



A Practical Approach to Embedding Sustainable Development

Case Study : ÉEM's work with TC Transcontinental

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BACKGROUND

- In business for over 20 years
- Headquartered in Montreal
- 10 consultants
- 125 + clients across most industrial sectors
- Work mainly in Quebec, Canada and the US.



Introducing ÉEM

OUR SERVICES



Strategy



Environment



Communities

We offer services in three areas:

Strategy: to help organizations define and meet their sustainability goals

Environment, Health and Safety. Under this banner we put the more day to day activities necessary to implement EHS best practices including regulatory assistance, compliance audits, management system implementation, performance indicators and emission calculations, etc.

Communities: is the name that we give to our services in stakeholder mapping and engagement processes, social impact assessments and partnership brokering.



Introducing TC Transcontinental



Working with TC Transcontinental since 1993

TC Transcontinental: 9500 employees, mostly in Canada

Largest printer in Canada, 4th largest in North America

A leading provider of web solutions and marketing communications

Canada's leading consumer magazine publisher

29 printing plants



Introducing ÉEM



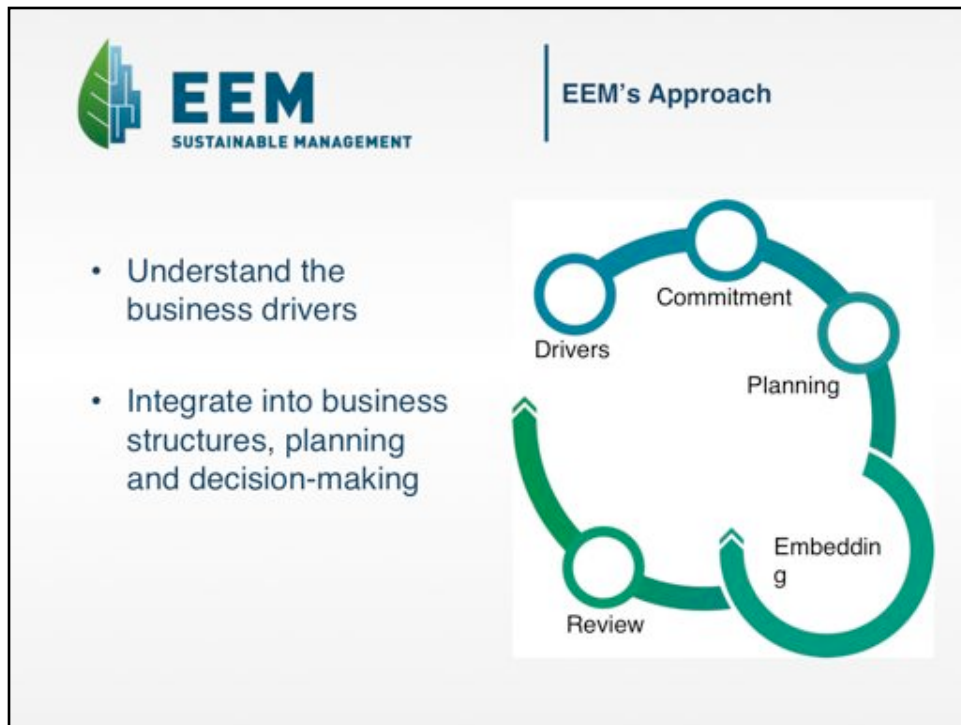
Corporate Knights



WhatTheyThink?

Their recent work on Sustainable Development has allowed them to

- be on Corporate Knights' list of the Best 50 Corporate Citizens in Canada for 8 of the 9 past years.
- win 2 industry awards:
- PrintAction Best in Show award in 2010 at the Environmental Printing Awards and
- a "Thought-Leader" award from the media site "What They Think"

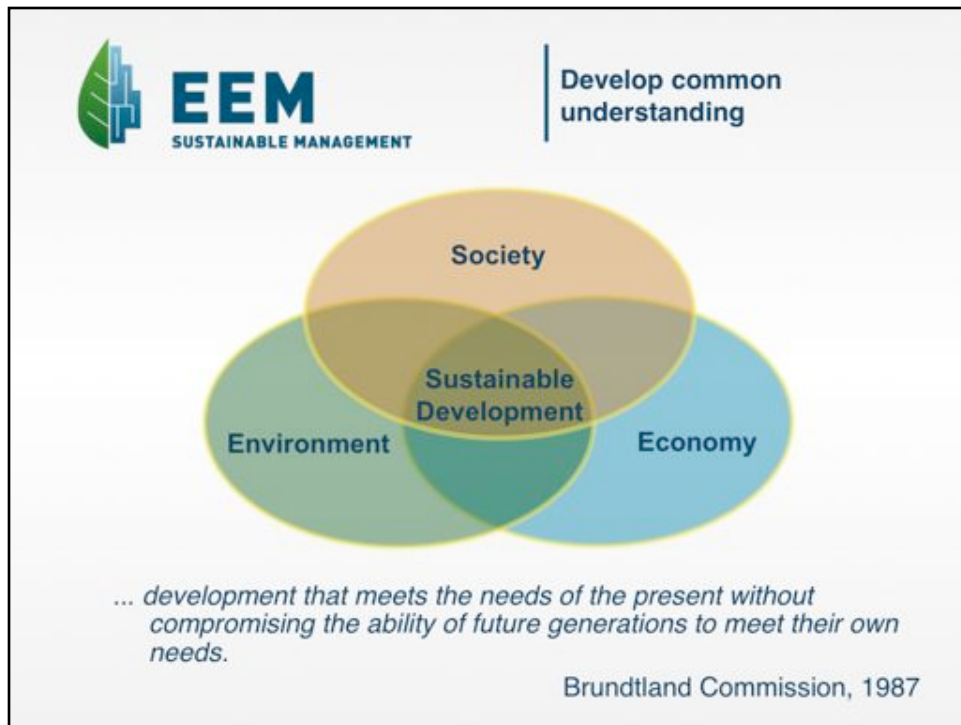


Objective of the presentation: Share our embedding approach and our experience with TC Transcontinental so as to encourage more widespread adoption of SD practices

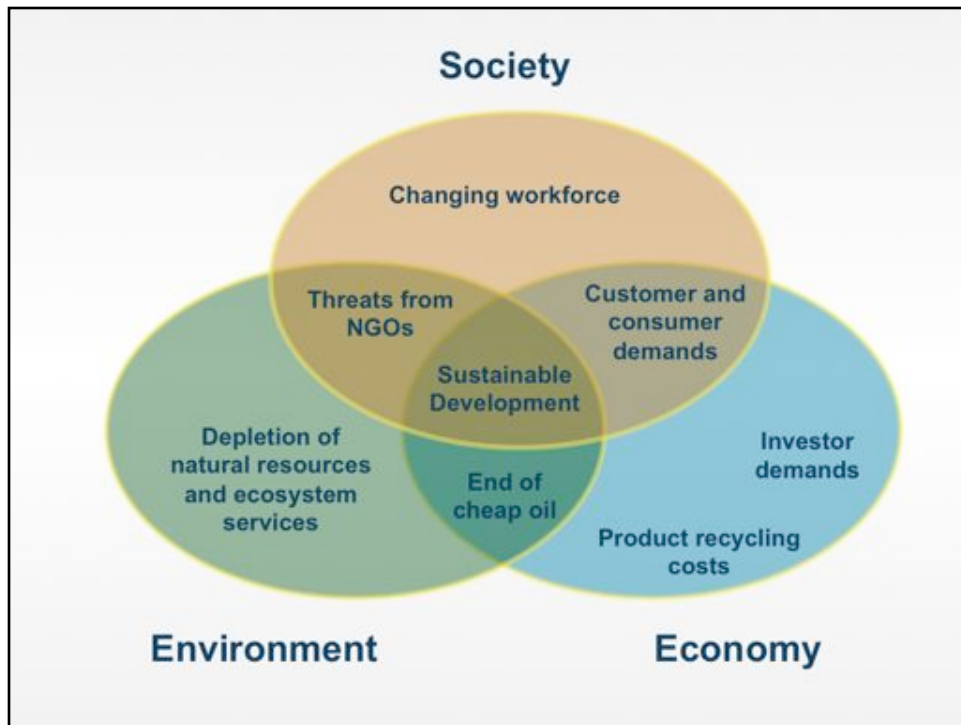
EEM's approach starts with a thorough understanding of the business drivers, before securing top level commitment and moving to the planning stage.

There's nothing revolutionary here but we do put emphasis on that first stage of Understanding the business drivers to successfully embed SD.

Our approach is also predicated on integrating SD into business as usual, into the existing business structures, planning cycles and decision-making, rather than setting up new structures for SD.



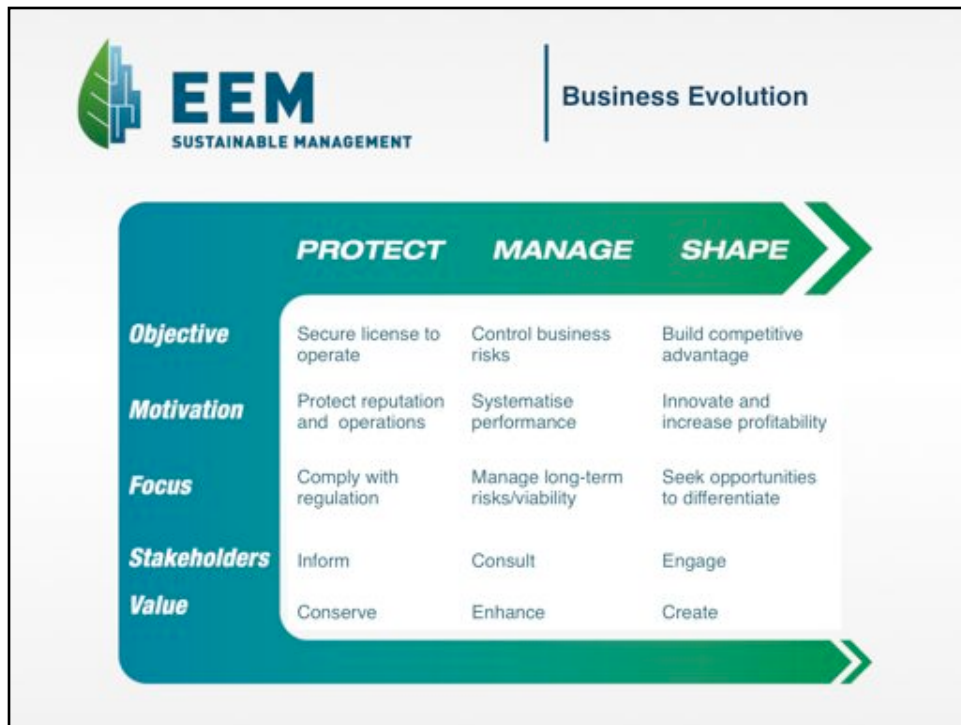
We start the process with developing a common understanding of what SD is and we use the overlapping circles to describe that, as well as the Brundtland definition



Then we look at what this means in a business context: tangible examples of things that need managing.

Here are a few examples related to TC Transcontinental's business:

- Depletion of resources and ecosystem services. TC Transcontinental uses a lot of paper. Obvious connection with forest depletion that we see in the media.
- Threats from NGOs – A number of forest advocacy groups are very active. There have been negative Greenpeace campaigns in the industry so these threats to our reputation are real.
- The company is facing rising energy costs as we see the end of cheap oil
- Changes in Workforce demographic will be apparent as babyboomers retire and GenY have different expectations. Will Transcontinental be able to recruit the talent that it needs for its ever evolving business.
- And its business is evolving. Consumers are moving to digital platforms for the information and TC's customers (advertisers) are following suit. Customers have new needs and demands
- And then there are the demands from both Investor and customer for Corporate social responsibility data. An increasing number of RFP contain requests.
- Extended producer responsibility is now making TC Transcontinental responsible for the cost of municipal recycling of its products (\$2m paid in 2012)



An exercise that we like to go through with corporations is an assessment of their position on SD

In the Protect Phase, they are concerned with securing a licence to operate to protect their reputation. The focus is on compliance to regulation.

In the Manage Phase, they are interested in controlling risks. To set up systems to be able to deliver predictable results and manage long-term risks. They are willing to consult with stakeholders rather than just informing them.

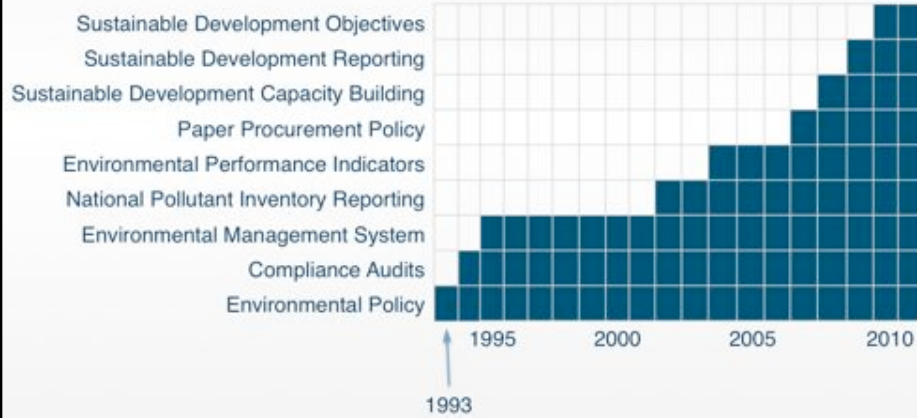
In this way, they are able to enhance their company value.

In the Shape Phase, they are using SD to build a competitive advantage.

They want to innovate and increase profitability. They engage meaningfully with stakeholders for innovations.

In this way, they create value.

Where is Transcontinental in this evolution.....



TC has built up its capacity over time

From being in “Protect” phase, (basic policy, compliance audits) to “Manage” phase with the introduction of an EMS and Measuring EPI in 2005 to leadership in some areas of sustainable development.



SD Steering Committee was set up in 2008. It's role 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.

The Sustainable Development Steering Committee is made up of employees from across the organization and supported by ÉEM. 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 and is lead by Jennifer F. McCaughey Senior Director, Investor Relations and External Corporate Communications.

	Strategic Objectives	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 Community Well-being	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
		Reduce emissions of greenhouse gases relative to production per \$1000 VA
	Optimize the Use of Resources	Improve waste management
Prosperity	Preserve Company Value	Reduce energy use per \$1000 VA
		Maintain a strong balance sheet
		Increase efficiency
	Invest in Future Growth	Invest in innovative products, services, platforms and processes

At one of the first facilitated workshops, the steering committee brainstormed on the Strategic Objectives and then a second level of slightly more concrete objectives.

These then went through several rounds of validation with the executive committee and subject matter experts.

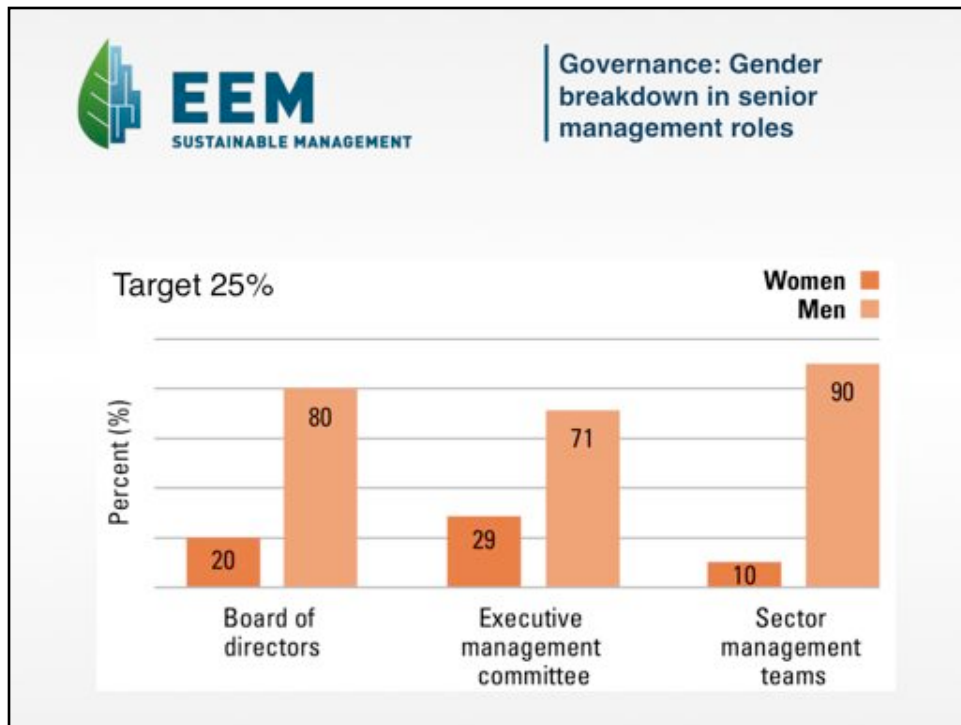
Subject matter experts were then coached to develop quantifiable targets, such as to decrease the energy intensity of operations by 15% over 2008 by the end of 2012.



So having looked at the drivers, got senior management commitment and done some high-level planning, we move to what we at EEM call “Embedding”.

This is where you’ll see the different
Policies, Codes, Best Practices
Environmental Management System
Health and Safety Management Systems
Wellness Programs
Talent Management
Training
Auditing, corrective action

One of the areas that TC Transcontinental is working on is increasing the representation of women in senior management roles.



TC Transcontinental believes that promoting women in positions of influence brings a competitive advantage to the organization.

The percentage of women in senior management roles is 17% today, and they want to see this increase to 25%. As you can see here, the problem is not so much at the top but at the sector management team level and this is because this includes many plant managers and the printing plants, like much of the manufacturing industry is very male dominated.

With respect to the Board of Directors, TC is actually just above the Canadian norm

2011 Catalyst analysis of FP500: For private companies: 19% for Board of Directors.

Only 19% of Canadian FP500 companies have reached that 25% mark for the Board of Directors. 42% still don't have any women on the Board.



Governance: Gender
breakdown in senior
management roles

- Isabelle Marcoux
- Chair of the Board of Transcontinental Inc
- Less than 4% of Canadian companies have a female chair.



And we should note that the Chair of the Board is Isabelle Marcoux
Less than 4 % of the FP500 companies have women as Chair.

Some of the ways to increase the number of women in senior management
roles is through a good talent management



People: Talent Management

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

- Changing workforce demographics
- Support individual development
- Succession management
- Encourage innovation

Failing to

Workforce demographics are being changed as babyboomers retire. Gen Y don't have the same expectations. How will companies attract and retain talent?

TC Transcontinental program revolves around 3 concepts:

- **Support individual development for the individual:** encourage 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
- **Succession management:** At Leadership Reviews, potential succession candidates are discussed, provided 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.
- **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 managers to support our talent initiatives, a Talent Development Objective was introduced into the bonus scheme. Five percent of the annual bonus is contingent on managers completing Performance Reviews with all



Environment: Paper Procurement

- 576,000 tonnes of paper
- Recycled or certified



Let's look at some environmental issues now.

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



EEM
SUSTAINABLE MANAGEMENT

**Environment:
Paper Purchasing**

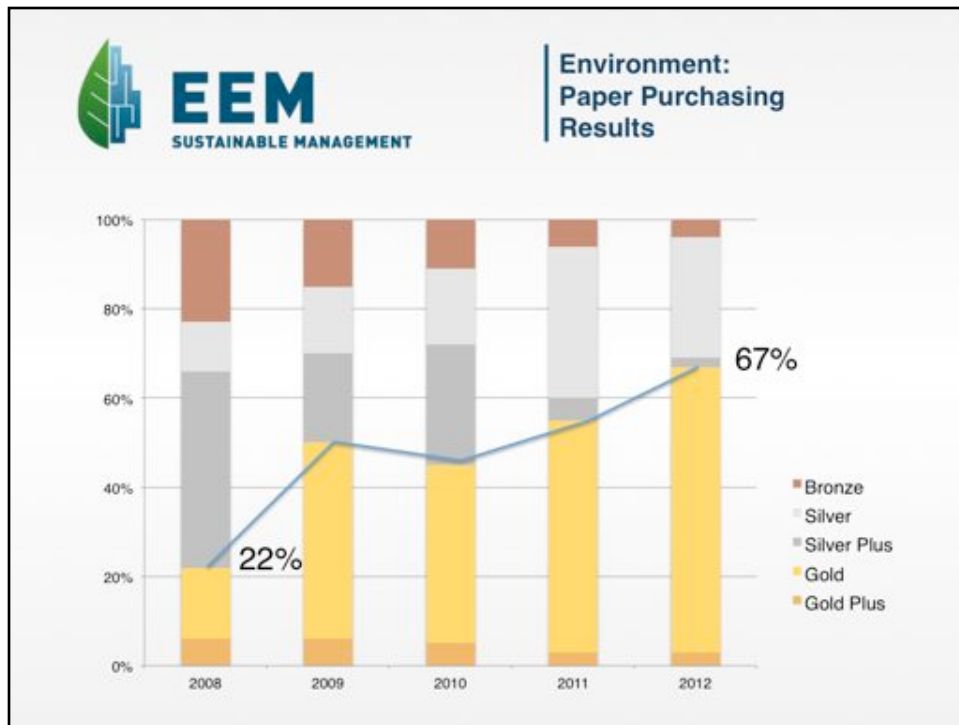
Category	Percentage of recycled or certified fibre	Description
Gold Plus	100%	Paper from 100% recycled fibre or mixed with fibre from agricultural residues or other alternative residual fibres.
Gold	100%	Paper from recycled fibre mixed with virgin fibre from forests that are certified under a recognized SFM system*, avoiding fibre from high conservation value forests unless those values are protected.
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.
Silver	30%	As above.
Bronze	0%	All other papers that are shown not to come from high conservation value forests unless those values are protected.
Other	0%	All other papers that are shown not to have come from illegal harvest.

We helped TC Transcontinental to develop a policy in 2007 stating their preference for recycled and certified paper , as well as some additional preferences for regional and chlorine-free paper.

Because of the confusion around logos and claims in the paper industry, we also had to develop a Classification Table that TC Transcontinental could use to simplify things for their paper buyers and for their sales force to use when talking to customers.

Have they been able to execute on this policy? They:

- Met with suppliers to inform and educate
- Developed training material and spent time with the sales force
- Encouraged clients to make responsible choices



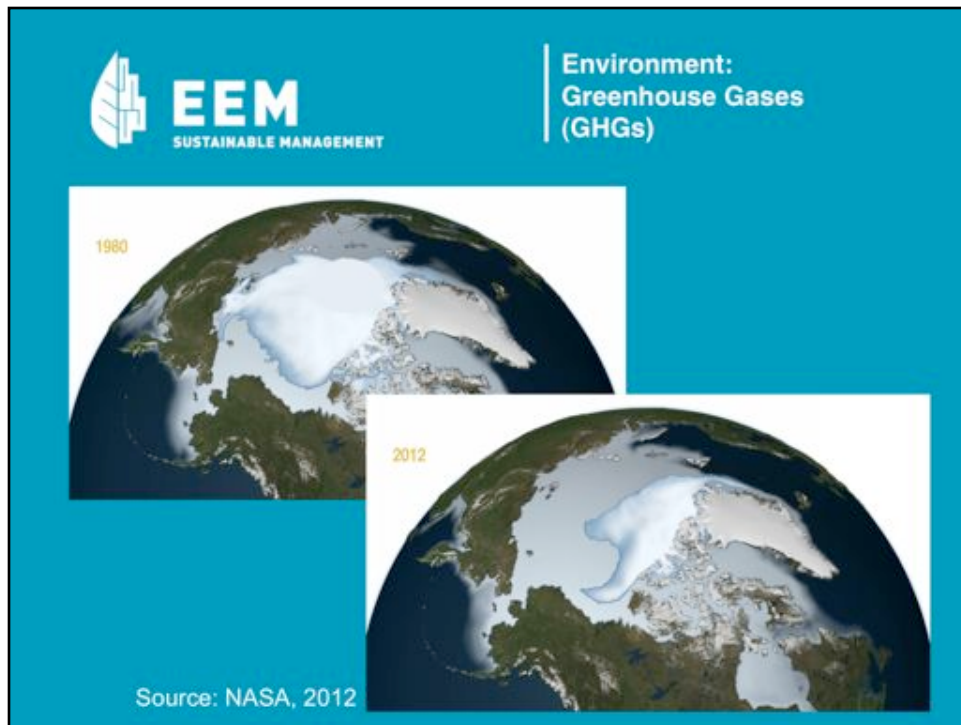
In 2008, only 22% of purchases were the better environmental papers (Gold and Gold Plus) – that is either recycled or certified or a combination of recycled or certified

In 2012, that number is 67%.

Purchase of non-certified paper has also improved, going from 23 % in 2008 to 4% in 2012.

A sad trend to note is decrease in recycled paper purchased principally due to the closure of several recycling facilities in Canada.

Note that these paper purchases are for both TC Transcontinental's publications, as well as those of its customers. For customer publications, the final decision is with the customer, so much of this progress is related to the TC Transcontinental salesforce encouraging customers to make better environmental choices.



So let's look at Carbon Management now

Here are latest pictures from NASA of arctic ice showing the melt of the multi-year sea ice between 1980 and 2012.... In case anybody still needs convincing.

Print operations emit GHG from the

- combustion of fossil fuels, at the facilities for heating and power, as well as those related to transport
- Destruction of combustion of the volatile organic compounds in the pollution prevention equipment that are run on natural gas.
- Use of electricity in the plants.

We've been help TC Transcontinental to calculate their corporate GHG inventory since 2005 and with their reporting to the Carbon Disclosure Project since 2006.



Environment:
Benefits from GHG
Reductions Initiatives

- Cost savings from energy efficiency projects
- Reduced reliance on fossil fuels and price volatility
- Lowered risk from possible legislative actions
- Competitive advantage



Benefits?

Cost savings,

reduced exposure to price volatility,

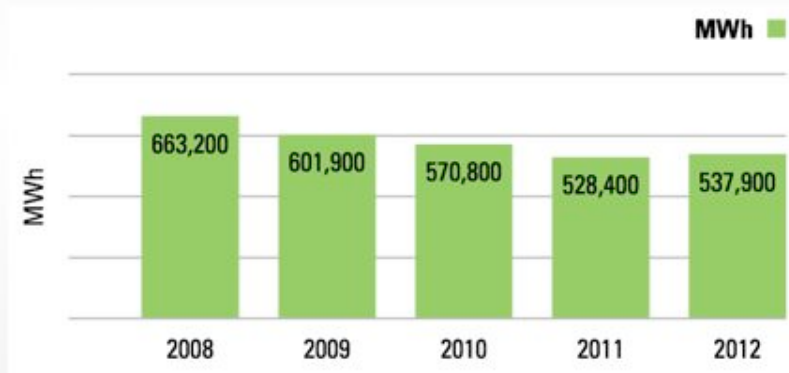
lowered risk from possible legislative action and

a competitive advantage from both the reduced costs and from customers looking for responsible printer who has reported to the Carbon Disclosure Fund.

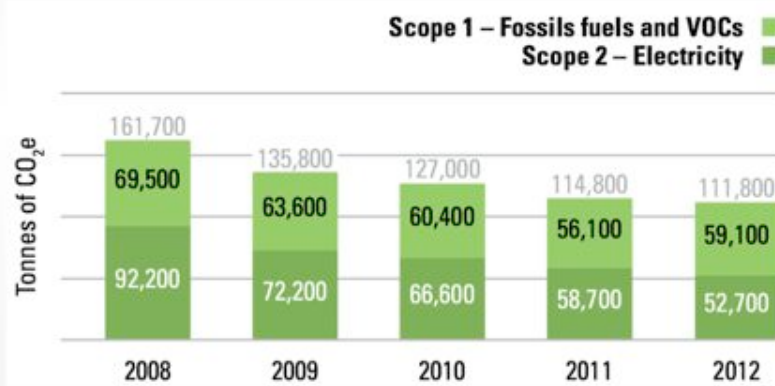


But I'd also like to point out that paper buyers and the lumber industry are already directly affected by climate change.

Pine beetles have already invaded forests in BC, as their larvae are no longer killed off by the winter cold and that has destabilized the wood and pulp supply in the short and medium term.

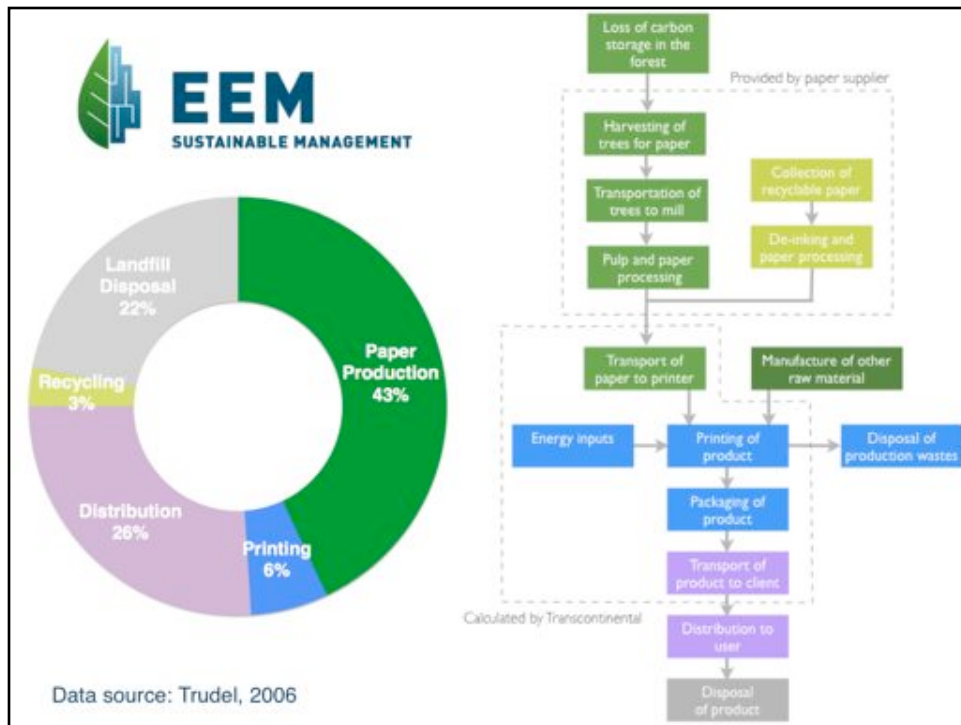


So Energy consumption is being steady reduced and TC Transcontinental met its reduction target of 15% from 2008 to 2012.



These are the GHG emissions from printing plants, where you can also see progress, The target was a 15% decrease of 2008. An 18% reduction was achieved

The emissions are broken down into Scope 1 from the burning of fossil fuels as well as from the combustion of the volatile organic compounds in the pollution prevention equipment. Scope 2 are the emissions related to the electricity used, released at the generating facility.



Some clients want to know the carbon emissions related to their print projects so that they can purchase offsets to claim a carbon neutral book.

So on the right, you can see a clear definition of what is included in the footprint figure provide by TC Transcontinental, what is provided by the paper supplier and what is not included.

As you'll note in the example on the left from 2006 data for newspaper, printing is rarely the most significant part of the footprint, but the decisions made by printers on the paper they purchase can have a significant influence on the final printed product.

A word of caution when comparing the carbon profiles of different papers: most paper manufacturers will ignore the loss of carbon storage in the forest which can be significant. So always check what portion of the lifecycle is covered by the number before making a comparison.

What we learnt from setting up this tool is that there can be huge variations between similar looking products, depending on transport distance, the source of electricity and other factors.

Which has the greater carbon footprint:
a newspaper or an e-article?



So here's a question I'm sure you'll all want answered. You've seen the headlines...

Unfair question. There is no general answer.

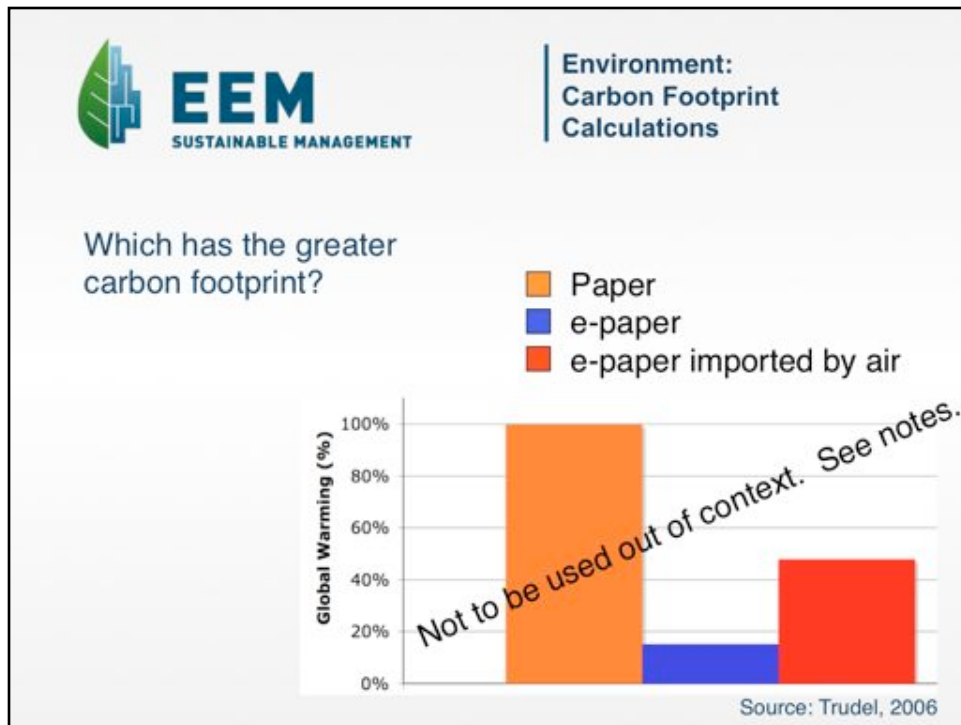
What kind of electronic platform, on-line on a computer, an e-reader (e-ink or back-lit like an iPad). That difference will strongly influence the energy use .

Where was the product made - how was the electricity generated? Quebec vs Texas

How was the comparison made. Is it a fair comparison?

One page of reading. You can't buy a newspaper of one page - you have to buy the whole thing.

A printed product may be the only way to reach a targeted audience or visa versa.



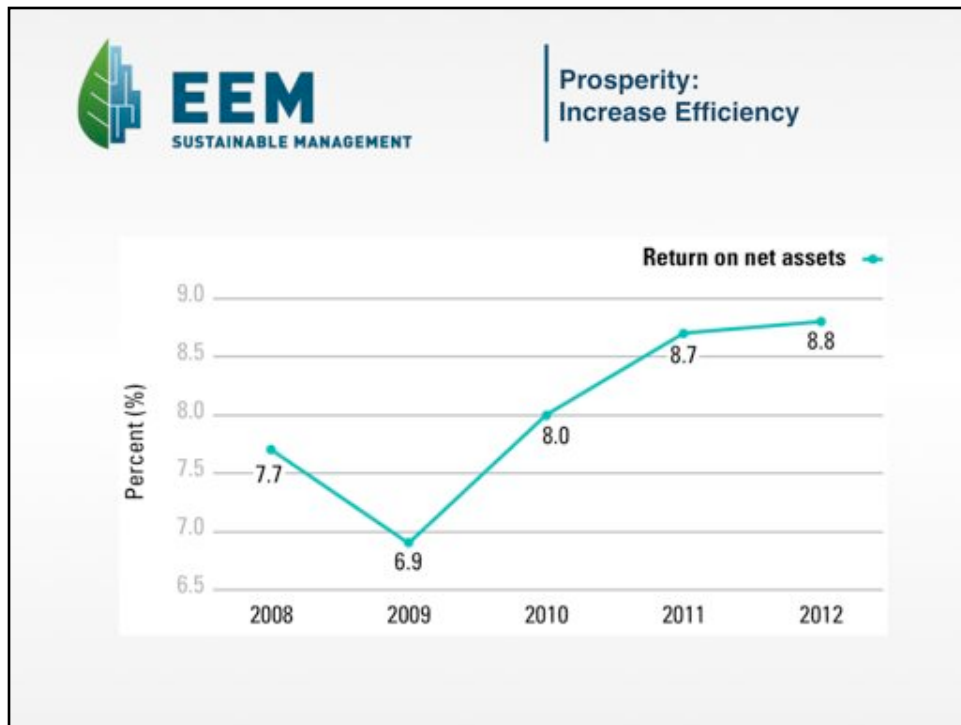
For example, a study conducted in 2006 comparing a page of newspaper to a page on an e-reader using e-ink such as a Kindle, Nook, Kobo, etc)

There's the newspaper, then the e-paper, then the same e-paper with the device being assembled in China but shipped here by air instead of surface transport.

You've just lost a significant amount of your gain.

And note that this is just comparing the carbon in each. A fairer comparison would be to compare all the environmental and health impacts. A full lifecycle assessment. In that case, the toxicity of the electronic components would also be taken into account. Another significant influence on the results is how long you keep your electronic device until upgrading.

So beware when you read headlines: the details are important.



Let's move now to an example under the Prosperity pillar of Sustainability

Under the strategic objective to invest in future growth, TC Transcontinental tracks the return on the net assets employed as the way to track the efficiency of the operations. The target is to achieve a RONA above the weighted average cost of capital, which is estimated at 9%.

Some major investments in 2008/2009 (\$700m for a new plant to print the San Francisco Chronicle, the modernization of Transmag in Montreal and Canada-wide network of hybrid presses.) brought this down. There has been a steady increase since then as these investments start to pay off.

While EEM is not involved in this kind of efficiency improvement decisions, in bringing a sustainable development framework to TC Transcontinental, they can see their performance in the light of sustainable development considerations.



Sustainability Challenge

"... 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."



François Oliver, CEO and President
2012 Sustainability Report

"At TC Transcontinental, more than 80% of revenues come, directly or indirectly, from the advertising and marketing budgets of their customers. While Canadian consumers still rely more on traditional media than on the Internet, future growth will be almost entirely on the Web. "

Francois Oliver, the CEO and President of TC gnizes this as a sustainability challenge. He says: "....."



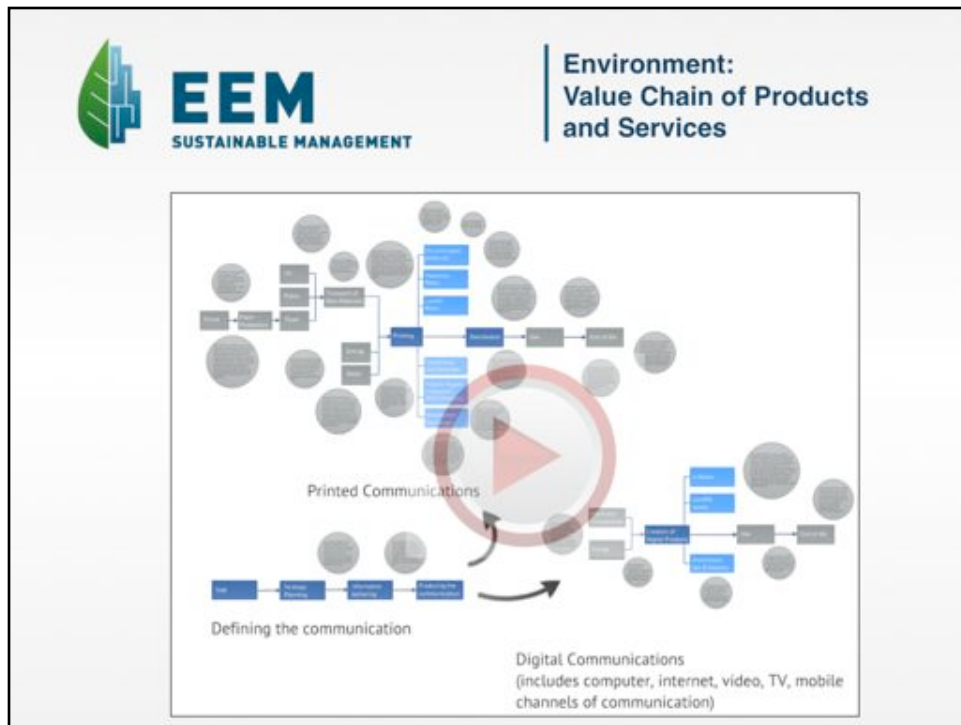
I'd just like to finish with two bits of work that I'm rather proud of

First, TC Transcontinental's environmental footprint.

This started with a project in 2005 to develop key performance indicators, collecting information from the 30-odd printing plants. We set up processes and IT platform to collect the relevant

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
Volatitle 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

And It has allowed us to track performance over time.

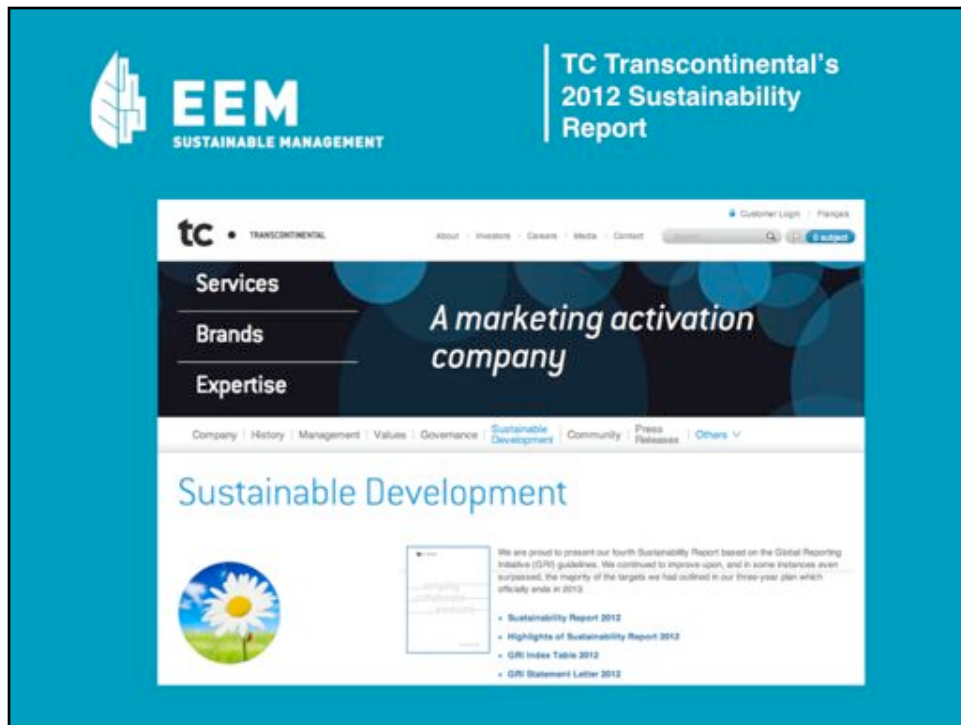


This year, we did some Value Chain Mapping of TC Transcontinental's products and services.

This kind of mapping is now encouraged by the Global Reporting Initiative in order to decide what topics are material and which need to be reported in future GRI reports, once the G4 Guidelines are published.

In this case, we used the value chain mapping to present the environmental mitigative actions that TC Transcontinental has taken.

This is posted on TC Transcontinental's website, so you can explore it in some depth.



The 2012 Sustainability Report was published last week at the annual general meeting.

This is their 4th report, developed in accordance with the GRI guidelines and has been confirmed to be a GRI level B report through the GRI application level check process.

Available for download.



Thank you