Published small articles on our Sustainability efforts on the intranet.	Ongoing
	Provided documents on Sustainable Development and environmental paper choices to sales teams.	Ongoing
	Provided environmental tips through office green teams (Escouades Vertes) at various locations.	Ongoing
Shareholders/investors	Conducted one-on-one interviews regarding the <i>2011 Sustainability Report</i> .	Annual
Customers	Communicate in newsletters the availability of diverse documents regarding Sustainability.	Ongoing
	Conducted Internet surveys on the <i>2011 Sustainability Report</i> with different customer groups.	Annual
	Conducted one-on-one interviews regarding the <i>2011 Sustainability Report</i> .	Annual
Suppliers	Conducted one-on-one interviews regarding the <i>2011 Sustainability Report</i> .	Annual
Industry associations	Conducted one-on-one interviews regarding the <i>2011 Sustainability Report</i> .	Annual
Non-governmental organizations	Conducted one-on-one interviews regarding the <i>2011 Sustainability Report</i> .	Annual
General public/readers	Published Sustainable Development updates (Annual Report, Sustainability Report, Sustainable Development website and press releases).	Ongoing
	Participated in mardi#dd on twitter (an initiative to share companies' commitment to sustainable development).	Ongoing
	Posted reader feedback loop for Sustainable Development on TC Transcontinental's website.	Ongoing

Principal stakeholders' feedback and action taken

governance

Should have a policy that explains the Corporation's orientation in terms of donations and sponsorship.

In 2012, we formalized our Donation Policy, which can be found at www.tc.tc in the "About / Governance" section.

Should see executive compensation linked to SD objectives.

An explanation of performance measures linked to SD objectives can be found on [page 29](#).

Should report more on how we manage risks.

Our risk management process can be found on [page 30](#).

Should mention if TC Media has a journalistic ethics policy.

A brief description of our journalistic ethics policy can be found on [page 31](#).

people

Should report on how training and employee engagement translate into a positive financial impact.

One of our strategic objectives is the attraction and retention of talent to give us a skilled and flexible workforce able to meet the challenges of tomorrow. We believe that investing in internal training reduces turnover, which consequently diminishes costs to search, hire and train new employees. However, the net financial impact of training and employee engagement is difficult to assess for TC Transcontinental. Refer to the study from Arindrajit, Freeman & Reich, 2010, that gives an estimate (see [page 36](#)).

Should report on diversity (other than age and gender).

One of the principles expressed in TC Transcontinental's Code of Ethics is entitled Relations with Employees. This translates into the promotion of a work environment that is free of constraints such as sexual harassment or discrimination on the basis of race, national or ethnic origin, colour, religion, age, gender, sexual orientation, marital status, social status or any handicap that does not affect an employee's ability to do his or her work. There are not any immediate plans to track this in the short term; however diversity is part of our hiring considerations.

environment

Should take into account waste management across all installations.

Waste management programs have now been established in all TC Transcontinental printing facilities. Waste reduction efforts have enabled us to recycle over 95% of our waste and to reduce our hazardous waste by over 20% over last year. Waste not treated or recycled amounts to less than 3%.

Should report on the percent of FSC paper purchased and used by TC Transcontinental, as well as recycled content for each paper type and should report targets for 2013-2015 for FSC and recycled.

TC Transcontinental recognizes various sustainable forestry standards and paper certifications in its Paper Purchasing Policy. Our 2013-2015 target sets an 80% purchasing target for Gold and Gold Plus papers, which include only recycled and certified fibre. Following stakeholder requests to know the proportion of each of the certified papers that we buy, we have increased our tracking efforts to report our certified paper purchases for both customers and for our own publications. However, we choose not to report the recycled content as the amount in some of the papers that we buy varies slightly from month to month, depending on availability. These variations can be significant for us because we buy large quantities. However, since we do our best to secure Gold papers, the non-recycled content is most often from certified forests.

Should report more information on water use.

TC Transcontinental uses little water in its printing operations. We have estimated our global water use and added it to our *Environmental footprint diagram* on page 63. *Page 53* also presents typical use patterns for our different printing sectors: Newspapers, Retail, Magazines and Marketing products.

Should give more insights about environmental impact of materials beyond ink and paper.

Ink and paper are the two raw materials that have material impact on our environmental footprint, a third important input being energy. This is why the report focuses on these aspects. Note that other aspects are described on our facility environmental footprint diagram (where water use has been added this year) and our new value-chain diagram at the start of the "environment" section (a detailed diagram can also be found on our website at www.tc.tc/sustainability).

prosperity

Should see how SD initiatives are linked to profitability.

With many SD initiatives embedded in our day-to-day business, it is difficult to segment their impact on profitability. While it would be possible to quantify the positive impacts of some SD projects, such as energy savings or a reduction in waste management costs, many of the benefits, such as talent retention or benefits from community investments, are less easily quantifiable.

Should report more on TC Transcontinental's innovation strategy and how it is linked to SD.

Innovation is directly tied to our transformation efforts. We need to transition towards digital in order to grow our business in the future. The viability of TC Transcontinental is clearly linked to "prosperity", one of the three pillars of Sustainability.

Should benchmark results to other companies.

When possible, we have provided an industry benchmark.

Recognitions and awards

Canopy 2012 Ancient Forest Friendly Awards

TC Media won for its continued progress in forest protection and significant increase in the use of ecopapers between 2011 and 2012 across all its publications.

TC Transcontinental Printing won the Best in Class (Printers over 250,000 tonnes) award.

Canada's Most Influential Women of 2012

Isabelle Marcoux, Chair of the Board of Transcontinental Inc. was named a recipient of the prestigious *Canada's Most Powerful Women: Top 100™* award for 2012. These awards presented by the Women's Executive Network recognize the professional achievements of the country's most prominent female leaders in Canada's private, public and non-profit sectors. Recipients are selected based on their strategic vision and leadership, the financial success of their organization, and their commitment to their community.

Carbon Disclosure Project

TC Transcontinental ranked one of the 20 most transparent on greenhouse gases strategy and reporting in Canada.

2012 Lifetime Achievement Award

The exceptional contribution to Quebec society made by Rémi Marcoux, founder of TC Transcontinental, has been recognized by the Quebec employers' association, the *Conseil du patronat du Québec*, which awarded him the prestigious lifetime achievement award, the *Prix de Carrière 2012*.

Jantzi Social Index®

TC Transcontinental is listed on the Jantzi Social Index® (JSI®), a socially screened, market capitalization-weighted common stock index modeled on the S&P/TSX 60. TC Transcontinental has held its position on the Jantzi Social Index® since March 2004.

Other recognitions and awards

governance

- **M^e Christine Desaulniers**, Chief Legal Officer and Secretary of Transcontinental Inc. was honoured by the Université de Montréal Alumni Association as they celebrated the professional achievements of alumni who have distinguished themselves during their careers.

people

- **Jean-Paul Gagné**, columnist and publisher emeritus of *Les Affaires* newspaper, received an honorary doctorate from the Université du Québec à Montréal.
- **Touria El Jeddaoui**, Senior Accountant with the TC Transcontinental Financial Services Centre since May 2011, was one of the top graduates, winning the prestigious Fernand-Cloutier award at the annual Ambassadors Gala organized by the professional association of Quebec accountants, the Ordre des comptables professionnels agréés du Québec.
- **TC Transcontinental Interglobe** was awarded the Summit Creativity Award in Education by the local development centre in Beauceville, Quebec. Our printing plant in Beauceville earned this honour thanks to its in-house education program, which offers employees a chance to develop their printing skills and knowledge. Through this unique school, workers can obtain a vocational or college certificate recognized by the Quebec Ministry of Education.
- **The Weekly News** in Halifax, NS, along with its two editors Kim Moar and Lori McKay, were awarded the Minister's Award for Leadership in Crime Prevention for their work in supporting and promoting public safety and crime prevention in the Halifax Regional Municipality (HRM). Our publication offered the local police a regular column on public safety in the *Weekly News*, allowing them to write about public safety issues and to provide crime prevention tips in a community forum for more than two years.

environment

- **TC Transcontinental** received the Thought Leader award from *WhatTheyThink*, which recognizes a company that best represents innovation and excellence in sustainability in the North American graphic arts industry and that is implementing state-of-the-art and innovative environmental solutions.
- **Métro** Montréal has been recognized as one of 20 environmental leaders in daily newspapers in Canada and the United States, according to a report issued by Canopy and Green Press Initiative called *Above the fold 2011: Environmental Leadership in the Newspaper Sector*. *Métro* earned this recognition because it is the first newspaper in North America to be printed on certified FSC® (Forest Stewardship Council) paper. Plus, its newsprint contains 40% recycled fibre.

prosperity

- **François Olivier**, President and CEO of TC Transcontinental, ranked 13th in the Scorecard for the Top 100 CEOs in Canada, according to a Financial Post survey of the business community. The Scorecard, which takes into account improvement in company financial positions and executive compensation, emphasizes Mr. Olivier's managerial business acumen and the strong financial base of TC Transcontinental. The advisory committee takes a number of factors into account, such as contribution to the business community and excellence in the following areas: vision and leadership, corporate performance, global competitiveness, innovation and social responsibility.



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

ISABELLE MARCOUX

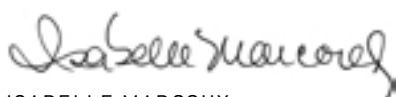
governance

Corporate governance consists of the structure used to direct and manage the affairs of the Corporation to attain the objectives of shareholders. Shareholders elect the Directors who, in turn, are responsible for overseeing all the operating aspects of the Corporation, for appointing members of Management and for ensuring that the business is properly managed based on the interests of the Corporation's four pillars, namely shareholders, customers, employees and communities.

Over the last three years, there were several changes at the Board level. We increased our female representation with the nominations of Anna Martini and Nathalie Marcoux and I took over the role of Chair of the Board after Rémi Marcoux stepped down. We also further enriched the skill sets of the Board by adding Alain Tascan, President and Chief Executive Officer of Sava Transmedia Inc., a publisher and developer of games for social and mobile platforms. There were also several changes at the Executive Management Committee level with the nomination of Katya Laviolette as Chief Human Resources Officer, Alain Gignac as Chief Marketing Activation Officer and Nelson Gentiletti as Chief Financial and Development Officer.

In terms of our Sustainable Development objectives, we continue to work towards increasing the number of women in senior management roles to 25%. Many studies have been published citing a strong correlation between a critical mass of women and improved business performance. We believe that promoting women in positions of influence brings a competitive advantage to our organization. In fact, in 2012 our Board of Directors had 20% women, our Executive Management Committee had 29% and our two Sector Management Teams were well below these figures with only one woman in each sector (10%). We plan to improve this representation over time through our talent development and succession planning, assuming individuals with the appropriate skills and competencies are available.

Over the coming years, we plan to continue to maintain and improve good governance practices. While we are a family-controlled and operated Corporation, we strongly believe in the power of good governance. Going forward, we would like to continue to maintain a balanced Board of Directors and improve our representation of women in senior management roles.



ISABELLE MARCOUX

Chair of the Board of Transcontinental Inc.

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.

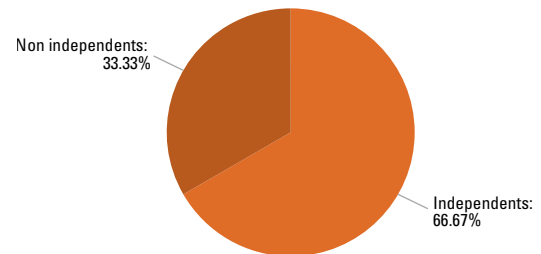
10

Years on average of Board members' tenure.

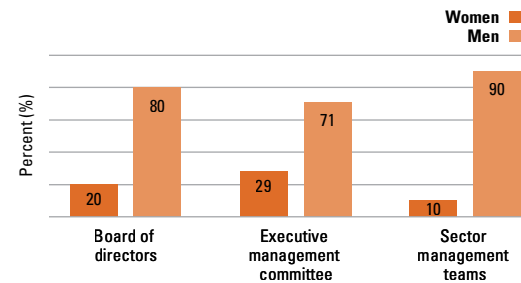
15

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

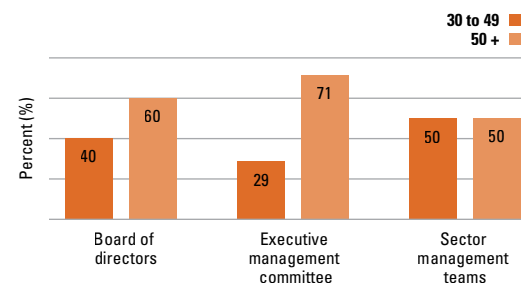
Board independence



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.

Board description

Our Articles provide that our Board of Directors shall consist of a minimum of three and a maximum of 15 directors. As at October 31, 2012, the Board of Directors consisted of 15 directors. This year, Mr. Alain Tascan joined the Board as of September 6, 2012 in replacement of Ms. Monique Lefebvre who had decided not to seek re-election at the February 2012 Annual General Meeting. After close to 20 years as a Board member, Mr. Harold "Sonny" Gordon recently decided not to seek re-election as a Director at the March 13, 2013 Annual General Meeting. Therefore, Management of the Corporation proposes the election of 14 directors at the Meeting, of which 9 are independent, each to remain in office until the next annual meeting of shareholders or until the election or appointment of his or her successor.

During the fiscal year ended October 31st, 2012, the Board of Directors held ten meetings. Independent Directors held in camera sessions at eight of these Board meetings.



1



2



3



4



5



6



7



8



9



10



11



12

Board attributes

Board members	Gender	Age	Independent	Tenure	Global attendance record in 2012	Other boards of public corporations
1 Lucien Bouchard, G.O.Q. ³ Partner, Davies Ward Phillips & Vineberg LLP	M	74	Y	2001	100%	3
2 Claude Dubois ³ President, Gestion Phila Inc.	M	71	Y	1978	92%	—
3 Pierre Fitzgibbon ¹ President and Chief Executive Officer, Atrium Innovations Inc.	M	58	Y	2009	100%	1
4 Richard Fortin ^{1, 4} Corporate Director	M	64	Y	2004	100%	2
5 Harold "Sonny" Gordon, c.r. ^{3, 5} Chairman of the Board, Dundee Corporation	M	75	Y	1993	n/a	n/a
6 Isabelle Marcoux Chair of the Board, Transcontinental Inc	F	43	N	2005	100%	3
7 Nathalie Marcoux Vice President, Finance, Capinabel Inc.	F	44	N	2011	100%	—
8 Pierre Marcoux Senior Vice President, Business Information Solutions and Education, TC Media	M	41	N	2005	100%	—
9 Rémi Marcoux, C.M., O.Q., F.C.A. Founder and Director, Transcontinental Inc.	M	72	N	1976	100%	—
10 Anna Martini, F.C.A. ² President, Groupe Dynamite Inc.	F	50	Y	2011	100%	1
11 François Olivier President and Chief Executive Officer, Transcontinental Inc.	M	47	N	2008	100%	—
12 François R. Roy ¹ Corporate Director	M	57	Y	2008	100%	3
13 Lino A. Saputo, Jr. ² Chief Executive Officer and Vice Chairman of the Board, Saputo Inc.	M	46	Y	2008	100%	2
14 Alain Tascan President and Chief Executive Officer, Sava Transmedia Inc.	M	45	Y	2012	100%*	—
15 André Tremblay ² Managing Partner, Trio Capital Inc.	M	58	Y	2007	94%	—

1. Member of the Audit Committee of the Board of Directors

2. Member of the Human Resources and Compensation Committee of the Board of Directors

3. Member of the Corporate Governance Committee of the Board of Directors

4. Lead Director of the Board of Directors

5. Will not seek re-election at the Annual General Meeting on March 13, 2013

* Mr. Alain Tascan became a Director of the Corporation on September 6, 2012. Since then, there has been one meeting of the Board.



13



14

Mr. Tascan is President and Chief Executive Officer of Sava Transmedia Inc., a publisher and developer of games for social and mobile platforms. In addition, he founded Electronic Arts (EA) Montreal, a developer, producer and distributor of interactive software where he worked from 2003 until 2011. Mr. Tascan worked from 1994 until 2002 for Ubisoft, a production, publisher and distribution of interactive gaming company, in Paris, New York and Montreal. He was also co-founder and Vice President, Production for Ubisoft Montreal.



15

Board characteristics

BOARD INTERLOCK

The Corporate Governance Committee has reviewed the membership of the proposed nominees to the Corporation's Board of Directors. With the exception of Messrs. Lucien Bouchard and Lino A. Saputo, Jr., who sit on the Board of Directors of Saputo Inc., it has determined that no proposed nominees sit on the same Board of Directors of a listed or public company.

RETIREMENT

The Board has not fixed a mandatory retirement age for Directors. The Corporation does not have a retirement plan for Directors who are not employees of the Corporation.

OWNERSHIP REQUIREMENTS FOR BOARD MEMBERS

Based on recommendations made by the Corporate Governance Committee, the Board has approved the principle whereby each Director (other than a Director who is also an employee) must own, within three years following his appointment to the Board, the equivalent of three (3) times his annual basic compensation in shares or deferred share units.

MAIN SHAREHOLDERS

As at October 31st, 2012, the Corporation's largest shareholder is Capinabel Inc., which holds 13,209,840 or 88.07% of outstanding Class B shares, or 16.96% of total outstanding shares, representing 72.81% of voting rights. QV Investors Inc. holds 8,720,810 or 13.86% of outstanding Class A shares. Jarislowsky, Fraser Limited holds 8,230,272 or 13.08% of outstanding Class A shares and 76,200 or 0.51% of outstanding Class B shares. Jarislowsky, Fraser Limited's total holding represents 10.66% of outstanding shares. Mackenzie Financial Corporation holds 6,788,628 or 10.79% of outstanding Class A shares and 513,835 or 3.43% of outstanding Class B shares. Mackenzie Financial Corporation's total holding represents 9.37% of outstanding shares.

ELECTION OF DIRECTORS

Directors are elected annually at the Corporation's Annual General Meeting. Directors are elected for a one (1) year term, subject to re-election by shareholders at the next annual meeting. Vacancies can be filled during the year. Furthermore, to ensure transparency in the appointments of its Directors, and in accordance with new rules adopted by the Toronto Stock Exchange, which came into effect December 31st, 2012, Transcontinental Inc. will be electing its Directors individually and will communicate the votes obtained by each individual.

EVALUATION/ASSESSMENT PROCESS

The Corporation has a process in place to do the assessment of the Board of Directors, the Committees of the Board and each Director, which is carried out every two years, alternating with the assessment of the Chair of the Board.

ORIENTATION AND CONTINUED EDUCATION

The Corporation has developed a continuing education program to offer each new Director the opportunity to learn the business of the Corporation and to each Director to better understand the challenges the Corporation is exposed to.

BOARD OF DIRECTORS' ATTENDANCE RECORD

For the fiscal year ended October 31st, 2012, the total attendance record of Directors was 99% for Board meetings, 100% for the Audit Committee meetings, 100% for the Human Resources and Compensation Committee meetings and 100% for the Corporate Governance Committee meetings.

INDEBTEDNESS OF DIRECTORS

Neither the Corporation nor any of its subsidiaries grants any loans to any of its Directors.

INDEPENDENCE OF ROLES

The role of Chair of the Board and that of the President and Chief Executive Officer are segregated.

Board Committees

The Board has three Committees, the Human Resources and Compensation Committee, the Corporate Governance Committee and the Audit Committee, composed entirely of independent Directors. In addition, each meeting of the Board of Directors and of its Committees provides for discussions without the presence of the Chair of the Board and members of Management. Further information on the mandates of these Committees can be found on TC Transcontinental's website in the Corporate Governance section:

- *Role and Responsibilities of the Human Resources and Compensation Committee,*
- *Role and Responsibilities of the Corporate Governance Committee,*
- *Role and Responsibilities of the Audit Committee,*
- *Management Proxy Circular as at January 8, 2013.*

Board compensation

Type of compensation	Amount
Annual amount¹	
Annual retainer fees	\$45,000
Member of a committee of the Board of Directors	3,000
Chair of the Audit committee and of the Human Resources and Compensation Committee	10,000
Chair of the Corporate Governance Committee	6,000
Lead Director	8,000
Other compensation	
Attendance fees for each meeting of the Board of Directors and Committees	\$1,500 (\$1,000 by telephone)

1. As Chair of the Board, Ms. Isabelle Marcoux is remunerated on the basis of an annual salary of \$450,000, and benefits under the complementary retirement plan for the executives and under the supplemental retirement plan for the executives, in addition to being entitled to the same benefits offered to senior executives.

Management of the Corporation

Executive Management Committee

As at October 31st, 2012, the Corporation's day-to-day management is the responsibility of a seven-person Executive Management Committee, led by President and Chief Executive Officer, François Olivier, supported by the two Sector Management Teams in Print and Media.

Procedures related to training and awareness

The 20 members of TC Transcontinental's Sector Management Teams are provided regular information and training regarding regulatory and corporate policy changes in the areas of labour/management relations and occupational health and safety. Labour matters across all business sectors are the responsibility of Transcontinental Inc. Chief Human Resources Officer, who is a member of the Executive Management Committee.

Monitoring

Employment issues are reviewed on a regular basis through a number of sector management review channels.

Indebtedness of officers

Neither the Corporation nor any of its subsidiaries grants any loans to any of its Executive Officers.

Share ownership guidelines for senior management

In December 2006, the Corporation adopted share ownership guidelines and extended the application of those guidelines to senior executives and members of senior management. Depending on their hierarchic level, they must own the equivalent of up to three times their annual base compensation, either in shares of the Corporation, in vested deferred share units and, since September 2010, in retention based restricted share units not yet vested.

Senior management compensation linked to sustainable development objectives

The performance measures, as explained in the Management Proxy Circular, are mostly financial ("prosperity"), with one linked to talent ("people"). However, the operational objectives for the Printing Sector take into account environmental ("environment") aspects through its cost reductions objectives. As a result, reduction in energy and waste for example, are part of the plan.

Desvaux et al (2008) found that firms with three or more women in senior management scored higher on all dimensions linked to financial performance than firms with no women at the top (Howard and Wellins 2009).

Women in Leadership, Strategies for Change, November 2010

A vertical image on the left side of the page shows a stack of several books of varying thicknesses, some with white covers and others with orange or brown covers, resting on a wooden surface.

Enterprise risk management process

TC Transcontinental has developed a robust framework for managing its principal risks. The objectives of this process are to identify the main risks affecting the business, assess their impact, put in place a response strategy and monitor the progress of the initiatives put in place to mitigate them.

Twice a year, the Corporate Treasurer meets individually with each member of senior management to review the list of risks previously identified and determine if risks need to be removed or added to the list. The risks fall into 4 categories: strategic, operational, hazard or financial. The list usually comprises of 15 to 20 risks, many of which are of a recurring nature. For each risk, the following information is presented:

- Progress (new, increasing, stable or decreasing)
- Potential financial impact
- Main person responsible for managing the risk (amongst senior management)
- Mitigation factors put in place over the last 6 months

The list is then reviewed and discussed with senior management as a group, including the CEO. The focus of this discussion relates to the effectiveness of the mitigation factors put in place to manage each risk, with each VP being the owner of a risk and having to report on its actions of the last 6 months.

Once the list is reviewed, it is presented to the Audit Committee of the Board of Directors twice a year, where it is the object of a discussion with management.

Guidelines we respect

United Nations' Universal Declaration of Human Rights and International Labour Organization's tripartite declaration of principles

TC Transcontinental acknowledges the United Nations' Universal Declaration of Human Rights, as well as the International Labour Organization's tripartite declaration of principles concerning multinational enterprises and social policy. The Corporation's labour practices are in accordance with these international standards. TC Transcontinental's facilities in Canada and the United States adhere to the labour laws of each respective country, including minimum-age requirements for employees.

Code of Ethics and corporate policies

The TC Transcontinental *Code of Ethics* is a guiding document for all employees. It establishes rules with respect to integrity, confidentiality, conduct and conflicts of interest. The document's clear guidelines for the highest standard of ethical behaviour apply at all levels of the Corporation, each and every day. It is widely distributed and all employees are made aware of the Code of Ethics as part of their induction training. TC Transcontinental has also developed policies relating to *Insider Trading*, *Whistle-blowing*, *Corporate Disclosure* and *Social Media*. They can be found on the Corporation's website in the Corporate Governance section.

Vigilance program

Occupational Health and Safety is led by the Corporation's *Health, Safety and Wellness* (HSW) department, with the support of HSW committees at the facility level. *Vigilance* is the umbrella program for wellness activities, policies and best practices; every year it rolls out a myriad of educational tools to employees.

Ethics in journalism

The TC Media Newspaper Group has a guide for journalistic practices. The guide discusses information, writing standards, election campaigns, complaints and libel practices.

Other governance related topics

Favouring local hiring

The Corporation's facilities in Canada and in the United States are exclusively staffed locally, including management positions.

Dual class shares

Transcontinental Inc. has Class A subordinate voting shares which entitle holders to one vote per share and Class B shares which entitle holders to 20 votes per share. Under this share structure, Transcontinental Inc. founder, Rémi Marcoux, owns 16.96% of the equity and 72.81% of voting rights through Capinabel Inc. (whereby all outstanding shares are held directly and indirectly by Mr. Rémi Marcoux and members of his immediate family). Capinabel Inc. has also issued to a third party debentures exchangeable for 600,000 Class B Shares held by Capinabel Inc. The debentures may be repaid in cash or through the transfer of Class B Shares.

While certain stakeholders may question a dual-share structure, the rise in dual-class share structures can be traced back to the 1970s. Media and telecommunication companies are subject to foreign ownership restrictions. Two classes of shares was one way of raising equity in outside markets while retaining control of the company in Canadian hands. Furthermore, we feel that it favours long-term planning and is in line with the interests of all shareholders. In fact, there have been a number of studies that have concluded that there are benefits to family-controlled companies, namely, from The Institute for Governance of Public and Private Organizations (2006) as well as from Miller and Le Breton-Miller (2006).

The Corporation also has preferred shares, which entitle holders to fixed cumulative preferential cash dividends.

Off balance sheet

The Corporation is committed, under various leases of premises and machinery and equipment acquisition contracts, to make payments until 2029 for a total of \$245.8 million.

Non-audit work by auditors

Non-audit work amounted to \$0.7 million or 45% of the total fees incurred by the Corporation and payable to its external auditors KPMG LLP in fiscal 2012, compared to \$0.5 million or 29% of the total fees incurred and payable in fiscal 2011.



“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

people

Companies that engage in talent management are strategic and thoughtful in how they source, attract, select, train, develop, retain, promote, and move employees through the organization.

Over the last three years, we updated our management philosophy, as well as our company values and the competencies that we feel are paramount to the success of our organization. Professional development, succession management and support for employee-driven innovation are the foundations of our talent attraction and retention strategy. In 2012, we included our talent objective indicators in this report to underline the importance we attach to this part of our strategy. Our efforts are also dedicated in maintaining a safe and healthy work environment, while striving to make a difference in the communities where we operate, by investing in local organizations and initiatives through donations and sponsorships.

In terms of our Sustainable Development objectives, namely to “develop, attract and retain talent”, “maintain and enhance employee health, safety and wellness” and “invest in community well-being through donations and sponsorships”, we have made great strides. We formalized the assessment of people’s behaviours in relation to the Values and Competencies by incorporating an assessment scale in our performance management tool. In 2012, the focus was on sharing and embedding our Values and Competencies through training sessions for managers and employees. This will be on-going in 2013. Furthermore we continued to improve our accident frequency and severity statistics under our *Vigilance* program. Finally we maintained our donation and sponsorship contributions to about \$5 million on average per year.

Over the coming years, we will further deploy our talent management strategy as to ensure that we have the right people in the right roles. 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. With respect to workplace health and safety, we expect to see further improvements as we fully implement our *Vigilance* prevention program at our recently acquired facilities. Finally, at a level appropriate to the Corporation’s performance, we will continue to be committed to investing in the well-being of communities in which we operate by prioritizing the education and health sectors.



KATYA LAVIOLETTE
Chief Human Resources Officer

KEY NUMBERS

9,243

Employees

96%

Employees in Canada

40%

Women

18%

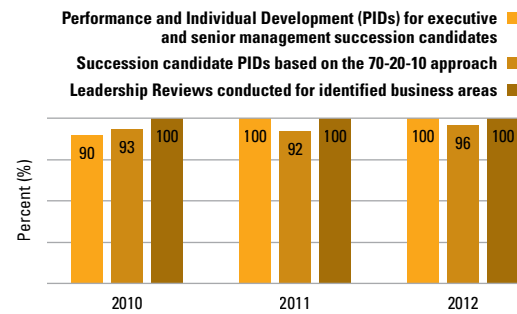
Unionized employees

\$3M

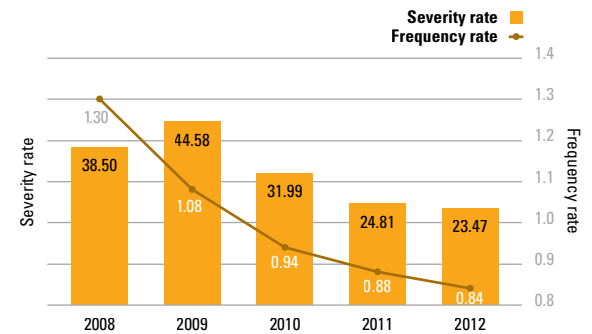
Investment in employee training courses

ATTRACT, RETAIN AND
DEVELOP TALENT.MAINTAIN AND
ENHANCE EMPLOYEEHEALTH, SAFETY
AND WELLNESS.INVEST IN THE
COMMUNITIES IN
WHICH WE OPERATE.

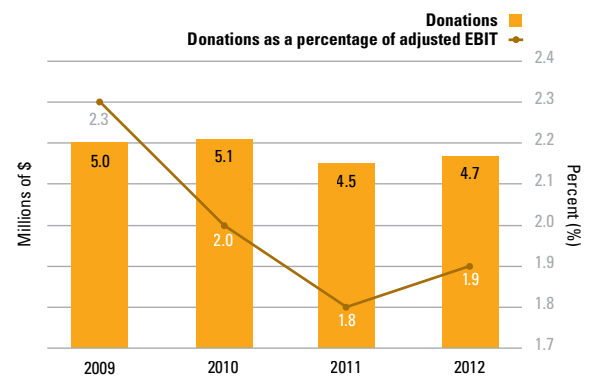
Talent management



Lost time accident severity and frequency rate



Donation of cash, goods and services



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%.



OUR VALUES:
INNOVATION,
PERFORMANCE,
RESPECT,
TEAMWORK.
OUR COMPETENCIES:
LEADERSHIP,
CRITICAL THINKING,
BUILDING EXPERTISE,
DELIVERING RESULTS.

DID YOU KNOW?

Failing to retain employees can be costly. Replacing an employee costs approximately \$2,000 for manual workers and \$7,000 for professional and managerial staff, including recruiting, interviewing, hiring, training and productivity loss.

(Arindrajit, Freeman & Reich, 2010)

Management philosophy

Sharing our new values and competencies with managers and employees

In 2011, we updated our management philosophy, as well as our company values and the competencies that we feel are paramount to the success of our organization. These values and competencies set out the behaviours and qualities we encourage our employees to exemplify, the type of culture we nourish and the way we do business. We strive to be a great place to work; a safe, stimulating and inclusive environment for our employees. Our management philosophy and corporate values are at the core of who we are. They set out the behaviours and qualities to which we collectively aspire. They shape how we do business among employees and with our customers and stakeholders.



Talent management

We recognize that our employees are the driving force behind our success and one of the key pillars of our organization, alongside our customers, shareholders and the community, that enable our business to grow and evolve successfully.

To support the professional growth of our employees, ensure that they are prepared to face industry challenges and support our company's transformation, TC Transcontinental has implemented a talent strategy that covers the following three areas:

1. WE SUPPORT INDIVIDUAL DEVELOPMENT

We encourage our employees to review their performance progress against established objectives and business targets, with their managers, at least twice a year, and to address their development needs based on the 70-20-10 approach and the Equal Onus philosophy.

2. WE MANAGE SUCCESSION

At our Leadership Reviews, we discuss potential succession candidates, provide mobility opportunities to ensure that the right people are in the right role to support our business transformation and implement candidates' development plans to accelerate their development and career growth.

3. WE ENCOURAGE INNOVATION

Through our Innovation Challenge program we give our employees the opportunity to express their creative potential and develop their skills, while focusing on our customer needs, technology trends and pressing business challenges.

To encourage our managers to support our talent initiatives, we introduced a Talent Development Objective into the bonus scheme available to all our managers at the senior level. Five percent of the annual bonus is contingent on managers completing Performance Reviews with all their direct reports, as well as conducting Leadership Reviews across all business entities and ensuring that all succession candidates have high quality development plans.



Individual development

We strive to attract, retain and develop talent to enable us to continue to provide products and services of value to our customers. Part of our talent strategy focuses on the importance of overseeing and managing employee performance and development throughout the year. To support this objective we have the following on going targets:

Ensure Leadership Reviews are conducted across all business entities.

2012 Results: 100%

In 2012, we successfully filled 88% of senior management positions through internal promotions and moved or promoted 32% of our succession candidates.

Produce Development Plans that meet the 70-20-10 approach for a 100% of succession candidates.

2012 Results: 96%

Ensure that all managers and employees meet at least twice a year to review their Performance and Individual Development plans.

2012 Results: 100% of non-unionized employees.

18.2% of permanent employees are unionized and not all participate in performance and career development programs.

The 70-20-10 approach emphasizes that most learning occurs in the context of the workplace rather than in formal training situations. Specifically, 70% of learning occurs on-the-job, 20% is through coaching, mentoring, feedback and 10% is through formal training.

Additionally in 2012, to better equip our managers and employees to conduct performance and career development reviews, we simplified our performance assessment tools and updated our training material. To promote the development of the skills and knowledge of our employees, we also offer a variety of internal development options such as:

- Accountability and Candor Training
- Transformation Training Platform
- Codevelopment Groups
- 360 Feedback
- T.R.A.I.N. (Talent Reinforcement Through Active Integration)
- Effective Leadership
- Engagement Training
- Values and Competencies Workshop
- 70-20-10 Development Plans Workshop

••••• In 2012 we have invested over \$3.0 million in training.

Succession management

The goal of our succession management strategy is to ensure the continuity of our business by having the right talent at the right place when needed. To identify our succession candidates, accelerate their development and put in place action plans that will strengthen our talent pipeline, Leadership Review discussions are held at various levels and across the organization on an annual basis, with at least one follow-up meeting per year. In 2012, we held 63 Leadership Reviews discussions, successfully meeting our target of covering all areas of the business identified for Leadership Review for the year.

The Innovation Challenge

In 2011, we launched the first edition of the Innovation Challenge. The purpose of the tournament was to offer our employees a channel to express their creative potential towards the creation of new products, services or solutions, as well as towards the development of new markets or improved operations.

During 2011 and 2012, close to 1,800 employees, 168 facilitators and 230 top managers participated in the tournament.

The Innovation Challenge has become a great learning opportunity for our employees. It provides coaching on basic innovation principles and a new shared language, as well as the opportunity to be part of a strong team of facilitators. Employees learn how to generate new ideas, demonstrate their strategic and financial potential and take them to market feasibility.

Two stories of commercialized ideas that have come out of our innovation program are:

- In 2012, we introduced *Panoramax*, the largest promotional insert in Canada printed on high volume presses, designed mainly for retailers who want immediate visibility for a special promotion. This new promotional vehicle, in a very large format, has significant development potential and demonstrates our ability to innovate established products and help our customers achieve greater reach for their products, brands and services.
- In the fall of 2012 TC Media's Canadian Living launched Canadian Living Moms. Canadian Living Moms was created to better reach the highly coveted Canadian Mom target market (females between the ages of 24-45, with children). Canadian Living Moms is a multiplatform program reaching women online, through social media, video, live events and more. Well-researched articles, reviews and features provide advice from our experts and editors.

The Innovation Challenge will continue to foster employee engagement toward innovation and will anchor the innovation process to strategic priorities and growth goals. The shorter, faster, simpler tournament planned for 2013 will focus on ideas that are aligned with our innovation needs, based on key customer groupings and capabilities. We will also enhance our internal capacity to innovate outside the Innovation Challenge by leveraging managers' skills to stimulate innovation throughout the year.

Health, Safety and Wellness

Accidents and incidents

Maintaining a safe and healthy work environment remains our first priority. TC Transcontinental's Health, Safety and Wellness (HSW) management system is known as the *Vigilance* Prevention Program and requires business units to:

- Register and analyze all incidents, damages and accidents immediately after their occurrence and implement corrective measures to eliminate risk;
- Implement the *Vigilance* Prevention Program across all sectors (Print, Media, and at head offices);
- Implement an annual HSW Action Plan;
- Evaluate the level of implementation of the HSW management system through our HSW Audit Process; and
- Promote health and wellness initiatives.

TARGETS AND PERFORMANCE

Lost time accident frequency rate

Our target is to keep the accident frequency rate¹ below 1.00 accident per 200,000 hours worked. In 2012, the frequency rate was 0.84 accidents per 200,000 worked hours compared to 0.88 in 2011. The improvement is due mainly to better promotion and implementation of our *Vigilance* Prevention Program.

Lost time accident severity rate

The lost time accident severity rate² is 23.47 lost days per 200,000 worked hours in 2012 compared to 24.81 in 2011. Our aim is to become an industry leader in health and safety performance and we will continue to work toward reaching our target rate of less than 20 lost days per 200,000 worked hours by the end of year 2013.

Numbers of lost time accidents by region

Geography	2012	2011
Canada	64	67
US	11	13
Overall	75	80

2012 lost time accident frequency and severity rates by region

Geography	Frequency rate	Severity rate
Canada	0.75	23.34
US	3.23	26.41
Overall	0.88	23.47

The higher frequency rate in the United States is associated with the limited implementation of the *Vigilance* Prevention Program in the United States business units that have been in the group less than 3 years. The average level of implementation is 85 % across all regions, while in the United States it is 53%.

Total recordable injuries

Our *Vigilance* Prevention Program requires that each business unit compiles and conducts an analysis of all injuries to determine the causes and to implement of corrective measures to avoid reoccurrence. The recorded injuries are: an Injury requiring first aid; an injury requiring an external medical visit with an immediate return to work; an injury requiring an external medical visit with a return to temporary assignment; an injury requiring an external medical visit without return to work (off work or lost time). While the total recordable injuries are indicators that are tracked and verified through the corporate HSW Audit Process, we do not compile the information across all our facilities into a corporate indicator, preferring to use the lost-time frequency and severity rates for this purpose.

BENCHMARKING AGAINST THE INDUSTRY

Insurance assessment rates

The Worker Compensation Assessment rate compared to the Worker Compensation Industry rate is one of the most credible methods to measure the health and safety performance between companies in the same industrial group. To determine the Annual Worker Compensation Assessment for a company, the Worker Compensation Board takes into consideration the cost of injuries and fixes an assessment rate accordingly. A company that performs better than the industry will have a lower rate, while a company having a performance below the industry rate will have a higher rate.

TC Transcontinental's Health and Safety Assessment Rate for Print, Media, and head offices is better than the industry rate. Our Assessment Average Rate for 2012, for all Canadian business units, was \$1.08, which is 17% lower than the industry rate average of \$1.30. Also worth noting is the Assessment Average Rate for 2012 for TC Transcontinental's Quebec business units (\$1.06) which is 31% lower than the provincial industry average rate (\$1.53).

1. (number of lost time cases x 200,000 hours) / total worked hours
2. (number of lost days x 200,000 hours) / total worked hours

TC Transcontinental vs industry

Insurance assessment rate		TC Transcontinental	Industry	Difference
Canadian business units	2012	\$1.08	\$1.30	17% below
	2011	\$1.16	\$1.38	16% below
Quebec business units	2012	\$1.06	\$1.53	31% below
	2011	\$1.00	\$1.47	32% below

The table above shows the variation of the combined estimated Worker Compensation initial assessment rate as well as the corresponding unit rate for each year of assessment (or claims year).

As assessment-setting systems in the United States are different, data is not available in terms of rates. However, we can track the incurred costs within the business units. In 2012, these costs represent 1.5% of insurable payroll, up from 1.01% in 2011.

Tracking improvements

TC Transcontinental uses various indicators to measure HSW performance in each business unit such as the accident frequency and severity rates, the assessment rate, as well as the level of implementation of the *Vigilance* Prevention Program which is determined via the Health Safety and Wellness Audit Process, carried out by the HSW department. The audit results are communicated to business unit management teams, as well as to senior management.

- 20 HSW audits were conducted in 2012.
- The results of the most recent HSW audits show an average level risk control as seen by the implementation of the *Vigilance* Prevention Program of 85%.

DID YOU KNOW?

Implementing effective measures to promote employee well-being, to reduce chronic illness and to curb health service spending also translates into better financial results.

(Price Waterhouse Cooper & World Economic Forum, 2008)



Employee wellness

TC Transcontinental invests in the wellness of its employees by promoting healthy lifestyle choices through the *Vigilance* Prevention Program throughout the year. The Corporate Health Safety and Wellness Audit Process verifies that *Vigilance* campaigns are promoted in each business units.

In 2012, TC Transcontinental focused on the Aim for 3 out of 3 Challenge and Flu Vaccination campaigns.

Training and information sessions, pamphlets, posters, contests and participation prizes were offered during the campaigns.

Other wellness initiatives undertaken in 2012 include:

- The Harassment and Violence Prevention Policy was updated in 2012 and is available on the intranet for all employees.
- TC Transcontinental offers via external suppliers, individual tutoring services, dedicated to academic success for elementary, high school and college students.
- All Canadian employees have access to an Employee Assistance Program that provides educational tools and counselling to employees and their families.
- **Online health questionnaire**
During the Aim for 3 out of 3 Challenge, employees had the opportunity to complete an online health questionnaire (confidential and managed by an external Health Company). This tool provided employees with a profile of their personal health situation and offered avenues for improvement. It also gave us an insight on employee health issues which will enable us to focus our activities in the future.
- **Health and Wellness Committee**
A formal Health and Wellness Committee was created in 2012 with members from both of TC Transcontinental's sectors. The Committee's mandate is to develop health and wellness programs, promote the adoption of healthy lifestyles in terms of physical activity, nutrition and psychological health, and evaluate interventions carried out within the programs.
The committee's 2013 action plan will focus on four areas of organizational health: lifestyle, work life balance, HSW work environment, and management practices.

Invest in community well-being

Community cohesion

DONATIONS AND SPONSORSHIPS POLICY

In 2012, we formalized our *Donation Policy* and identified two priority areas—health and education—so as to maximize the impact of our contributions to the institutions and organizations we support.

Health

In health, we made major donations to hospital and healthcare foundations across Canada, including those of the Montreal Heart Institute, Montreal Children's Hospital, Sainte-Justine Hospital, Marie-Clairac Hospital, Women's College Hospital, the Pediatric Oncology Group of Ontario, Yarmouth Hospital and Prince County Hospital.

We gave generously to numerous Canada-wide promotional campaigns for organizations involved in the fight against cancer, including the Look Good Feel Better campaign and the CIBC Run for the Cure. We also supported the Multiple Sclerosis Society of Canada, the Make-A-Wish Foundation, Cystic Fibrosis Quebec (a provincial chapter of Cystic Fibrosis Canada) and the Heart & Stroke Foundation of Canada, to name just a few.

Education

In education, we continued our substantial financial support for the Université de Montréal's business school, HEC (École des Hautes Études Commerciales). Through grants and sponsorships in the form of printing services, we help organizations such as the Literacy Foundation, Breakfast for Learning, Family Literacy Day, the Paul Gérin-Lajoie Foundation and many others.

Centraide

For many years, we have shown our strong commitment to the Greater Montreal community by contributing to the annual Centraide of Greater Montreal fundraising campaign. Thanks to a corporate donation of \$75,000, along with significant financial contributions from employees, TC Transcontinental ranks among Centraide's top 100 corporate donors. We also make large donations to the United Way (Centraide's affiliate in the rest of Canada) and to Kids Help Phone.

We are also very proud to support many of the causes that our business partners support.

CORPORATE DONATIONS

Donations and sponsorships totalled \$4.7 million in 2012 compared to \$4.5 million in 2011. This increase over 2011 is due to printing schedules and advertising space availability that provided more opportunities for TC Transcontinental to help the organizations it supports. In addition, with donations and sponsorships representing about 2% of its 2012 adjusted income before interest and taxes, TC Transcontinental gave generously to the communities in which it operates, and did so within the terms of its donations policy.

- TC Transcontinental budgets about 1.5% of its income before tax (EBT) for donations and sponsorships.

EMPLOYEE ENGAGEMENT

Here are some examples of fundraising initiatives led by our employees:

- Participating in the Sainte-Justine Hospital Foundation's winter triathlon, TC Transcontinental stood out among the event's 80 teams. We had the largest number of donors, and raised the fifth largest amount of money (\$11,150).
- For the first time, TC Media employees participated in the Fondation des Gouverneurs de l'espoir's annual fundraising campaign. The initiative raised more than \$70,000.
- A TC Media team participated in the Grand Défi Pierre Lavoie 1,000 km cycling challenge, raising \$10,000. TC Media employees raised \$7,230 for Duvernay School in Drummondville through two other challenge events, "Lève-toi et bouge" and "Aiguise ta matière grise."
- Employees at our Halifax printing plant participated in the CIBC Run for the Cure, proudly raising \$2,600.

LOCAL COMMUNITY INVOLVEMENT

Through our 80 weekly newspapers in Quebec along with our websites, we have formed partnerships that support the activities of several non-profit organizations active in their local communities and nationwide.

Some examples from 2012:

- 50 of our weeklies published columns about heart health from the Montreal Heart Institute, free of charge;
- As part of an agreement struck several years ago with Acti-Menu, TC Media weeklies supported the Quit to Win challenge and the 5/30 Health and Wellness Challenge by publishing free advertising and targeted content;
- Thanks to a major partnership agreement, our newspapers are involved in Défi sportif, an international competition for disabled athletes of all experience levels. The agreement provides for full coverage of the event and related activities, and the publication of advertisements;
- Our weeklies supported the 14th edition of The Gift of Reading by publishing free ads to promote the event.

Product responsibility

Health and safety impacts of our products

In some of the printing chemicals and maintenance products that we use, there are small amounts of substances that have been identified for control by government agencies. These are substances that can, under certain conditions and at certain concentrations, be considered harmful to humans or to the environment. They are authorized for use but that use needs to be monitored to minimize risks.

Our printing facility environmental management systems and our compliance audit programs ensure that we use any controlled products responsibly in accordance with all regulations, and that they are disposed of according to legal requirements.

Our Hazardous Material Management Initiative (HMMI) is a database of the over 3,000 Material Safety Data Sheets (MSDS) of the products that we use in our facilities. Our computer-based tracking tool allows us to identify, quantify and compile our use of all these substances on a monthly basis across the 29 printing facilities and compare what we use to the reporting thresholds for specific substances under various legislative reporting requirements.

CERTIFICATION OF PRODUCTS

We want to be sure that our products are safe for all our consumers, especially the most vulnerable: children. Recently adopted rules under the Consumer Product Safety Improvement Act (CPSIA) address the concentration of lead and phthalates (chemicals used to soften plastic) in products intended for use by children under the age of 12 in the United States. Manufacturers must now demonstrate that lead or phthalates are not present in the product at concentrations above the allowable amount. Certifications by third-party laboratories are required in most cases. The following letters confirm the absence of these substances in TC Transcontinental's products, although a recent amendment now exempts ordinary books from this requirement.

- [Letter concerning CPSIA](#)
- [Letter concerning Registration, Evaluation, Authorization and Restriction of Chemicals \(REACH\)](#)



Value of our products and services to our customers

Printing Sector

TC Transcontinental Printing conducts surveys to evaluate customer satisfaction with our products and services and our commitment to sustainability, among other things. These surveys help us keep delivering services and solutions of the highest possible quality. One of the surveys done in 2012 provided quantitative and qualitative data on the quality of our prepress service, printing service, order fulfillment, invoicing and representatives' service. Overall, we earned good scores, with most responses in the "satisfied" and "exceeded expectations" categories.

The Printing Sector is also continuing its Strategic Alliance Partnership program, a forum where TC Transcontinental meets 5 to 10 clients to discuss strategic issues in a spirit of partnership and cooperation, with the aim of improving our performance and finding solutions to potential issues.

Media Sector

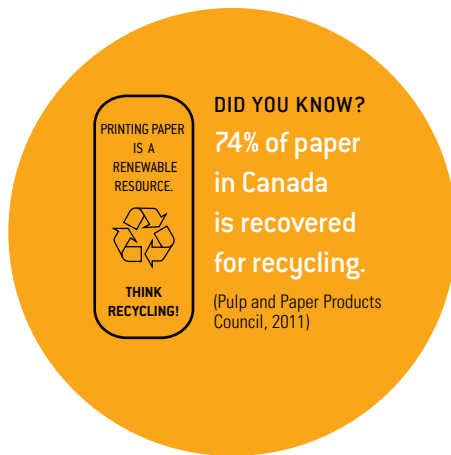
On the Media side, visitor satisfaction surveys were done as part of the makeover of certain websites.

The 2012 CROP phone survey of Publisac customers confirmed that:

- 93% of respondents stated that they look at the Publisac contents and of those, 83% do so weekly; and,
- 81% of respondents stated that they recycle the Publisac after consulting it, while 17% put it to an alternate use.

We respect the wishes of consumers who have expressed the desire not to receive the Publisac and do not deliver it to households where a pictogram (issued by either TC Transcontinental or the municipality/town) is displayed on the mailbox.

PLEASE DO NOT PLACE FLYERS BACK IN THE PUBLISAC BAG AS THIS SLOWS THE SORTING AT THE RECYCLING CENTRE. THANK YOU!



Adherence to marketing standards and respect for privacy

Our operations are subject to laws and voluntary standards addressing advertising standards and consumer privacy. These include:

- The CAN-SPAM Act that sets the rules for commercial email, establishes requirements for commercial messages, gives recipients the right to opt-out, and spells out penalties for violations;
- The Personal Information Protection and Electronic Documents Act that governs how private sector organizations collect, use and disclose personal information in the course of commercial business;
- The Canadian Marketing Association's Code of Ethics, specifically its Internet privacy policy;
- The Canadian Code of Advertising Standards that sets out criteria for truthful, fair and accurate advertising; and,
- The standards of the Flyer Distribution Standards Association.

In the past year, there were no material incidents of non-compliance with respect to advertising, promotion and sponsorship regulations and voluntary codes and no breaches of privacy.

Extended producer responsibility

We recognize that we need to consider the environmental impacts at all stages of a product's lifecycle—in the selection of our raw materials, in our production process, in the use of the product by a consumer and in what happens to the product after its use. Many of our products can be diverted from landfill through recycling so we participate in the design, implementation and promotion of programs available to our consumers.

Under government programs in Ontario, Quebec and Nova Scotia, we support municipalities with funding for curbside recycling through payments and advertising space given to the promotion of recycling programs. In 2012, TC Transcontinental contributed over \$2 million to such programs.

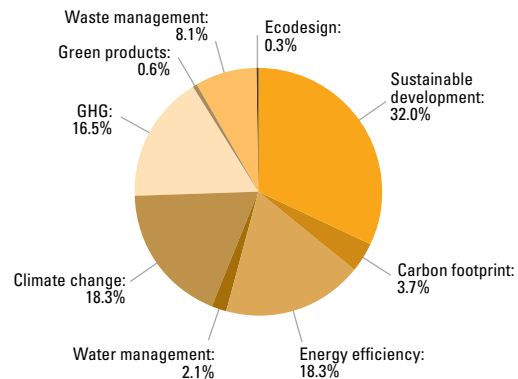
Content of our publications

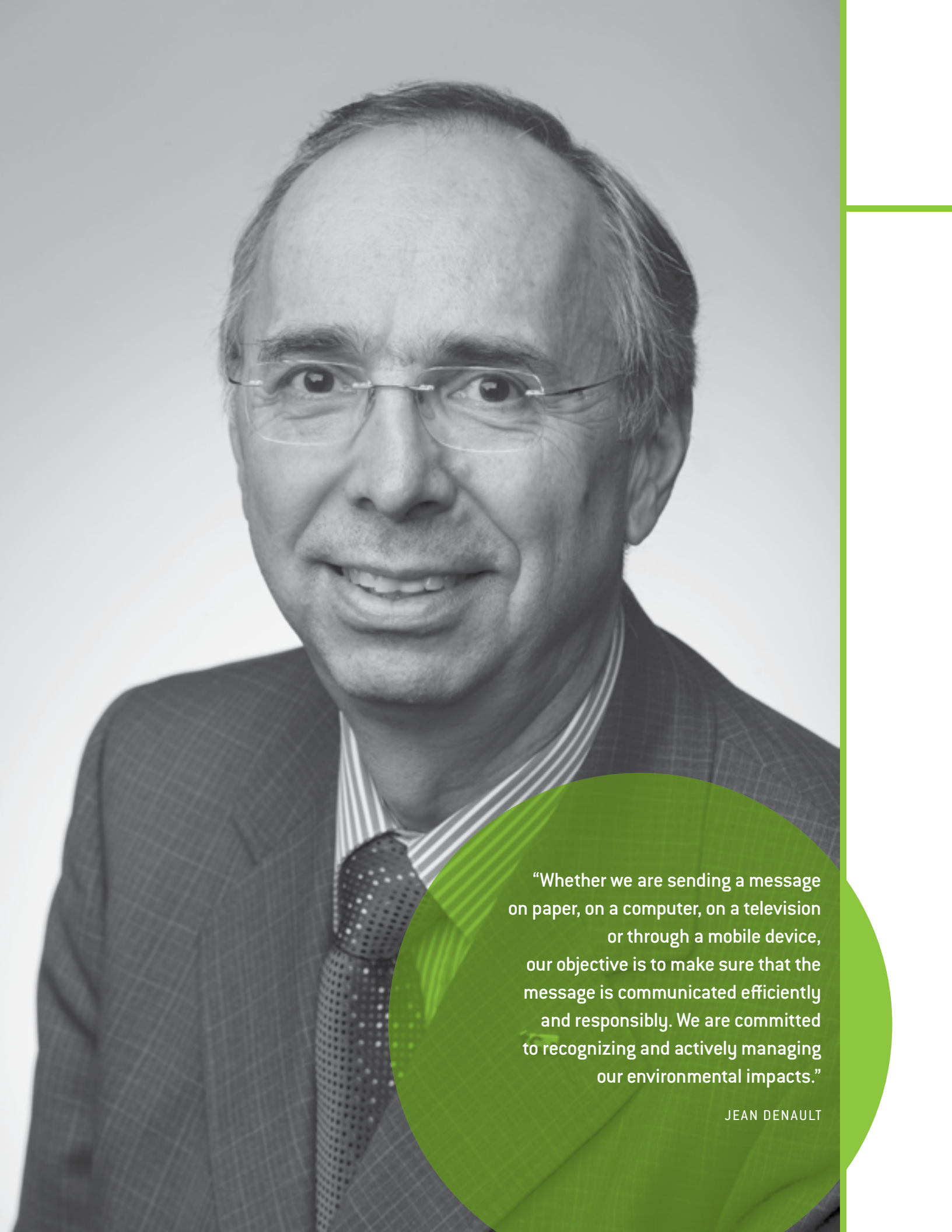
Our newspapers, magazines, websites and business conferences reach a wide range of Canadians from coast to coast. This provides an opportunity to raise awareness around sustainable development issues that touch the lives of families and business owners.

While we do not interfere with the independence of our editors or journalists, TC Transcontinental nevertheless encourages the publication of specialty issues, articles and magazines devoted to providing readers with interesting and useful perspectives on sustainability so that they can make informed decisions in their day to day lives.

In 2012 we published numerous articles pertaining to sustainability in our 180 community papers and online portals; subjects as varied as sustainable development practices, carbon footprint, energy efficiency, water and waste management and eco-design.

Sustainable development subjects discussed in our publications





“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

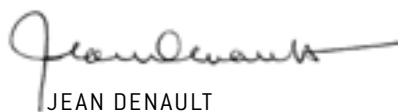
environment

Environmental management system (EMS) refers to the management of an organization's environmental programs in a comprehensive, systematic, planned and documented manner. It includes the organizational structure, planning and resources for developing, implementing and maintaining policy for environmental protection.

Our commitment to the environment has been core to our business since the adoption of our Environmental Policy in 1993. The policy is bolstered by corporate requirements, the sharing of best practices and on-going training. 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. Over the last three years we have worked diligently to "Protect and Restore Ecosystems" and "Optimize the Use of Resources" and we have made a lot of progress. In fact in some instances we surpassed some of the targets we had outlined in our three-year plan.

In terms of our Sustainable Development objectives, we had specific targets to be achieved by the end of 2013. Over the last three years, we exceeded our target for responsible paper sourcing, met the challenge of reducing the energy use of our operations by 15% over 2008 and reduced our greenhouse gas emissions to name just a few.

As with most efficiency programs, the initial gains are easier, while continued improvements get harder to achieve. Over the coming year, we will be working on our next set of targets. We have already set an ambitious target for our paper purchasing: increase our purchases of Gold and Gold Plus environmentally preferable paper to 80% by the end of fiscal year 2015, up from the current 67%.



JEAN DENAULT

Senior Vice-President, Procurement and Technology

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

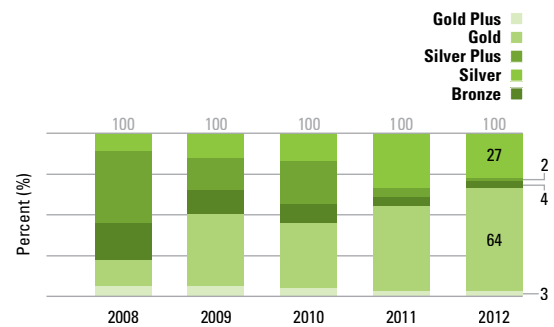
31%

Renewable energy used

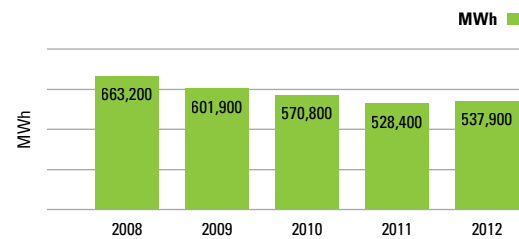
96%

Waste diverted from landfill

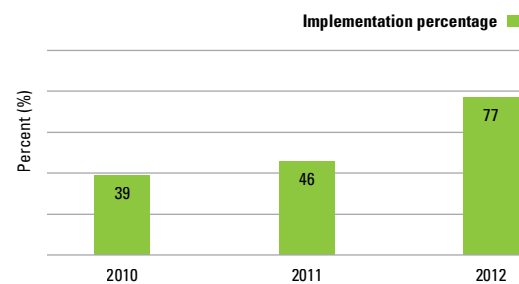
Categories of paper purchased



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%

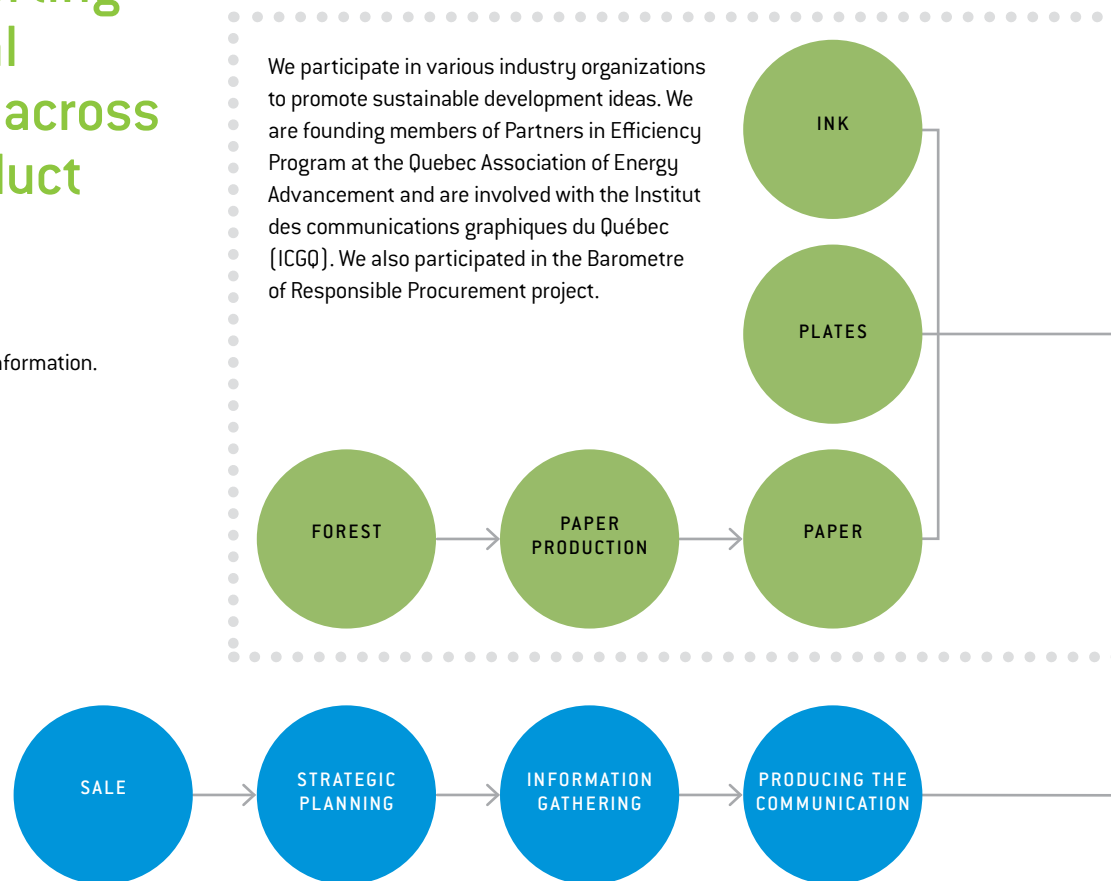
Environmental management
system implementation score

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.

TC Transcontinental actions supporting environmental management across a printed product life-cycle

See TC Transcontinental's website www.tc.tc/sustainability for more information.



FOREST

With operations in urban and sub-urban locations, our direct impact on areas of rich biodiversity is minimal, but we recognize that our paper purchasing could have a negative impact if not managed responsibly. We believe that we have made real progress in addressing this with our paper purchasing policy and continue to encourage our customers to choose papers that are the least damaging to the environment. We also support the Canadian Boreal Forest Agreement.

PAPER PRODUCTION

Our paper purchasing policy encourages the use of recycled and certified paper from forests operated under sustainable forest management systems. It also favours paper that is produced without chlorine.

INK

Printing chemicals contain small quantities of potentially hazardous substances. We track these substances and report them to the government as required. We also look for alternatives to replace them.

TRANSPORT OF RAW MATERIALS

Our paper purchasing policy also encourages the use of regionally produced paper, to minimize transportation impacts.

SALE

We provide employees with modern teleconferencing options and actively encourage employees to make use of the service in preference to traveling. We also purchased carbon offsets to compensate for 830 tonnes CO₂e emissions related to air travel.

STRATEGIC PLANNING

Many buildings have a "Green Squad" or "Escouade Verte" to work on minimizing the environmental footprint of our office operations. Actions include coordinating car-pooling, re-usable cups and glasses, energy use awareness, etc...

PRINTING

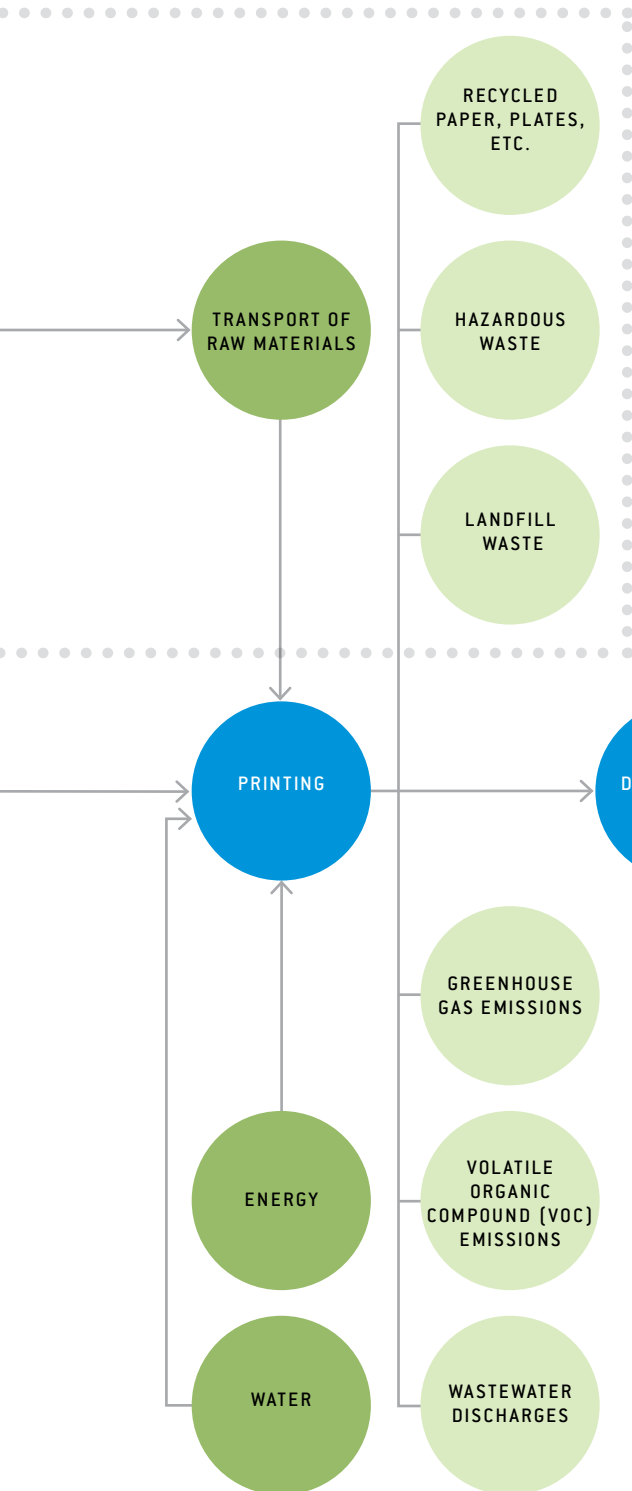
Environmental aspects at printing facilities are managed through an ISO 14001-styled Environmental Management System (EMS) with periodic compliance audits conducted with the assistance of outside auditors.

ENERGY

Our Global Energy Management Program aims to achieve energy savings and reduce greenhouse gas emissions. Since 2010, we have invested over \$5.6 million in projects that has led to a cumulative saving of 102,500 MWh.

WATER

Printing does not involve large quantities of water. Some of our retail operations use cooling towers. After that, the largest use is for the dilution of fountain solution on the presses. However, we understand the need to conserve this precious resource. The first step is to track what we use. This year we have calculated our estimated use and added it to our environmental footprint diagram.



RECYCLED PAPER, PLATES, ETC.

All the scrap paper we generate in our printing facilities is recycled. Paper roll cores can sometimes be returned to the paper supplier for re-use. The aluminum plates used on the printing presses are recycled.

HAZARDOUS WASTE

Hazardous wastes include waste oils, waste solvents and liquids recovered from the presses. These are sent for disposal by specialized firms.

DISTRIBUTION

Our printed products are shipped to businesses, warehouses, distribution centres, and sometimes to Canada Post to be delivered to households across Canada. Although we have not yet attempted to measure this, we have developed a modeling tool to estimate greenhouse gases related to a print project from paper mill to customer delivery point.

USE

Our CROP survey revealed that 93% of respondents looked at the Publisac contents. We respect the wishes of consumers who don't want to receive the Publisac and do not deliver it to households where a pictogram is displayed on the mailbox.

END OF LIFE

With messaging on the bags, we encourage consumers to recycle our Publisac bags. Our CROP survey revealed that 81% of respondents recycle the Publisac bag and content, while 17% put it to an alternate use.

We understand our responsibility for the recovery of its printed products after their useful life. In 2012, we contributed \$2 million to fund municipal recycling schemes in Quebec and Ontario.

GREENHOUSE GAS EMISSIONS

We have been reporting to the Carbon Disclosure Project since its launch in Canada in 2006. We monitor the carbon emissions from our printing operations and strive for efficiencies and alternative energy sources to reduce our overall emissions.

VOLATILE ORGANIC COMPOUND (VOC) EMISSIONS

In heat-set operations, VOC emissions are mostly captured and destroyed in powerful incinerators. We are working on reducing the VOC content in the printing chemicals that we use.

WASTEWATER DISCHARGES

Waste liquids from the presses are recovered and sent for disposal by specialized firms. Wastewater discharges to the drains come from film and plate rinsing, general plant cleaning activities and sanitary water. We have recently initiated a monitoring program for our facilities that will involve regular wastewater sampling.



Approach to environmental management

Responsibility for environmental performance is shared across the Corporation. The Senior Vice-President, Procurement and Technology, is responsible for the day-to-day management of environmental performance, while the Board of Directors and Executive Management Committee are ultimately responsible for compliance to legislation and corporate policies.

Issues at the printing facility level are the responsibility of Plant Managers, who report to the corporate Environment Coordinator, as well as to the Sector Management Team. The Environment Coordinator works within the Procurement and Real Estate team.

ISO 14001 approach for our printing facilities

TC Transcontinental has developed an environmental management system based on ISO 14001. Each printing facility is responsible for its implementation with support from the Environment Coordinator in the form of a corporate manual, model procedures and training.

EMS IMPLEMENTATION TARGET

By the end of fiscal year 2012, our goal was to achieve a level of EMS implementation at our printing facilities of 75%. The implementation of the 15 elements of the EMS is assessed by the Corporate Environmental Coordinator and reported to form a facility score. The average score across all our printing facilities has improved from 46% in 2011 to 77% in 2012 due largely to the action of the Manufacturing Efficiency Committee's program that identifies and puts forward opportunities for improvement, and from the Enterprise Risk Management program.

REPORTING

Performance is reported by the facility on a monthly and annual basis. We track our key environmental indicators, such as waste, greenhouse gases and spills and collect the information we need to set performance improvement objectives and targets. A quarterly report on activities is produced for the Senior Vice-President, Procurement and Technology, the Board of Directors and the Executive Management Committee and is shared with the Legal Department, the Audit Committee and the Chief Financial and Development Officer.

MEETING LEGISLATIVE REQUIREMENTS

Compliance to legislation is assured through systematic tracking of legislative changes using an on-line update service and a corporate audit program covering all facilities with printing operations. As part of this program, we invite external auditors to assess our facilities to complement our internal auditing practices. Each printing facility is audited every three to five years, depending on its equipment and location.

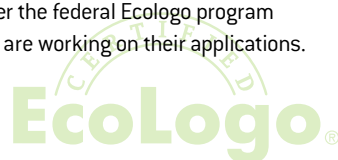
- TC Transcontinental was not subject to any fines in 2012. A fuel spill occurred in the receiving area of our Edmonton facility when a drain cover accidentally pierced the fuel tank of a delivery truck. The spilled liquid was promptly cleaned up. A small amount of contaminated soil was removed and sent for specialized disposal the same day.

TRAINING

Facility personnel are trained regularly on environmental issues, the use of the management system and what to report.

ECOLOGO

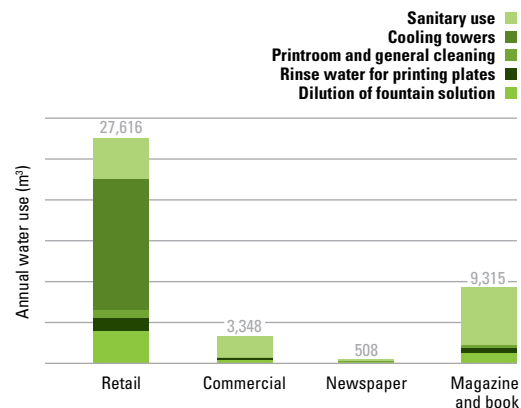
Ecologo certification addresses the type of chemistry used in the printing process as well as recovery, recycling and pollution reduction equipment. Four printing facilities successfully maintained certification under the federal Ecologo program in 2012. Three other facilities are working on their applications.



Water use

Printing does not involve large quantities of water. Some of our retail operations use cooling towers. After that, the largest use is for the dilution of fountain solution on the presses. However, we understand the need to conserve this precious resource and the first step is to track what we use. We have now assessed the average use by facility type and can conclude that the overall water consumption for our 29 printing facilities in 2012 was 487,000 m³. The figure below presents typical water use at our different types of operations. Water meters are present in new buildings and are progressively being installed across our operations. Better tracking of our water use will enable us to develop optimisation strategies and assess the effectiveness of water reduction initiatives. This year, we have added our calculated water consumption to our environmental footprint.

Typical water use at our different types of printing operations





DID YOU KNOW?

A tree is rarely cut just to produce paper. Depending on the type of tree, you'll find:

- The best quality wood in the truck is unrolled to produce plywood.
- Other parts of the trunk and larger limbs are sent to saw-mills to make flooring or planks.
- The larger limbs can be used for mid-grade lumber such as palettes.
- The rest of the wood is sent for pulping to produce paper.
- Leaves, stems and bark are used as biomass energy to fuel operations.

Paper

We purchase nearly 576,000 tonnes of paper per year. We need to be sure that this large purchase is a responsible purchase. We do this by maximizing our use of recycled and certified paper and encouraging our clients to make the same choices.

When we were contemplating the publication of our 2007 Paper Purchasing Policy, the supply of recycled and certified paper was limited and availability in the quantities we needed was unreliable. By stating our expectations in a clear policy, our suppliers understood that the demand was real. They adapted their forest management practices, obtained the forest certifications and changed their paper offering so that today, we are able to offer our customers responsible choices.

••••• Forests filter our water and purify our air. They are home to fauna and flora in unbelievable diversity. They absorb carbon dioxide as they grow and store billions of tonnes of carbon, stabilizing our planetary carbon levels.

••••• Our use of forest products must not compromise these functions. We believe that well-managed forests can be a sustainable source of renewable resources such as lumber, paper and energy for our common future. Forests are also an important source of income for many North American communities.

Classification of environmental papers

Category	Percentage of recycled or certified fibre	Description	Typical purchases meeting the category criteria
Gold Plus	100%	Paper from 100% recycled fibre or mixed with fibre from agricultural residues or other alternative residual fibres.	FSC® Recycled, Non-certified recycled
Gold	100%	Paper from recycled fibre mixed with virgin fibre from forests that are certified under a recognized SFM system*, avoiding fibre from high conservation value forests unless those values are protected.	FSC® COC, PEFC COC, SFI® COC, Fibre from certified forest (100%)
Silver Plus	70%	As above but mixed with virgin fibre from forests that are not certified under a recognized SFM system*, but avoiding fibre from high conservation value forests unless those values are protected.	PEFC COC (70%), Recycled (70%), Fibre from certified forest (70%)
Silver	30%	As above.	SFI® COC (30%), Recycled (30%), Fibre from certified forest (30%)
Bronze	0%	All other papers that are shown not to come from high conservation value forests unless those values are protected.	FSC® Controlled Wood, SFI® (COC or Certified Sourcing), Recycled or Fibre from certified forest
Other	0%	All other papers that are shown not to have come from illegal harvest.	None purchased in 2012

SFM: Sustainable forest management
 COC: Chain of custody certified
 FSC®: Forest Stewardship Council
 SFI®: Sustainable Forestry Initiative
 PEFC: Program for the Endorsement of Forest Certification



What is certified paper?

It is paper that comes from a forest that has been certified under a sustainable forest management (SFM) scheme. The forests are managed according to the principles of sustainable development, which aim for a balance between the harvesting of forest products and the conservation of natural areas for future generations. The fibre is traced from forest to mill to paper broker to printer so that the final consumer can be sure that the paper in his hands is from a well-managed forest. TC Transcontinental recognizes various international SFM standards as well as paper certifications. By contributing to the emergence of a market for sustainable forestry products, the paper industry is creating incentives for landowners around the world to actively manage their forests instead of converting them to other uses.

- To simplify choosing environmentally preferable paper for our customers, we developed a classification system.
- While we state a preference for recycled fibre to promote recycling, we understand that new fibre is always needed to replace the fibre that is not returned to fibre cycle (eg: it becomes too short after being recycled 4-9 times, it remains stored in archives or books, or sadly, it gets landfilled).

TC Transcontinental has obtained independent third-party chain-of-custody certification of its paper tracking system at all its printing facilities so that the applicable logos can be printed on the customer's project whether Forest Stewardship Council (FSC® C011825), Sustainable Forest Initiative (SFI® 00507) or Program for the Endorsement of Forest Certifications (PEFC01-31-106).

DID YOU KNOW?

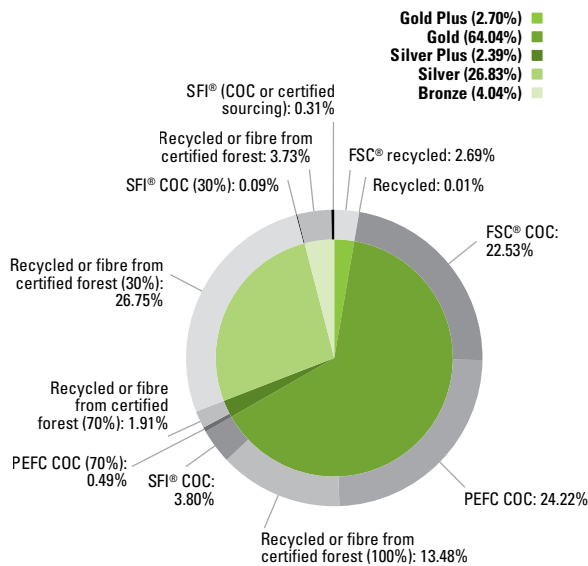
59% of paper production in Canada is composed of sawmill residues while 28% is from recycled fibre.

Total forest cover has remained the same in the U.S. and Canada between 1990 and 2005, with less than 0.5% of Canada's forest cover harvested annually.

(Forest Products Association of Canada, 2012).

In 2012, we strengthened our 2007 Paper Purchasing Policy by clarifying some definitions and increasing our disclosure on the types of certified paper that we buy. In 2012, our purchases of certified papers were:

Certifications of papers purchased



... In 2012, we committed to increase our transparency on our usage of environmental friendly paper for TC Media products. While we know the papers purchased for our publications were high in the classification table (around 93% Gold or Gold Plus for magazines in 2012 for example), we had not taken the next step of asking them to use the tracking system. From now on, look for the certified or recycled paper logo on our publications.

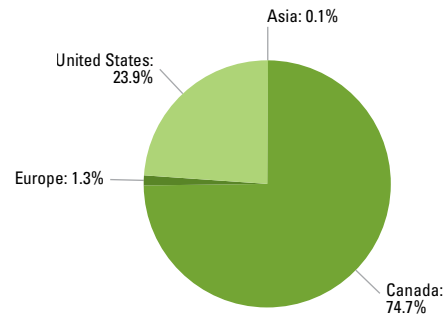
Avoiding illegally harvested fibre

In 2008, the United States amended the Lacey Act to prevent the import of illegally sourced plants and associated products (lumber, furniture, paper, etc.) into the U.S. While the enforcement mechanisms as they apply to paper are currently stalled, TC Transcontinental will rely on its suppliers to meet the minimum requirements of its Paper Purchasing Policy: to only purchase paper shown not to have come from illegal harvest.

Other criteria

Responsible fibre is just one aspect of responsible paper. What about the processing chemicals used, the transportation impacts, the local economic impacts? To help us weigh the different aspects, TC Transcontinental is a buyer participant of the Environmental Paper Assessment Tool® (EPAT). Regional preferences are already stated in our Paper Purchasing Policy and the provenance of the papers purchased is tracked.

Origins of paper purchased by TC Transcontinental



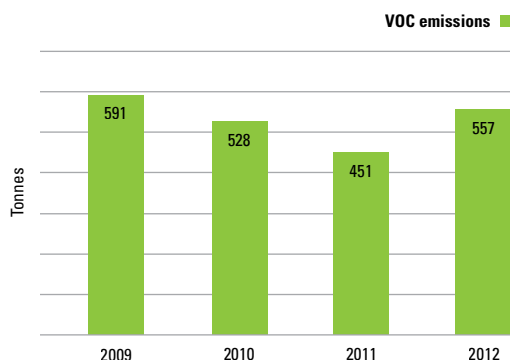
VOC emissions

VOCs ARE A LARGE GROUP OF CHEMICALS WITH DIFFERING PROPERTIES. MOST ARE PHOTOCHEMICALLY REACTIVE AND CONTRIBUTE TO THE FORMATION OF SMOG. SOME CAN ALSO BE DETRIMENTAL TO OUR HEALTH. THIS IS WHY WE SEEK TO LIMIT AND CONTROL THESE EMISSIONS.

Volatile Organic Compounds (VOCs) are released as ink dries and during press cleaning. We capture them in the dryers and incinerate them in powerful afterburners. Some are released in the form of fugitive emissions from the press area, especially during manual press cleaning. We track VOC releases using mass balance calculations and report them to the National Pollution Release Inventory in Canada, or the U.S. equivalent.

The 2012 increase is explained primarily by our recent acquisition of several printing operations where the presses are cleaned manually with solvent-soaked rags. With automatic cleaning, a solvent-soaked substrate (usually paper) is run through the presses to clean the rolls and the emissions are captured and incinerated. Our current restructuring and press modernisation plan for these facilities will lead to more automatic cleaning in 2013. We have also improved our tracking abilities when it comes to facility purchases outside our bulk purchase agreements, which accounts for a further small increase. See our [Environmental footprint diagram](#).

Emissions of VOCs



Efficiency of incinerators

Critical to the destruction of VOCs is the efficiency of incinerators. These afterburners located in 18 facilities should operate at maximum efficiency at all times and we have a comprehensive preventive maintenance program to make sure that this is the case. The average incinerator efficiency was 97% in 2012, slightly lower than last year due to the recent acquisition of some older equipment, some of which is scheduled to be replaced.

Incinerator replacement

In the spring of 2012, we replaced an older incinerator at Interweb Montreal. The new regenerative thermal oxidizer improves the destruction efficiency from 96% to 99%, reducing smog-related pollution.

Inks

Reducing the VOC emissions at source is also a good strategy, and a major source of our VOC emissions are the inks that we use. However, different products require different formulations of ink depending on the speed of the press, the absorption of the paper, the need for bright colour and durability¹. With an understanding of the complex ink chemistry responsible for these properties, we are working with our suppliers and testing various lower VOC inks to make replacements when possible. TC Transcontinental purchased over 16,400 tonnes of ink in 2012.

Used ink

A full 97.5% of the ink purchased ends up on the printed paper. The remainder appears as container bottoms, off-spec ink or expired product. Such ink waste is either returned to the supplier for re-blending, or sent for disposal in compliance with regulations. Because of their high oil content, they are often incinerated for heat recovery. Ink containers may also be returned to the supplier or collected by a third party to be recycled into new plastic products.

1. Refer to the article on Inks in the 2011 Sustainability Report

Greenhouse gas emissions

TC Transcontinental is moving to maximize operational efficiency and encourage a transition to low-carbon fuels and renewable energy. Our principal efforts relate to energy efficiency and are detailed here and in this report's Energy section.

Because our facilities do not have large emissions, the new cap and trade legislation in Quebec will not apply directly to our facilities. However, we do intend to certify and obtain carbon credits for some of our reduction achievements for sale on the carbon market.

We track our fuel and electricity use and calculate the associated greenhouse gas emissions, reporting our results and actions to the Carbon Disclosure Project since 2006. This year, we were recognized as one of the 20 Most Transparent Corporations on GHG Reduction Strategy and Performance Reporting among the 200 largest Canadian companies.

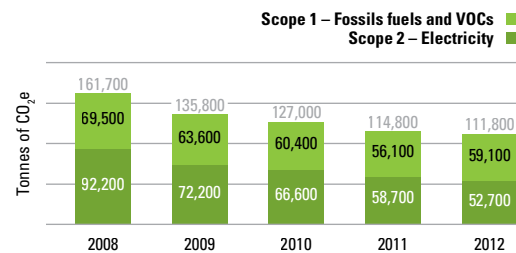
Climate change is affecting the planet and has started to affect our business, not just because we must take into account the impacts of emission taxes or trading schemes, but also due to the direct impacts on our supply chain. Recent studies suggest that the current climate trends could lead to larger spring wildfires in eastern North America's boreal forests (Ali et al., 2012). According to the scientific community, large wildfires like the ones which burned the western U.S. in 2012 are likely to become more frequent and stronger over the entire continent, as well as Europe (Max Morris, UC Berkeley), disrupting the forests' natural fire cycles and regeneration processes.

Our GHG reduction target that we set in 2008 was to reduce emissions by 15% by the end of this year. In that time, we achieved an absolute reduction of 31% and reduced the intensity of our emissions from 154 kg of CO₂e/ \$1000 VA in 2008 to 127 kg of CO₂e/ \$1000 in 2012 (an 18% reduction). GHG intensity is measured as the amount of GHG emitted in the production of \$1000 of value in our printing operations. See our [Environmental footprint diagram](#).

This year's 3% decrease in absolute emissions is principally due to:

- The sale of the Mexico facilities towards the end of last year;
- The re-organization of some business units and the more efficient use of space; and,
- The numerous energy efficiency projects implemented in 2012.

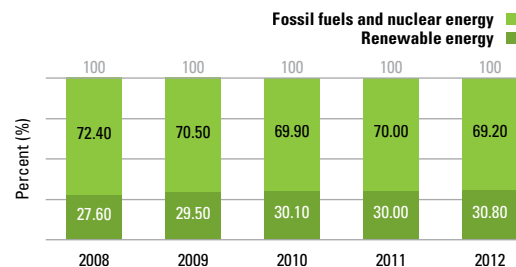
Greenhouse gas emissions from printing operations



Low-carbon energy

For TC Transcontinental, using low-carbon energy means favouring electrical equipment in regions where electricity is produced from hydro-electricity or other forms of renewable energy. The improvement in 2012 is related mostly to the sale of our Mexican facilities late last year, a carbon-intensive region.

Renewable and non-renewable energy used at our printing operations, including purchased electricity



Energy management

TC TRANSCONTINENTAL RECOGNIZES THE DUAL CHALLENGE OF CLIMATE CHANGE AND ENERGY SUPPLY SECURITY. REDUCING OUR ENERGY CONSUMPTION MINIMIZES RISKS AND MAKES GOOD BUSINESS SENSE.

Printing facility reduction programs

Our Global Energy Management Program aims to achieve energy savings and reduce greenhouse gas emissions. Energy efficiency projects are identified, assessed and implemented across our printing facilities.

Investments of \$1.9 million were made in the past year. Since 2010, we have invested over \$5.6 million in projects that has led to a cumulative saving of 102,500 MWh, with many savings set to repeat into the future.

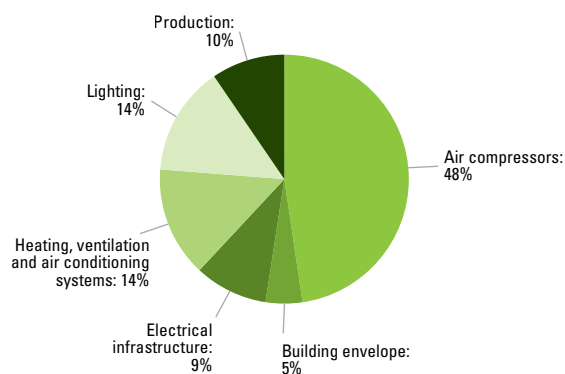
With the gains from our energy saving projects, we have reduced our energy consumption by 19% since 2008, exceeding our reduction target of 15%. The energy intensity of our printing operations has also decreased by 4% in the same period. We saw a rise in 2012 due principally to restructuring of operations with the acquisition of Quad/Graphics Canada, Inc. Energy intensity is measured as the amount of energy to produce \$1000 of value in our printing operations. See our [Environmental footprint diagram](#).

Transcontinental Northern California energy reduction project

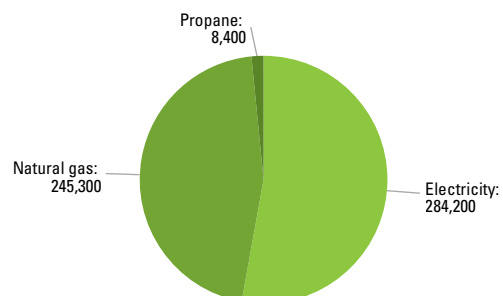
In 2012, Transcontinental Northern California installed two 500-ton cooling towers to replace the mechanical cooling system when the temperature drops below 14°C. Coupled with a pumping system that adapts to production activities, the new cooling system saves 1,436 MWh/year and reduces GHG emissions by 398 tonnes CO₂/year.



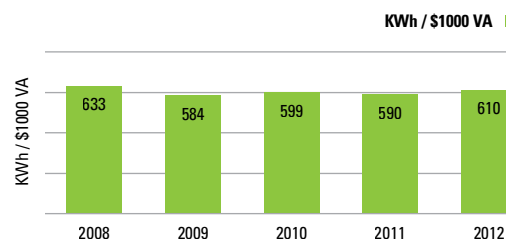
Types of energy saving projects implemented under the global energy management plan



Origins of energy used by printing operations (MWh)



Energy intensity of production



Waste management

WE LOOK AT WASTE AS BEING ANY THING OR ACTION THAT IS NOT CONTRIBUTING TO OUR PRIMARY PURPOSE: THE COMMUNICATION OF A MESSAGE. SO A LIGHT IN AN EMPTY ROOM, AN OFF-SPEC PRINT RUN, AN UNREAD COMMUNICATION OR AN UNOPENED EMAIL, ARE ALL FORMS OF WASTE THAT WE WANT TO MINIMIZE.

Printing facility reduction programs

Following pilot projects at select printing facilities, comprehensive waste management programs are being set up across our printing operations.

Waste is tracked and reported as an environmental performance indicator. Overall, we recycle 96% of our wastes. Our hazardous wastes (waste ink, waste fountain solution, waste oils and cleaning solvents) are sent for specialized disposal by regulated companies. Some of these are filtered and distilled to be used again, while others are incinerated with heat recovery.

The acquisition of Quad/Graphics Canada, Inc. and other structural changes to our operations account for the increase in our waste production in 2012. There were some extra-ordinary wastes produced as some facilities were closed and equipment was relocated. Note though that we decreased the amount of hazardous waste by 26% over last year.

Electronic waste

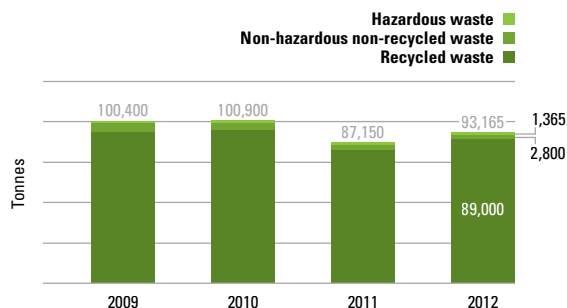
Among others, we use the services of Recypro to manage our waste electronics, such as computers and screens. Recypro is an ISO14001 certified sorting, disassembly and recycling facility in Quebec that collects the redundant material for re-use, parts recovery or recycling. As well as environmental protection, Recypro encourages the re-integration of young adults in difficulty into the labour force. In 2012, 18 tonnes of electronic waste was kept out of landfills in this way.

DID YOU KNOW?

Recycling a tonne of paper saves 2.5 m³ in landfill space. In a landfill site, that paper would emit methane, a greenhouse gas 23 times more powerful than CO₂.

(Better Paper, 2012)

Waste at printing operations





Environmental footprint of a printed product

This environmental footprint diagram presents the raw materials, energy, water, waste and emissions involved in creating \$1000 of product or providing \$1000 of value at TC Transcontinental's facilities (known as value added or VA). VA is the best way we have to describe our production across the different printing facilities and represents a unit of work as a monetary value. The diagram allows us to track the progress of our environmental efforts over time.

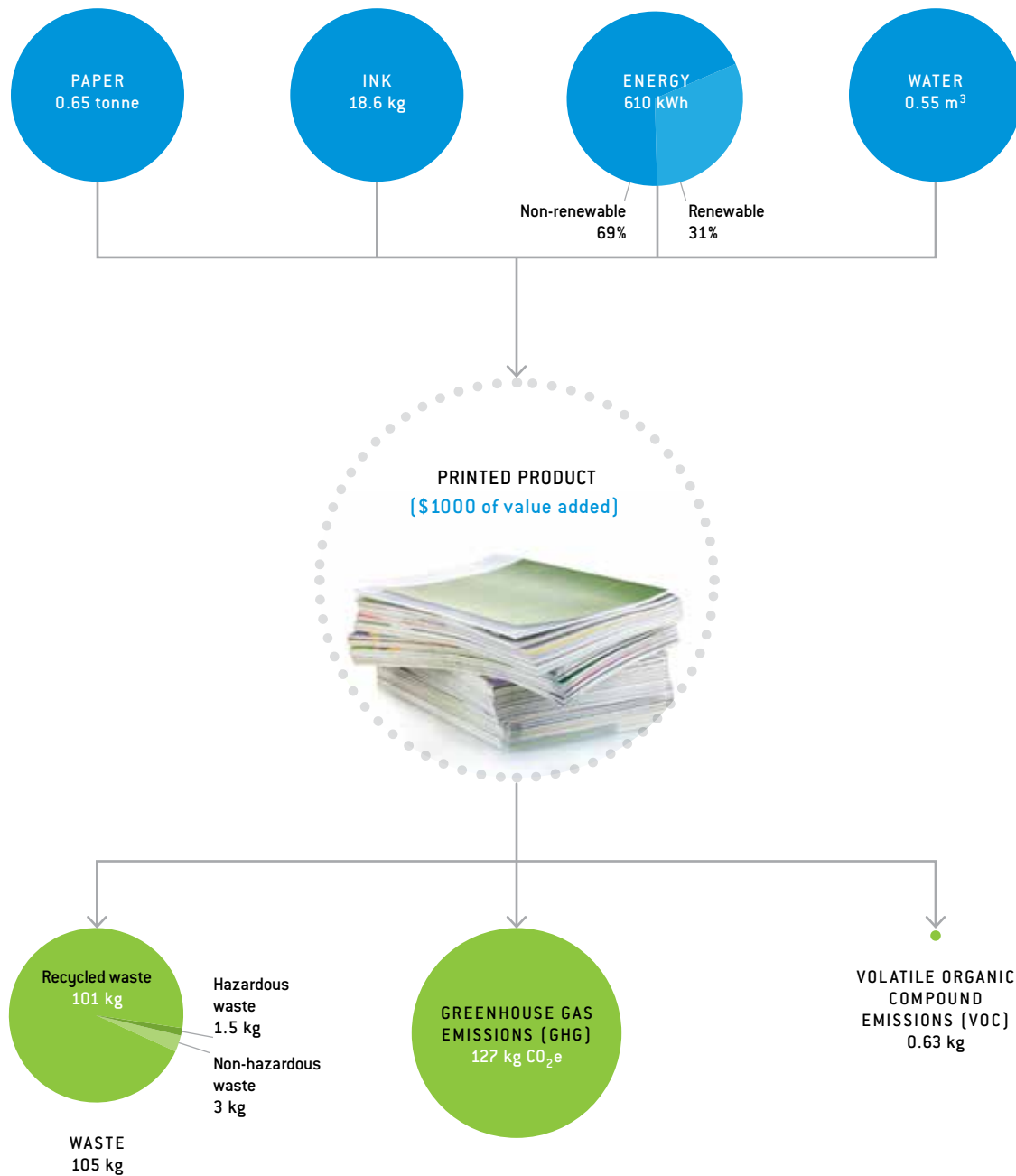
The footprint values of previous years have not been changed to reflect acquisitions or divestitures. For example, all the emissions related to our Mexican operations that were sold in 2011, are included up to 2011. However, figures from previous years have been recalculated based on the latest published emission factors or corrected where warranted.

The general increase in our footprint seen in 2012 is due to major changes to our operations: we sold our Mexican facilities in late 2011 as well as our black and white book printing operations. In contrast, we purchased Quad/Graphics Canada, Inc. and have integrated the operations into our business in various ways: moving equipment, moving the business and divesting the building or investing in the infrastructure. These major changes have introduced a discontinuity in our performance indicators that is not normalized in the usual way with the VA. As the new operations stabilize and our programs are implemented, we expect to see a return to progressive improvements in our Environmental Footprint.

Historical environmental footprint

Per \$1000 of value added	2012	2010	2008
Paper	0.65 tonne	0.58 tonne	not reported
Ink	18.6 kg	16.6 kg	not reported
Energy	610 kWh	599 kWh	633 kWh
Non-renewable	69.2%	69.9%	72.4%
Renewable	30.8%	30.1%	27.6%
Water	0.55 m ³	not reported	not reported
Waste	105 kg	106 kg	100 kg
Recycled waste	101 kg	100 kg	92 kg
Hazardous waste	1.5 kg	1.7 kg	1.9 kg
Non-hazardous waste	3 kg	5 kg	6 kg
Volatile organic compound emissions (VOC)	0.63 kg	0.55 kg	not reported
Greenhouse gas emissions (GHG)	127 kg CO ₂ e	134 kg CO ₂ e	154 kg CO ₂ e

Environmental footprint diagram





“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

prosperity

Sound financial management creates value and organizational agility through the allocation of scarce resources amongst competing business opportunities. It is an aid to the implementation and monitoring of business strategies and helps achieve business objectives.

Over the last three years, we worked to “Preserve Company Value” by improving our balance sheet and increasing our efficiency. In fact, we now have a strong balance sheet with a net indebtedness ratio of 1.3x and we increased the profitability of our Printing Sector through the optimization of our print network. In addition, this past year we started to strategically reorganize the customer support functions of our Media Sector, which will lead to increased profitability going forward. Furthermore we “Invested in Future Growth” by allocating capital to innovative digital and interactive products and services. Just a few years ago, our capital expenditures were over \$100 million and were primarily in the Printing Sector. In the last two years, our capital expenditures have been about \$50 million with half being invested in the Media Sector, our growth area.

In terms of our Sustainable Development objectives, we consistently improved key value metrics: our net indebtedness was significantly reduced, our return on assets improved year-over-year and our digital and interactive revenues grew to almost \$200 million or about 10% of our consolidated revenues. We have been optimizing the utilization of our assets and increasing our financial flexibility by improving our cash flow and reducing our debt. Today, we are well positioned to generate significant free cash flow that we can use to grow the Corporation, redeploy to shareholders or continue to pay down debt.

Over the coming years, we plan to continue to maintain a disciplined financial management approach, invest for our future and return some cash to shareholders in the form of dividends or share buybacks. 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

\$2.1B

Revenues

\$2.1B

Total assets

\$1.4B

Enterprise value

\$471M

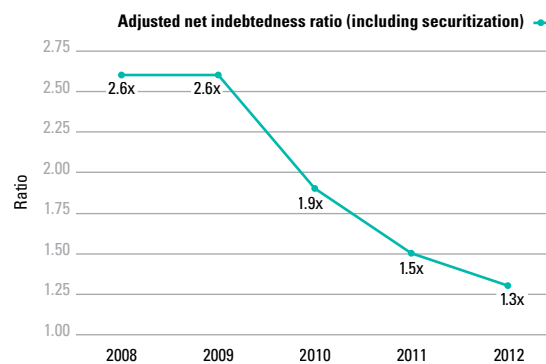
Adjusted net indebtedness

\$358MAdjusted operating income
before amortization

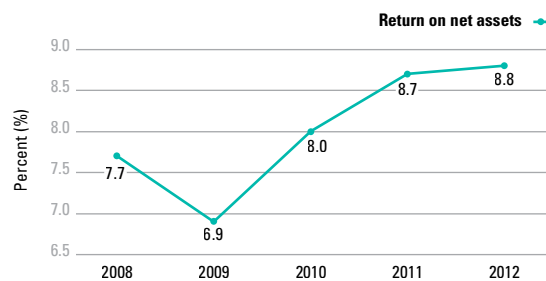
PRESERVE COMPANY
VALUE BY MAINTAINING
A STRONG BALANCE
SHEET.

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

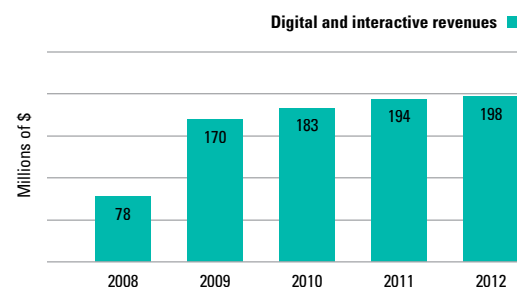
Adjusted net indebtedness ratio



Return on net assets



Digital and interactive revenues



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

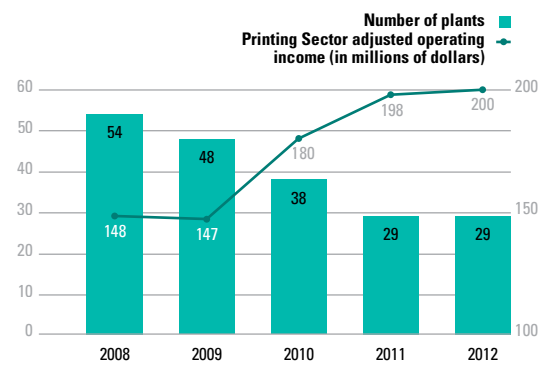
\$198MRevenues from
new streams

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

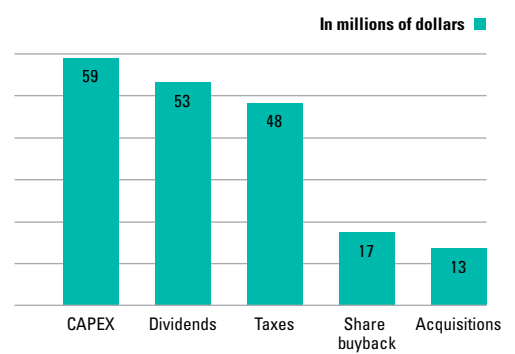
Our digital and interactive revenues reached \$198 million in 2012. The acquisition of Redux Media combined with growth from existing operations more than compensated for some divestitures. At this point, we do not believe we will reach our target as the transition to digital advertising is slower than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



Leveraging investments of \$700M



Primary use of cash



Optimizing our assets

We have been able to leverage the over \$700 million in capital investments we made to our printing platform over the past several years. We moved from 54 plants with revenues of \$1,537 million and adjusted operating income of \$148 million in 2008, to 29 plants with revenues of \$1,481 million and adjusted operating income of \$200 million in 2012. We accomplished this through consolidations, divestitures and acquisitions. Today we have greater flexibility, efficiency and profitability.

- **Quad/Graphics Canada, Inc.:** In 2012, we acquired Quad/Graphics Canada, Inc. which is expected to generate \$200 million in revenues and generate a net increase in adjusted operating income before amortization of more than \$40 million by the end of 2014.
- **Divestiture of \$300 million in revenues:** Over the past four years, we have divested over \$300 million in print revenues because they were either less-core for us, had poor long term growth prospects or were expected to be more impacted by technology. In 2012, we divested the remaining portion of our black and white book printing operations.
- **Newspaper outsourcing projects:** In the past five years we invested heavily in two newspaper printing outsourcing projects with the Globe & Mail and the San Francisco Chronicle. These contracts allow us to secure our cash flow for many years and leverage the excess capacity for other newspaper and retail work through the use of our state-of-the-art hybrid presses.

Balanced capital allocation

In 2012, we invested in future growth by investing a total of \$59 million in capital expenditures (including intangibles) and making strategic acquisitions totalling \$13.3 million (excluding \$47.1 million that was paid to Quad/Graphics following the closing of the transaction to acquire the shares of Quad/Graphics Canada, Inc.). We paid \$53 million in dividends to holders of participating and preferred shares, and spent \$17 million on share repurchases. Finally we paid \$48 million in income taxes, of which the major part was for re-assessments which we are currently contesting.

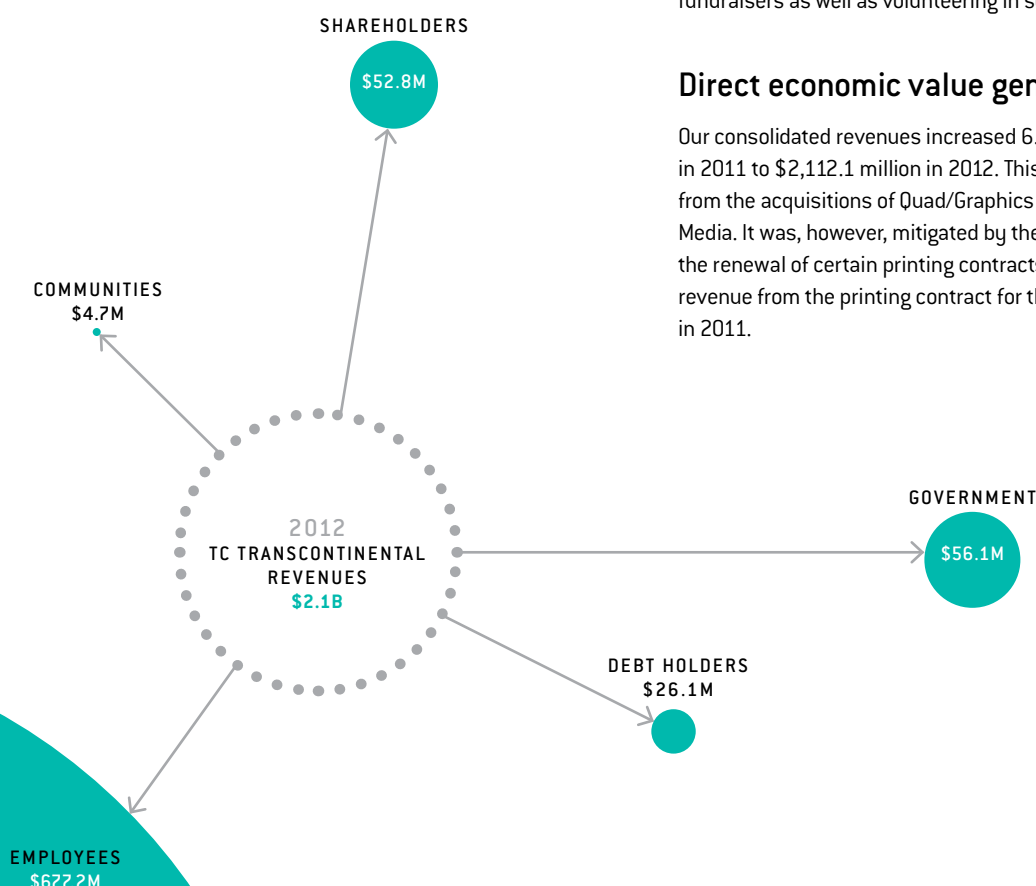
- **Redux Media:** In 2012 we acquired a majority interest in Redux Media, a leading online advertising network.
- **Sustaining our dividends:** Over the past ten years, we have consistently increased our dividends to holders of participating shares. In 2012, we increased our dividends by 7% on an annual basis.
- **Capital expenditures:** Over the last two years, we reduced our capital expenditures significantly, from an average of about \$185 million between 2007 and 2010, or 9% of revenues to \$50 million or 2% of revenues. As a result, we now have the ability to generate significant free cash flow. The industry peer average for capital expenditures is about 3% of revenues.

Economic value

As we create wealth, we also contribute to the well-being of society. We share our success with shareholders, employees and the communities in which we operate through dividends, direct and indirect job creation, taxes, sponsorships, donations, fundraisers as well as volunteering in social events.

Direct economic value generated

Our consolidated revenues increased 6.2%, from \$1,989.3 million in 2011 to \$2,112.1 million in 2012. This increase stems mainly from the acquisitions of Quad/Graphics Canada, Inc. and Redux Media. It was, however, mitigated by the incentives granted at the renewal of certain printing contracts and by non-recurring revenue from the printing contract for the Canadian Census in 2011.



Economic value

(in millions \$)	IFRS		Canadian GAAP
	2012	2011	2010
Direct economic value generated			
Revenues	\$2,112.1	\$1,989.3	\$2,028.3
Economic value distributed:			
Operating expenses (includes selling, general and administrative expenses but excludes severance costs, wages and benefits)	\$1,077.3	\$993.0	\$1,018.9
Employee compensation and benefits (excluding severance costs)	\$677.2	\$630.9	\$636.2
Payments to providers of capital:			
– Dividends on participating shares	\$46.0	\$39.7	\$28.3
– Dividends on preferred shares	\$6.8	\$6.8	\$7.0
– Interest paid	\$26.1	\$30.5	\$39.2
Payments to government – taxes and interest paid	\$56.1	\$19.5	\$33.4
Community donations and sponsorships	\$4.7	\$4.5	\$5.1

Economic value distributed

OPERATING EXPENSES

In 2012, we paid \$1,077.3 million in operating expenses. These expenses include such goods and services as paper, plates and ink, facility operation, as well as selling, general and administrative expenses, but exclude severance costs, employee wages and benefits.

EMPLOYEE WAGES AND BENEFITS

At the end of 2012, we employed approximately 9,500 employees in Canada and in the United States. Our employee compensation totalled \$677.2 million in 2012 (excluding severance costs).

PROVIDERS OF CAPITAL

To be able to invest strategically, we need access to capital, which can only be obtained by having a robust business plan, a strong management team, a good track record, and credibility. To remain credible, we need to meet our obligations to providers of capital through timely interest payments, dividend payments and re-payment of capital. Our capital structure is a combination of equity and debt. In 2012, we increased the dividends paid to participating shareholders from 54 cents per share, or \$39.7 million to 58 cents per share or \$46.0 million, which represents an increase of 7% on an annual basis. In addition, we paid \$6.8 million in dividends to preferred shareholders. For debt holders, we paid \$26.1 million in interest expenses.

TAXES

Our tax payments help all levels of government in Canada and in the United States. In 2012, our overall income tax contribution was \$48.0 million (and \$8.1 million in interest). Almost all of our 2012 tax contribution was in Canada since most of our facilities and operations are located in Canada.

COMMUNITY DONATIONS AND SPONSORSHIPS

From early on, we have always demonstrated our commitment towards the communities in which we do business. In 2012, we distributed \$4.7 million in donations, sponsorships, in-kind donations and other contributions to support charities, not-for-profit organizations and other causes. Our community investment is typically focused in the areas of education and health.

INDIRECT IMPACTS

Apart from the direct economic impacts of the employee wages that we pay, the goods and services that we procure, and our tax contributions, we also have a range of indirect economic impacts given that we are the largest printer in Canada and one of Canada's top Media groups. These are related to the goods and services that our suppliers procure from third parties, and the wages that are spent in the community as a result of our direct and indirect job creation. Please read more on the economic value we generate in our *Annual Report*.

DID YOU KNOW?

Implementing a strong environmental and social risk management system gives us access to lower capital costs and contributes to a greater financial stability.

Sharfman & Fernando, 2008;
Mackey & Barney, 2007

corporate information



Main addresses

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Contact point

Jennifer F. McCaughey, Senior Director, Investor Relations
and External Corporate Communications at 514-954-4000
or jennifer.mccaughey@tc.tc or ecodev@tc.tc

Other information

MEDIA

For general information about the Corporation, please contact the Corporate Communications Department at 514 954-4000.

DONATIONS

For more information about the *Transcontinental Inc. Donation Policy*, visit the Corporation's website at www.tc.tc and go to "About/Governance". To request a donation, please fill out the form available under "About/Community".

INFORMATION

This Sustainability Report is also available at
www.tc.tc/sustainability

Des exemplaires en français du Rapport de développement durable sont disponibles sur demande en communiquant avec le Service des communications de la Société.

PRODUCTION OF THE SUSTAINABILITY REPORT

Project management

Sustainable Development Steering Committee and the Corporate Communications Department

Consulting firm

ÉEM

Graphic design

L'atelier lineski, design graphique

Photography

Pierre Charbonneau (pp. 4, 10, 12, 22, 26, 27, 32, 37, 44, 46, 64)

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Sylvain Turner

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Transcontinental Acme Direct Montreal

