

Introduction

At Tractor Supply, we are a living, breathing part of the communities in which we operate. We share a lifestyle with our customers and understand our responsibility to protect that lifestyle and the resources on which it relies. We believe that, as an organization, our actions at any level have an enduring impact on our world. We are committed to mitigating our contribution to climate change and reducing our carbon footprint.

This report discusses our approach to evaluating and managing climate change risks and opportunities and is guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The recommendations of the TCFD focus on four thematic areas that represent core operational elements, including: (1) governance, (2) strategy, (3) risk management, and (4) metrics and targets. This report includes financial and nonfinancial information about the Company's activities, data and statistics related to environmental sustainability for the 2019 fiscal year, unless otherwise noted.

About Us

Tractor Supply Company, the largest rural lifestyle retailer in the United States, has been passionate about serving our unique niche, as a one-stop shop for recreational farmers, ranchers and all those who enjoy living the rural lifestyle, for more than 80 years.

Tractor Supply offers an extensive mix of products necessary to care for home, land, pets and animals with a focus on product localization, exclusive brands and legendary customer service that addresses the needs of the Out Here lifestyle. With more than 32,000 Team Members, we leverage our physical store assets with digital capabilities to offer customers the convenience of purchasing products they need anytime, anywhere and any way they choose at the everyday low prices they deserve. At December 28, 2019, we operated 1,844 Tractor Supply stores in 49 states and an e-commerce website at www.TractorSupply.com.

Tractor Supply Company also owns and operates Petsense, a small-box pet specialty supply retailer focused on meeting the needs of pet owners, primarily in small and mid-size communities, and offering a variety of pet products and services. At December 28, 2019, we operated 180 Petsense stores in 26 states. For more information on Petsense, visit www.Petsense.com.

Forward-looking Information

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" to encourage companies to provide prospective information, so long as those informational statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. The Company desires to take advantage of these provisions. This document contains cautionary statements identifying important factors that could cause actual results to differ materially from those projected herein and in any other statements made by company officials in communications with the financial community and contained in documents filed with the Securities and Exchange Commission (SEC). Forward-looking statements are not based on historical information and relate to future operations, strategies, financial results or other developments. Furthermore, forward-looking information is subject to numerous assumptions, risks and uncertainties. In particular, statements containing words such as "expect," "anticipate," "believe," "goal," "objective," "may," "should," "estimate," "intends," "projects," "will," "assumes," "potential," "target," "outlook" or similar words as well as specific projections of future results generally qualify as forward-looking. The Company undertakes no obligation to update such forward-looking statements. For a discussion of assumptions, risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed in the forward-looking statements, see our most recent reports on Form 10-K and Form 10-Q filed with the SEC.



Governance



Board Oversight

Board-level oversight of climate-related issues sits with members of the Corporate Governance and Nominating Committee (the "Corporate Governance Committee") and the Audit Committee of the Board of Directors. The Corporate Governance Committee has oversight responsibility for environmental, social and governance (ESG) matters. Our Executive Vice President, General Counsel and Corporate Secretary, who has overall responsibility for our environmental sustainability efforts, provides periodic updates on Tractor Supply's environmental initiatives and our progress in meeting our environmental goals to the Corporate Governance Committee and the full Board of Directors.

The Audit Committee has direct responsibility for enterprise risk assessment and management. Our Vice President, Internal Audit is responsible for managing our enterprise risk assessment program, including climate-related risks, and provides reports to the Audit Committee as well as the full Board of Directors. Furthermore, a report on our sustainability efforts is provided to the full Board of Directors on an annual basis.

The Board of Directors approves the Company's annual operating and capital budgets, which include operating expenses and capital investments related to climate change. In preparing our budgets, we make assumptions regarding the impact of weather on the business and then discuss with the Board on a quarterly basis the actual results compared with the budget. In recent years, the annual capital budget has included capital expenditures for projects designed to mitigate the impact of climate change on the business, such as our LED lighting conversion project for our stores, which significantly reduced energy consumption by the Company. The budget also includes expenses related to the impact of severe weather on our stores, including capital costs to repair stores damaged by the severe weather events.

The Board of Directors and senior management consider the impacts of climate change in determining the strategy for the Company and in determining Risk Management policies and budgets. See the Strategy and Risk Management section below for a description of how climate change impacts the Company's strategy and risk management policies.



Senior Management

The Executive Committee is the highest policy-making body in Tractor Supply and includes the President and Chief Executive Officer; Chief Financial Officer; Chief Merchandising Officer; Senior Vice President, Marketing; Chief Technology, Digital Commerce and Strategy Officer; Chief Stores Officer; General Counsel and Corporate Secretary; and Chief Supply Chain Officer. The Executive Committee monitors risks to Tractor Supply, including climate-related risks, through regular reporting from several functional areas, including Information Technology (IT Security and Disaster Recovery), Store Operations, Distribution Center Operations, Real Estate, Legal and Risk Management. The Executive Committee also plays a critical role in our Enterprise Risk Management process, which is administered by the Vice President, Internal Audit. As part of this process, Executive Committee members complete surveys and discuss risks to Tractor Supply. In addition, the Executive Committee is also informed of extreme weather events in real-time and manages our response to such events. Climate-related issues are monitored through monthly reporting to the Executive Committee of energy usage and costs associated with energy usage and transportation-related costs. We also track our scope 1 and 2 greenhouse gas emissions and track and report our progress in achieving our greenhouse gas emissions reduction goals to the Executive Committee on an annual basis. The Executive Committee reports to the Board of Directors on climate-related issues on an annual basis.

Several of the executives who serve on the Executive Committee also have individual responsibility for climate-related issues. The Executive Vice President, General Counsel and Corporate Secretary leads our environmental sustainability program and is responsible for three functional areas that deal with climate-related issues: Risk Management, Compliance and Real Estate. The Risk Management Department is responsible for responding to extreme weather events and engages third parties to assist in damage mitigation and repair of stores and distribution centers damaged by these events. The Executive Vice President, Chief Stores Officer has responsibility for energy management and recycling programs in stores, and the Executive Vice President, Chief Supply Chain Officer has responsibility for energy management and recycling programs in the distribution centers as well as the transportation of products that are sold in our stores. The Executive Vice President, Chief Supply Chain Officer is responsible for programs to increase efficiency in our transportation operations, including the use of intermodal transportation and participation in the EPA's SmartWay program.

In addition, we created an Environmental, Social and Governance (ESG) Committee to monitor and lead our ESG efforts, including climate-related initiatives. This cross-functional committee is led by the Executive Vice President, General Counsel and Corporate Secretary and is composed of representatives from several key areas, including Energy Management, Quality Assurance, Information Technology, Human Resources, Government Relations, Investor Relations, Internal Audit, Transportation, Supply Chain, Merchandising and Product Sourcing. The group is responsible for developing and implementing ESG initiatives, monitoring results and reporting on those results.



Strategy and Risk Management

Climate Change Impact on Business Strategy and Financial Planning

As a rural lifestyle retailer, climate change impacts our business in a number of ways, from our operations and supply chain to our product offerings. Operationally, we have invested significantly in making our facilities more energy efficient and environmentally friendly. These investments include three major facilities that are LEED® Silver Certified; \$30 million investment in replacing lighting in all stores with more efficient, environmentally friendly LED lighting; energy management systems in all stores and proactive energy efficient HVAC replacement programs, lowering energy consumption and costs. We have also made substantial investments in sustainable products and sourcing. We are committed to helping our customers lead a more sustainable lifestyle and have expanded the number of products we offer that are energy efficient and environmentally friendly. In our supply chain, we continue to look for ways to drive efficiency and reduce impact on the environment, including striving towards more local and regional sourcing of products, adding new distribution centers and smaller mixing centers (mini-distribution centers for high velocity products), increasing use of rail transportation, participating in the EPA's Smart Way program and other steps to reduce our fuel consumption.

Climate Change Influence on Strategy

Products and services	We have expanded the number of products that are energy efficient and environmentally friendly that help our customers lead a more sustainable lifestyle. This is influenced by increased sales of sustainable and energy efficient products.
Supply chain and value chain	We continue to look for ways to drive the efficiency of our supply chain and reduce our impact on the environment, including more local and regional sourcing of products, addition of new distribution centers and smaller mixing centers (mini-distribution centers for high velocity products), increased use of rail transportation, participation in the EPA's Smart Way program and other steps to reduce our fuel consumption. This is influenced by increased efficiencies and lower costs.
Investment in R&D	We have made substantial investments in sustainable products and sourcing. This is influenced by increased sales and lower costs.
Operations	We have invested significantly in making our facilities more energy efficient and environmentally friendly. These investments include three major facilities that are LEED® Silver Certified; \$30 million investment in replacing lighting in all stores with more efficient, environmentally friendly LED lighting; energy management systems in all stores and proactive HVAC replacement programs. This is influenced by increased efficiencies and lower costs.



Process to Determine Climate-Related Risks and Opportunities

We have developed an Enterprise Risk Management (ERM) process using periodic surveys, external research, planning processes, analytics and other tools to identify and evaluate the operational, financial, environmental, reputational, strategic and other risks that could adversely affect our business. A materiality assessment of these risks is part of the ERM process. Our Vice President, Internal Audit administers our risk management process, including the development of risk mitigation controls and procedures for the material risks we identify. Our Merchandising team, led by our Executive Vice President, Chief Merchandising Officer, evaluates opportunities to add products to our assortment that support our customers' desire to live more sustainably.

In our climate-related risk assessments, we consider current regulation, emerging regulation, technology, legal, market, reputation, acute physical, and chronic physical risks, as discussed in the table below.

Current regulations	We believe environmental regulations relating to store and distribution			
	center operations and products could increase our operating costs			
	and the prices for the products we sell, which could result in lower			
	demand for our products. These regulations include, but are not			
	limited to, hazardous waste requirements, recycling requirements,			
	product efficiency standards and product labeling requirements. These			
	regulations also create potential opportunities for increased sales of			
	higher efficiency and more sustainable products.			
Emerging regulations	Emerging regulations could also increase our operating costs and the			
	prices for the products we sell, which could result in lower demand for			
	the products we sell but also could create potential opportunities for			
	increased sales of higher efficiency and more sustainable products.			
Technology	We utilize technology from third-party providers to monitor and forecas			
	weather trends, natural disasters and climate-related risks that can			
	impact sales and store operations. We also utilize and evaluate			
	technologies that can monitor and reduce energy consumption.			
Legal	Legal risks related to climate change and environmental issues are			
	considered, and steps are taken to mitigate these risks, including			
	the development of environmental compliance programs to ensure			
	compliance with all relevant laws and regulations.			
Market	We monitor market risks relating to climate change, and we have			
	increased our offerings of products to help customers live more			
	sustainably as well as products to assist our customers in preparing			
	for and responding to extreme weather events particularly in regions			
	of the country that tend to experience certain natural disasters such			
	as hurricanes, tornadoes, wildfires and drought. Further, continued			
	increases in extreme weather events and changes in average			
	temperatures may result in additional changes in buying patterns and			
	the types of products we sell.			



Reputation	Our reputation among customers and the people in the communities we serve is very important to us and is considered in all of our risk assessments and may impact other areas including regulation, legal and marketing. Driven by our focus on our Mission and Values and always "doing the right thing", we desire to have the reputation of being a leader in environmental sustainability and as a dependable supplier of sustainable products and products that assist our customers in responding to extreme weather events.
Acute Physical	Extreme and unpredictable weather events and patterns may increase operating costs, disrupt the supply chain, change buying patterns, result in store closures and impede access to our stores. We have developed risk mitigation and disaster recovery plans for our stores, supply chain and distribution centers, store support center and information technology infrastructure.
Chronic Physical	Changes in average temperatures may lead to higher operating costs for us. To monitor and mitigate these risks, we have installed energy management systems in all of our stores which enables it to monitor and adjust temperatures in our stores. These energy management systems also increase efficiency. We have also taken a number of actions to decrease the overall consumption of energy in our stores, including the installation of LED lighting in all of our stores and the replacement of older, lower efficiency HVAC systems with higher efficiency HVAC systems. All of these proactive steps to improve energy efficiency and decrease energy consumption should decrease the impact of changes in average temperatures.

Scenario Analysis

Tractor Supply does not currently conduct a climate-related scenario analysis to inform our strategy, but we anticipate undertaking an initial assessment and scenario analysis to understand the impacts of setting a science-based target to reduce our carbon emissions in the future. We currently consider climate change primarily in our risk assessment and disaster planning processes for critical infrastructure such as information technology, communications systems and supply chain.

Climate-Related Risks and Opportunities

Tractor Supply considers climate change risks across the following time horizons, which are consistent with our other business practices. We consider the next one to three years to be a short-term time horizon, the next three to five years to be medium-term, and the next five to ten years to be a long-term horizon.



Climate Risks

Increased severity and frequency of extreme weather events such as cyclones, hurricanes, tornadoes and floods, as well as changes in average temperatures (acute and chronic physical risk, unknown time horizon)

We identified acute and chronic physical events due to a changing climate to be our main climate-related risk. These risks include, but are not limited to, the potential for extreme weather events and trends to increase our operating costs, disrupt our supply chain and distribution centers, change buying patterns, result in store closures and impede access to our stores. Changes in average temperatures may result in increases in our operating costs and changes in buying patterns.

To mitigate the risks associated with physical climate-related risks, among other physical risks, we have developed risk mitigation and disaster recovery plans for our stores, supply chain, distribution centers and store support center and information technology infrastructure.

Tractor Supply Distribution Centers

The operation of our distribution centers is crucial to our business operations. If our distribution centers experience closures due to climate-related events, whether temporary or sustained, we could sustain significant adverse impacts related to the flow or availability of products to our stores and customers. Any of these circumstances could adversely affect our ability to deliver inventory in a timely manner, which could impair our ability to meet customer demand for products and result in lost sales, increased supply chain costs or damage to our reputation.

We have eight distribution centers located throughout the United States. As these distribution centers are critical for our business operations, we have put in place processes to mitigate operational disruptions, including those associated with changing climate and weather events.

Location	Address
Frankfort, New York	1938 Country Mile, Frankfort, NY 13340
Franklin, Kentucky	100 Raines Dr, Franklin, KY 42134
Pendleton, Indiana	320 Enterprise Dr, Pendleton, IN 46064
Macon, Georgia	151 Tractor Dr, Macon, GA 31216
Waco, Texas	2801 Corporation Pkwy, Waco, TX 76712
Casa Grande, Arizona	1337 W Peters Rd, Casa Grande, AZ 85193
Hagerstown, Maryland	11935 Hopewell Rd, Hagerstown, MD 21740
Waverly, Nebraska	12851 Dovers St, Waverly, NE 68462

Climate Opportunities

Building efficiency (transitional, long-term time horizon)

We have benefited from the adoption and integration of energy efficient technology throughout our stores which resulted in cost reductions. Since 2017, we have reduced our energy expense by \$12 million per year since completing the conversion of all existing stores to LED lighting. We also open all new stores with LED lighting, which saves \$8,400 per year, per store versus fluorescent lamps. We currently open about 75 to 80 new stores per year. We have reduced the load profile of our locations more than 50MW per year.



GHG Emissions Reduction Targets and Metrics

Climate Targets



In 2018, the Company set a goal of a 25% reduction of our greenhouse gas emissions, for scope 1 and 2 (market-based) emissions, on a per square foot intensity metric by the year 2025, with a 2015 baseline. This goal was achieved approximately five years early. As a result, new goals are being evaluated at this time.

Tractor Supply has also set a goal to substitute existing electric consumption with verifiable, renewable electric power, setting the base year at 2019 with the goal to achieve this by 2022. This is for both states where there is an active electric deregulation market as well as those where 'Green Tariffs' make for an appropriate selection. We are planning to increase our level of renewable energy purchased for electric consumption this year and moving forward. These contracts cover Tractor Supply properties, regardless of type or location. Starting with the end of the calendar year 2020 and through 2021, Tractor Supply will have a large amount of current energy usage open for contract renewal in the 11 states with a current and active electricity market. The target goal for a baseline of renewable energy in those contracted volumes is 80,000,000 kWh (in 2019, renewable energy made up 3,600,000 kWh). This would change based on the number and type of Tractor Supply accounts. Also currently being evaluated are Community Solar Programs, Power Purchase Agreements (PPAs) and Virtual Power Purchase Agreement (VPPAs).



Climate Metrics

	Unit	2019	2018	2017	2016	2015
GHG Emissions						
Scope 1 (absolute)	Metric tons CO2e	76,904	76,312	62,800	50,494	57,306
Scope 2 (absolute) (market-based)	Metric tons CO2e	189,108	189,486	190,798	236,478	253,643
Scope 1 + 2 (absolute)	Metric tons CO2e	266,012	265,798	253,598	286,972	310,949
Scope 1 + 2 (intensity)	Metric tons CO2e per 1,000 square foot	5.19	5.33	5.27	6.41	7.31
Scope 1 + 2 (intensity)	Metric tons CO2e per million USD revenue	31.85	33.60	34.93	42.33	49.91
Energy						
Energy Total energy use (absolute)	MWh	792,250	772,963	685,585	667,549	725,393
	MWh MWh per 1,000 square foot	792,250 15.46	772,963 15.49	685,585 14.25	667,549	725,393 17.06
Total energy use (absolute) Total energy use					•	
Total energy use (absolute) Total energy use (intensity)	MWh per 1,000 square foot	15.46	15.49		•	
Total energy use (absolute) Total energy use (intensity) Non-renewable energy	MWh per 1,000 square foot Percent	15.46 99.56%	15.49		•	
Total energy use (absolute) Total energy use (intensity) Non-renewable energy Renewable energy	MWh per 1,000 square foot Percent	15.46 99.56%	15.49		•	

Tractor Supply's total physical operations increased from 1,985 site locations in 2018 to 2,053 site locations in 2019. The square footage correspondingly increased in 2018 versus 2019, as well. However, while the number of locations and square footage increased, the intensity ratio dropped. We continue to develop our inventory and data capture of scope 3 emissions and hope to report these metrics in future years.



