



Paper Sourcing and Use Policy

Macmillan Publishers USA

WHO WE ARE: At Macmillan Publishers USA (Macmillan), we understand and value our role as a global citizen. To us, a significant aspect of being a responsible global citizen is guaranteeing that our business is conducted in a sustainable manner. We strongly believe that creating a sustainable future is necessary for the benefit of both our business and, more importantly, our world. Because of this, we are committed to addressing sustainability issues in a determined, imaginative, and significant way.

WHAT WE DO: As book publishers we delight in satisfying readers who quest for knowledge, take joy from discovery, and are seduced by the imagination of our authors. We promote a passion for reading—across generations and cultures—that engages, enlightens, and empowers tens of millions of people. It is our privilege to make the most wonderful of introductions: that of an author to a reader.

HOW WE DO IT: Traditionally book publishing has involved the diffusion of an author’s work through the written word—ink placed on paper that is bound as a book which has been carefully prepared, designed, and produced. Subsequent iterations—braille and audio versions for example—have now extended into the recently significant alternative form of dissemination: the e-book and the coinciding ubiquity of tablets and dedicated reading devices. Nonetheless the essence of what we do remains the same.

Corporate Sustainability as Mission at Macmillan

In 2009, corporate sustainability became part of the very mission of Macmillan. Not just as a press release, not just around the edges, but woven into the very fabric of our company. As part of this effort, we decided to focus on CO₂ emissions as our most pressing issue, with a goal of a 65 percent reduction in our carbon footprint (over our 2009 baseline) by the end of the current decade in 2020.

If you do not share our conviction in the likelihood of Greenhouse Gas (GHG) emissions leading to a climate crisis—because it is not an *absolutely* proven fact—perhaps you might agree that the consequences of its being ultimately proven irrefutably true are so dire that it is more prudent to take preventative action *now* rather than past the point where a catastrophic situation is beyond remedial action.

Macmillan's commitment to sustainability focuses on the leading environmental issue threatening our global future that we can all do something about: global anthropogenic climate change. To this end, the main goal of our sustainability program is to reduce the emission of greenhouse gasses (GHGs). We also value healthy forests and biodiversity, clean water and air, conservation and stewardship of natural resources and human rights.

As a book publisher, the majority of Macmillan's carbon emissions come from the production of paper we use in our books. We understand that a leading cause of emissions in the forest products industry comes from the loss of carbon stock caused by unsustainable forestry practice and deforestation. This Paper Policy sets forth our rules governing the sourcing of our paper and will guide us in guaranteeing that Macmillan Publishers' products live up to and exceed our expectations for ourselves as stewards of valuable resources held in trust for future generations. From time-to-time, as circumstances merit, we will update and revise this policy.

As Publishers, We Know We Have Certain Responsibilities to Society

In 2010 we took a year to conduct a comprehensive, rigorous investigation of our business practices and to determine our carbon footprint. Next, we established employee-led committees to look at all aspects of our business and to make ongoing recommendations on how we can reduce CO₂ emissions.

The biggest area of environmental impact for a book publisher remains paper consumption. Paper—combined with transportation, printing and distribution of books—accounts for over 80 percent of Macmillan's carbon footprint. Because of this, our initial effort has been dedicated to looking at every possible way we can reduce the carbon emissions resulting from our paper usage.

At the end of 2013, we estimated that our overall (1st, 2nd, and 3rd Scope) CO₂ emissions—from all sources—had declined by 38% (on an *intensity* basis; and even more on an *absolute* basis because of the shift to e-book alternatives). While transitioning our car fleet to hybrid vehicles, retrofitting lighting in our owned distribution facilities, and numerous other initiatives contributed to this substantial reduction the major impact came from a determination to procure our directly purchased paper from low-emissions mills.

Offsetting our Carbon Footprint

While realizing our goal of a 65% reduction in the intensity of our carbon emissions by 2020 is based on dramatic changes to how we operate, we are also looking to make a significant contribution—today—by offsetting our carbon footprint. Since 2011 we have been purchasing offsets against our emissions. For 2013, working with CarbonNeutral, CarbonFund.org, and Carbon Canopy, we secured over 50,000 metric tons of certified and verified CO₂ offsets which,

combined with our own mitigation and efficiency endeavors, made Macmillan Publishers USA carbon neutral. These projects involved:

- Forestation/Conservation in the US, Canada, and Brazil
- Renewable energy installations (wind and geothermal) in China and Indonesia.
- Landfill gas electrical generation (Seneca Meadows, NY) from the small portion (~15%) of the landfilled trash from our two New York City office locations.
- Manufacture and distribution of highly efficient cook stoves in Zambia.

Paper Principles:

Macmillan purchases about two thirds of its paper directly from paper manufacturers. The other one-third is provided by printers and other vendors. In league with meeting our emissions reduction and sustainability goals, we apply the following principles to our paper sourcing and use.

Responsible Paper Use:

Macmillan is committed to using paper responsibly and will continue and increase its efforts to:

- Maximize efficiency in its paper use
- Design products and packaging to reduce paper use and facilitate end-of-life recycling
- Maximize paper recovery and recycling of returned books and packaging

Responsible Paper Sourcing:

Macmillan will not accept the use of paper that violates the Lacey Act [16 U.S.C. §§ 3371–3378] and will strive to eliminate the use of paper from controversial producers or fiber sources. Though our policy applies to all sourcing, countries without effective forest governance or social laws¹ are considered at higher risk for controversial sources which is why we have confidence in chain-of-custody (CoC) certification for the major North American and international standards: Canadian Standards Association (CSA)², and Forest Stewardship Council (FSC)³, Programme for the Endorsement of Forest Certification (PEFC)⁴, Sustainable Forestry Initiative (SFI)⁵. Such unwanted sources include producers or fiber associated with:

- Forest management, logging, or trade in forest products which is not in compliance with applicable state, provincial or national laws

¹ Transparency International Corruption Perceptions Index. <http://www.transparency.org/research/cpi>

² Canadian Standards Association (CSA) <http://www.csagroup.org/us/en/home>

³ Forest Stewardship Council (FSC) - <https://us.fsc.org/>

⁴ Programme for the Endorsement of Forest Certification (PEFC) - <http://www.pefc.org/>

⁵ Sustainable Forestry Initiative (SFI) - <http://www.sfiprogram.org/>

- Loss or degradation of high carbon stock forests⁶ or high carbon landscapes such as tropical peatlands and old growth forests
- Loss or degradation of High Conservation Values⁷ including threatened and endangered species and intact or endangered forests
- Deforestation and conversion of natural forests to non-forest land uses
- Violations of human rights⁸, including the right to Free, Prior and Informed Consent⁹
- Violation of labor regulations, international treaties or agreements relating to forest and paper manufacturing workers¹⁰
- Use of elemental chlorine or mills associated with unacceptable water, air or other toxic pollution
- Use of genetically modified organisms (GMOs)¹¹ pending further investigation by competent parties and stakeholders

Macmillan will prioritize the use of paper with the lowest carbon profile that is derived from responsible forest management, manufacturing and transportation practices and that is certified by a credible independent third-party forest certification system. We will also:

- Prioritize the use of paper incorporating ground wood thereby reducing emissions and impacts on forests
- Prioritize the use of paper products processed without chlorine or chlorine compounds.
- As they become available, utilize credible methods and metrics for measuring the extent of biogenic or embedded carbon associated with different papers and prioritize use of papers with the lowest carbon profiles.

Directly Purchased Paper:

At Macmillan, about two-thirds of the paper used in our books is purchased directly by the company. This is the paper that we have the most control over and hence it is the prime target where we can assure sourcing consistent with our goals and values. In 2013 more than 99% of our purchased paper came from forests and mills located in North America where tight regulations and sustainable forestry is the norm. However, at Macmillan we wanted to go

⁶ Provided that maintaining HCS does not facilitate conversion of forest area to agriculture or other non forest uses. For HCS assessment methodologies, see http://www.goldenagri.com.sg/pdfs/misc/High_Carbon_Stock_Forest_Study_Report.pdf

⁷ High Conservation Value Resource Network. <http://www.hcvnetwork.org/>

⁸ United Nations, Guiding Principles on Business and Human Rights. 2011.

http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf; FAO Voluntary Guidelines on the Responsible Governance of Tenure: <http://www.google.com/webhp?nord=1#nord=1&q=FAO+land+tenure+food+security>

⁹ United Nations Declaration on the Rights of Indigenous Peoples. 2008.

http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf

¹⁰ ILO Conventions 87, 98, 29, 105, 138, 182, 100, 111, 155, 161, 181

¹¹ pending further investigations by credible parties and stakeholders: see, for example, <http://ic.fsc.org/download.fsc-pol-30-602-2000-fsc-interpretation-on-gmos-genetically-modified-organisms.a-499.pdf>

beyond legal requirements, so we sought suppliers that have external, third-party certification. Currently, 94% of our purchased paper (by weight) comes from fiber harvested from forests that have been certified to the standards of CSA, FSC, SFI, and/or PEFC. We have a target to achieve 100% certification on direct purchased paper in 2015.

Macmillan is committed to purchasing paper that is preferable from an environmental perspective which meets reasonable commercial needs in terms of the reasonable requirements of our authors, accounts, and /readers. We will further reduce our paper consumption and minimize our carbon footprint through:

- A preference for the higher fiber yield and reduced chemical processing of ground wood/mechanical pulp paper (vs. chemical pulp paper) when produced from energy sources with a preferred CO₂ profile. (It takes almost twice as many trees to make virgin chemical pulp as compared to virgin mechanical pulp paper.) In 2013, less than 10% of our direct purchased paper (by weight) was made from chemical pulp. Chemical pulp (whether directly purchased or printer supplied) used in our paper must be either Totally Chlorine Free (TFC) or Elemental Chlorine Free (ECF).
- Reducing basis weight where appropriate to extend yield.
- Efficient print quantities and reduction of over-printing along with Print-on-Demand options.
- Design books with an environmental sensitivity while respecting reasonable aesthetic standards.
- Partnering with our supply chain partners to realize greater efficiencies both up and down the supply chain.
- Planning our paper needs with as much lead time as possible in order to maximize the environmentally preferred use of rail transportation rather than trucks.

To further reduce GHG emissions, we seek paper suppliers that produce large amounts of their energy from renewable, non-carbon sources. Presently, over 60% of the paper we purchase comes from mills that run primarily on hydroelectric power, significantly reducing the emissions associated with that paper.

Printer Supplied Paper

Macmillan never handles the one-third of our book paper that is supplied by our book and component printers, thus it is harder to exert control over where that paper comes from and the provenance of the fiber that goes into making it. However, harder does not mean impossible, and Macmillan remains committed to knowing the sources of our paper and requiring that our printers use paper that is not controversial (as outlined above) and meets our goals and values. Since our off-shore printers (mostly in China) who do the overwhelming

majority of our color books get their paper from China and Southeast Asian countries strict requirements must be set to control this paper.

Since the fall of 2010 Macmillan has required and received written assurance from each of its Chinese printers that they will not permit paper or fiber sourced from controversial Indonesian sources, that are deficient in environmental criteria established by Macmillan, to be used in our products. While there have been recent indications that progress is being made on the ground in Indonesia that is encouraging, our policy remains that until we determine that significant improvements and reforms have been realized concerning the environmental impacts of such non-FSC certified fiber and paper that it may not be used.

Currently our authorized printer supplied paper in Asia must score between a 3-5 rating from The Publishers' database for Responsible Environmental Paper Sourcing (PREPS) and the majority of our specified sheets are FSC certified. In spite of our substantial due diligence and because of a continuing concern—based on our fiber testing—that we are not always receiving paper that possess the represented attributes we have set three short term targets:

- First, by July 1, 2014 we will have our Asian printers *routinely* provide fiber profiles and declarations for the paper they are providing and,
- Secondly, have established a procedure to investigate non-conformity with our articulated objectives that may be revealed from time-to-time based on our fiber testing.
- Thirdly, no later than January 1, 2015 we expect to ensure that 100% of the paper supplied by our Asian printers is FSC certified with two caveats: 1.) while we are willing to pay an equitable premium for certified paper we will not tolerate inequitable price gouging that seeks to exploit the situation, and 2.) we may subsequently recognize additional bona fide certification entities that may emerge in the future.

Verification and Fiber Testing

Macmillan has incorporated a policy of fiber declarations and from time-to-time (but no less than twice a year) testing a random sampling of the various fiber components of our books printed in China or high risk countries with independent laboratories to verify compliance with the above policies.

Any findings from such tests that indicate a significant variance from these declarations or our prescribed attributes will be investigated. Our print vendors have been advised that future business with Macmillan is dependent on their substantial compliance with our current and future policies.

Recycled Paper

Macmillan enthusiastically supports the use of recycled fiber. By keeping paper out of landfills and deploying it in new fiber-based products (corrugated, pasteboard, paper, etc.) enormous reductions in the amounts of GHG that would otherwise be generated converting virgin fiber can be realized. Macmillan's focus is on the CO2 emissions associated with paper production.

The most compelling incentive for the use of recycled post-consumer paper is because it typically requires 40-65 percent less energy to reconstitute as 'new' paper as compared to virgin fiber. We believe that the issues related to climate change are only validly perceived as a global issue, in which case the reduced energy requirements to process recycled are often best realized in China, where the percentage of electricity generated by coal is almost twice that of the US. Based on the continuing trade imbalance between the US and China, the need to reposition ships and containers back to China, and the relative efficiency of container ship ocean freight from an emissions point-of-view, we believe that the most efficient use of recycled fiber is *usually* in China rather than in the U.S. What's more, the voracious fiber demands of China's burgeoning economy would potentially put more proximate ancient growth and high conservation forests in places such as Indonesia, Laos, Papua New Guinea, and others, as well as mixed tropical hardwoods, clear cutting of trees standing on peat/high carbon landscapes, and other controversial sources under greater pressure and even more grave threat if the currently huge influx of U.S.-sourced recycled paper was curtailed. The number one export from the U.S. to China by weight is reclaimed paper/fiber.¹²

Because of inbound shipments of new books and returned copies we recycle more corrugated cartons than we purchase. Nonetheless, our new corrugated supplier's Scope 1 and 2 emissions are two-thirds less than the previous supplier and 30 percent less than the industry average, while also containing 70 percent post-consumer recycled fiber.

Working Collaboratively

Macmillan is actively working with its suppliers, experts, NGOs and others to better understand and develop solutions for climate change and sustainability improvements. We are sharing appropriate information with and inviting business partners and others to adopt emissions reductions programs, sustainability goals, and policies and innovations.

For example, Macmillan was invited by the Sustainable Forestry Initiative (SFI) to join together with National Geographic, Pearson, and Time Inc. as founding members in 2012 of their Forest Partners® Program that has the goal of putting an additional 10 million acres of South Eastern

¹² <http://pierstransportation.files.wordpress.com/2013/09/us-scrap-exports-to-china.jpg>

US forests under certification by 2017. Our hope is that this will stimulate private US landowners to maintain forest cover and pursue certification of their forest lands.

We are committed to working in partnerships and continuing our advocacy efforts. We recognize that being transparent and working with others will be crucial for addressing climate change and improving sustainability.

Looking Ahead

Even with this early success, we are still at the very beginning of following through on our commitment. Macmillan's sustainability effort now covers every aspect of our working day, processes, and all the steps required to publish, print and sell books—everything our company can control or influence in its relationship with employees, vendors, authors, stores and readers. We are committed to evolving our targets and the implementation plans related to them and to monitoring and reporting on our progress as well as on the lessons we learn.

Sustainability has become part of our everyday discussion and a key factor in our business decisions. It is as important as our company growth, as important as our profitability. It may be even more important. All companies will need to address sustainability issues sooner rather than later if they hope to stay in business. It's more than 'doing well by doing good'; it's the basic allegiance that any global citizen should pledge.

To learn more visit us at <http://sustainability.macmillan.com/>