

Environmental

Environmental Management System

As part of its Stewardship Program, Tractor Supply has developed an Environmental Management System (EMS). The first step in developing the EMS was engaging Engie Insight, one of the industry's leading environmental sustainability consultants, to assist the company in developing a greenhouse gas emissions inventory and carbon inventory management plan. The adoption of an EMS, which includes carbon emissions goals, was the latest step in the evolution of the company's sustainability efforts.

Tractor Supply's EMS is managed by a senior executive of the company (Executive Vice President, General Counsel and Corporate Secretary) and regular reports are presented to the Company's senior management team and Board of Directors. The Board's Corporate Governance and Nominating Committee has direct oversight responsibilities for the EMS.

Climate Risks, Performance and Opportunities

Using the data collected during the carbon inventory process, the company assessed its overall impact on the environment and the company's climate change risks, performance and opportunities. In most cases, the company was able to utilize actual energy usage data to measure its impact on the environment and identify opportunities to reduce its impact. Through this process the company developed goals and action plans to reduce its carbon emissions. This process is a continuation of the company's efforts over the last ten years to reduce its impact on the environment.

Goal: Reduce Carbon Emissions by 25%

Tractor Supply announced in December of 2018 a goal to reduce carbon emissions from its facilities by **25 percent** (measured by market-based Scope 1 and 2 emissions in metric tons CO₂e emissions per square foot) by 2025 from its 2015 baseline as a part of the Company's Stewardship Program. The company has reduced its carbon emissions in recent years and is on track to achieve its goal.

Tractor Supply plans to achieve this goal by continuing to make investments in projects that reduce carbon emissions. A recent example is Tractor Supply's decision to convert the fluorescent lighting in all of its stores to more environmentally friendly LED lighting. Completed in 2017, this chain-wide project is reducing electricity consumption and expenses in Tractor Supply stores by approximately 30 percent and has virtually eliminated the costs associated with bulb replacement.

Tractor Supply has also constructed three major facilities that were awarded LEED® Silver Certification. These energy efficient facilities include its Store Support Center in Brentwood, Tenn. (260,000 square feet), its distribution center in Casa Grande, Ariz. (650,000 square feet) and the Company's newest distribution center in Frankfort, N.Y. (approximately 930,000 square feet).

Since launching its Stewardship Program in 2008, the Company has taken a number of important steps to reduce its impact on the environment. Other examples of these initiatives include:

- Implementing energy management systems in all stores
- Replacing older HVAC systems in stores with high-efficiency units
- Adopting recycling programs in Tractor Supply stores, distribution centers and its Store Support Center

Carbon Inventory Management Plan

Tractor Supply has developed a carbon inventory management plan, which is an integral requirement for TSC to summarize and codify its data management and accounting processes to produce a robust and verifiable greenhouse gas (GHG) inventory. The plan sets such parameters as organizational and operational boundaries, emission sources and the collection of data from those sources, calculation processes, baseline year development for comparison across time, and any assumptions and exclusions in the inventory. It is important that this plan memorialize decisions and processes implemented, but should also remain a living document and should be modified as circumstances dictate.

The purpose of the Inventory Management Plan (IMP) is to:

- Facilitate accurate measurement of Tractor Supply’s GHG inventory, consistent with generally accepted carbon accounting principles and methodologies.
- Promote consistency of approach and provide transparency when presenting the GHG inventory to internal and external audiences.

Carbon Accounting and Reporting Principles

This GHG Inventory Management Plan aims to satisfy the five critical principles of GHG accounting and reporting as dictated by the World Resources Institute/World Business Council for Sustainable Development’s *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard Revised Edition 2004* (GHG Protocol):

GHG Accounting and Reporting Principles

<i>Principle</i>	<i>Description</i>
Relevance	Information captured in the inventory should meet the needs of decision-makers and users- both internal and external
Completeness	The inventory should capture the complete emissions profile of the company
Consistency	Methodologies used should allow for comparison over time
Transparency	Assumptions, exclusions, and calculations should leave an audit trail
Accuracy	Uncertainties should be reduced as far as practicable; the inventory should be robust and have integrity

In accordance with the guidelines set out by the World Resources Institute's GHG Protocol, TSC has determined that the most practical and meaningful method to consolidate its corporate emissions is an **operational control approach**. Under the operational control method, TSC has selected to account for 100% of those emissions at properties in its U.S. and international operations (branches, retail, offices, corporate/administration, etc.) where the company has the full authority to introduce and implement operating policies at the property. This applies to all leased or "rental" space where TSC maintains operating leases. The operational control approach best matches the company's current access to accurate and reliable data, as well as the ability to influence emission reduction programs. TSC Operational Boundary includes all known Scope 1 and Scope 2 emissions from its U.S. properties and select Scope 3 emissions from U.S.-based sources.

Greenhouse Gas (GHG) List

There are a total of ten GHGs, six of which are of concern according to the Intergovernmental Panel on Climate Change (IPCC), a group of more than 3,000 scientists tasked with modeling climate change and anticipated impacts on the planet. TSC GHG inventory accounts for all GHG emissions applicable to its operations including:

- ▶ Carbon Dioxide (CO₂)
- ▶ Methane (CH₄)
- ▶ Nitrous Oxide (N₂O)
- ▶ Hydrofluorocarbon gases (HFCs),

Perfluorocarbon (PFC), and sulfur hexafluoride (SF₆) emissions are not a product of the activities accounted for under the operational boundary for TSC.

GHG emissions from the corporation's activities are converted into carbon dioxide equivalents (CO₂e) based on published emission factors and their associated global warming potentials (GWPs) according to IPCC Fifth Assessment Report 100-year reference case (AR5 – 100 year) (IPCC, 2014).

TSC aims to report all required Scope 1 and Scope 2 location-based¹ emissions from its U.S. activities under the operational control boundary according to the guidance of the GHG Protocol. This primarily includes all emission data sources captured for TSC in-boundary facilities through Engie Insight's U-EDM system which collects and processes utility (and other) bills for U.S.-based sites on behalf of TSC.

Scope 1 Direct Emissions Sources

Direct emissions sources controlled by TSC include the following:

- ▶ Stationary combustion equipment including steam and hot water boilers and heating equipment
- ▶ Mobile combustion equipment including fleet vehicles and yard trucks.

¹ See TSC's Scope 2 Market-based Figure IMP Addendum for more information on the company's approach to accounting for its Scope 2 market-based emissions.

- ▶ Fugitive emissions sources including HFC emissions from the use of refrigeration and air-conditioning equipment.

Scope 2 Indirect Emissions Sources

Indirect emissions from sources that are not onsite or controlled by TSC but result from TSC activities include: stationary consumption of purchased electricity (TSC does not consume steam or chilled water). All TSC properties utilize purchased electricity.

Scope 3 Other Indirect Emissions Sources

At this time, TSC has selected one source of other indirect Scope 3 emissions that are relevant to the company's value chain for reporting.

- ▶ Use of Sold Products
 - ▷ Propane: actual sales figures in gallons provided by AmeriGas
 - ▷ Welding gases: actual sales figures in cubic feet provided by Thoroughbred Industrial Cylinder Exchange

Purchase of Low Carbon Emission Factor Electricity, Heat, Steam or Cooling

TSC purchases a 10% green power option for select contract through Constellation Energy. The company also purchases green power through many of its utility Engie Insight's Utility Expense Data Management (U-EDM) system collects and processes utility (and other) bills on behalf of our clients. Beyond a simple "bill-pay" service, Engie Insight's U-EDM solution for TSC includes a robust data entry and audit process. This process results in high integrity data which can be used for accurate and extremely transparent carbon accounting. Engie Insight processes multiple service types across the U.S. on behalf of TSC. For each of these sources, calendar-normalized usage data was pulled directly from Engie Insight's system and aggregated for reporting. Figure 5 below documents in greater detail the data collection process from Engie Insight's Utility Expense Data Management (U-EDM) to Emissions data collection process.

[Insert chart showing GHG emissions]

Recycling and Hazardous Waste Disposal Programs

Tractor Supply is committed to reducing the amount of waste sent to landfills. To achieve this goal, Tractor Supply has implemented business waste recycling programs in its stores, distribution centers and its store support center. In stores, the company also offers recycling programs to customers for used oil and vehicle batteries. These programs include cardboard, pallet, scrap metal, used oil and vehicle battery recycling in its stores, cardboard, pallet and plastic recycling in its distribution centers and cardboard, paper, metal and plastic recycling at its store support center. the company has adopted a chain-wide hazardous waste disposal program for its stores and distribution centers. This fully integrated program identifies products that constitute hazardous waste under federal and state laws and provides specific handling instructions to the stores and distribution centers. The company has contracted with leading recycling and hazardous waste management vendors to ensure timely pick up and proper handling and disposal of these items.

Water Conservation

Tractor Supply knows that water is one of our most precious natural resources, which is why we have taken steps to reduce water consumption in our facilities. In addition to the installation of low flow toilets in many of our stores, the company utilizes landscaping that reduces water usage whenever possible. In addition, the company's three major facilities that are LEED® Silver certified were designed to reduce water usage both indoors and outdoors. For example, the company's newest distribution center located in Frankfort, New York, was designed to reduce potable water usage by 35 percent indoors. Nearly 38 percent of the site development area has been restored using native or adapted vegetation with the site design expected to manage runoff from the 98th percentile of regional rainfall events through the use of green infrastructure.