



## Paper Sourcing and Use Policy

### Macmillan USA

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At Macmillan USA, we understand and value our role as a global citizen. To us, that means conducting our business in a responsible and sustainable manner. 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 in an imaginative, determined, and significant way.

As book publishers we delight in satisfying readers who quest for knowledge, take joy from discovery, and are captivated by the imagination and creativity of our authors. We promote a passion for reading—across generations and cultures—that engages, enlightens, and empowers tens of millions of people each year. We have the honor to make among the most wonderful of introductions: that of an author to a reader.

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. We also produce and license many of our volumes in e-book form, in braille, and in audio book. Even so we print about 75 million books each year and all of our work is done with sustainability in mind.

### **Corporate Sustainability at Macmillan USA**

Macmillan USA's commitment to environmental sustainability focuses on the reduction of greenhouse gas (GHGs) emissions in order to reduce our impacts on global anthropogenic climate change. We also value healthy forests and renewable forestry and biodiversity, clean water and air, conservation and stewardship of natural resources and protection of human rights and dignity.

In 2009, corporate sustainability became part of the very mission of Macmillan USA. Not just as a press release, but an essential component of our company. As part of this effort, we decided on a goal of progressing to a 65 percent reduction in our Scope 1, 2, and major Scope 3 carbon emissions over our 2010 baseline by the end of 2020. This means that we intend to reduce our emissions 65% over each dollar we earn between 2010 and 2020.

In 2010, we conducted a comprehensive assessment of our operations and supply chain to determine our carbon footprint. Next, we established employee-led committees to look at all aspects of our business and to make initial recommendations on our approach to reducing carbon emissions. Since 2010 we have procured our paper from lower emission mills, transitioned two-thirds of our car fleet to hybrid vehicles, and upgraded the lighting in our owned distribution facility to reduce our emissions.

We learned that the biggest area of environmental impact for a book publisher is 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 primary effort has been dedicated to reducing the carbon emissions resulting from our paper usage.

This Paper Sourcing and Use Policy sets forth our principles governing the sourcing of our paper and will guide us in guaranteeing that Macmillan’s products live up to and exceed our expectations as stewards of valuable resources held in trust for future generations. We commit to updating and revising this policy in five years’ time, as our initial policy was from 2014.

#### Offsetting our Carbon Footprint in the United States

While realizing our goal of a 65 percent reduction in the intensity of our carbon emissions by 2020 is based on further significant changes to how we operate, we are also looking to make a more ambitious contribution—today—by offsetting our remaining carbon footprint. Since 2011 we have been purchasing an average of 51,000 carbon offsets against our emissions each year for Macmillan USA. We have worked with leading carbon offsets purveyors including: Natural Capital Partners, First Climate, Atmosfair, ClimateCare, South Pole Group, CarbonFund, and Carbon Footprint.

We have secured over 30,000 metric tons annually of certified and verified carbon offsets which, combined with our own mitigation and efficiency endeavors, made Macmillan USA “carbon neutral” from 2014 to 2018 for our scope 1, scope 2, and major scope 3 emissions. Since 2011, some of the projects we have supported include:

- Reforestation and Forest Conservation in the US, Canada, Madagascar, Zimbabwe, Panama, and Brazil.
- Renewable energy development (solar, wind, geothermal, and hydroelectric) in China and Indonesia.
- Methane capturing at a local landfill where our trash from our headquarters may land.
- Distribution of highly efficient cook stoves in Uganda, Nigeria, Zambia, Kenya, and China to reduce local deforestation and improve human health and air quality.

## Paper Principles

Macmillan USA is committed to purchasing paper that is environmentally preferable while meeting the reasonable requirements of our authors, customers, and/or readers.

Macmillan USA primarily relies on chain-of-custody (CoC) certification and sustainable forest management certifications including the Forest Stewardship Council (FSC),<sup>1</sup> Sustainable Forestry Initiative (SFI),<sup>2</sup> Programme for the Endorsement of Forest Certification (PEFC),<sup>3</sup> and the Canadian Standards Association (CSA),<sup>4</sup> to ensure that we are purchasing sustainably grown timber. By 2020, we aim to purchase 100% of our paper from sources that have earned credible sustainability certifications and/or recycled fiber.

Macmillan USA purchases paper in multiple fashions: directly purchased, merchant purchased, or provided by the printer. Macmillan USA specifies the exact paper to use when it is purchased by the merchants and the printers.

### Responsible Paper Sourcing:

- The majority of the paper we source is made from the residual wood leftover from sawmill operations after timber has been manufactured.
- We source paper from fiber and residuals that are managed sustainably, as determined by reasonable third-party certifications, such as FSC, SFI, and/or PEFC. Our papers sourced from Asia and South America are exclusively FSC as this standard is the most stringent in these parts of the world.
- We also do not knowingly source virgin fibers from Indonesia due to the high risks of this area environmentally, politically, and socially.
- We do not use paper derived from deforestation in connection with the conversion of natural forests to non-forested land uses except in circumstances where it has earned FSC, SFI, and/or PEFC certification.
- We source from areas that may include limited areas of High Conservation Value Forests or Forests with Exceptional Conservation Value, but only if these fibers have earned FSC, SFI and/or PEFC certification.

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<sup>1</sup> Forest Stewardship Council (FSC) - <https://us.fsc.org/>

<sup>2</sup> Sustainable Forestry Initiative (SFI) - <http://www.sfiprogram.org/>

<sup>3</sup> Programme for the Endorsement of Forest Certification (PEFC) - <http://www.pefc.org/>

<sup>4</sup> Canadian Standards Association (CSA) <http://www.csagroup.org>

- We do not support the use of paper from companies with demonstrated violations of human rights,<sup>5</sup> including the right to Free, Prior and Informed Consent.<sup>6</sup>
- We do not support the use of paper from companies with demonstrated violation of labor regulations, international treaties or agreements relating to forest and paper manufacturing workers.
- We prohibit the use of paper produced with virgin fiber processed with elemental chlorine.
- We prohibit the use of paper derived from the genetically modified organisms (GMOs)<sup>7</sup> pending further investigation by competent parties and FSC, SFI, and/or PEFC certification schemes.
- We support the use of legally forested, logged, and traded forest products, which are in compliance with applicable state, provincial, national, and/or federal laws. We, of course, as mandated by law, abide by the U.S. Lacey Act [16 U.S.C. §§ 3371–3378],<sup>8</sup> which prohibits the import and export of products containing and/or use of certain endangered flora or illegally logged trees.
- Further, we receive written annual assurance from our vendors annually that they are complying with this policy.

Macmillan USA focuses on these attributes when purchasing paper in order to minimize our carbon footprint:

- 1) Sourcing paper from manufacturers with the lowest carbon profiles and least impactful transportation practices from paper mill to book printer and binder.
- 2) A preference for the ground wood/mechanical pulp paper that has a higher fiber yield and when produced from energy sources with a lower carbon profile, has lower carbon emissions compared to lower fiber yield of kraft (chemically pulped paper).
  - a. Typically for Macmillan USA, 65%-90% of our direct purchased paper (by weight) is from ground wood paper.<sup>9</sup>

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<sup>5</sup> United Nations, Guiding Principles on Business and Human Rights. 2011. [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf); FAO Voluntary Guidelines on the Responsible Governance of Tenure: <http://www.fao.org/3/i2801e/i2801e.pdf>

<sup>6</sup> United Nations Declaration on the Rights of Indigenous Peoples. March 2008. [http://www.un.org/esa/socdev/unpfii/documents/DRIPS\\_en.pdf](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf)

<sup>7</sup> Pending further investigations by credible parties and stakeholders such as the FSC, SFI, and the United States Department of Agriculture.

<sup>8</sup> U.S. Lacey Act <https://www.fws.gov/le/pdf/le/Lacey.pdf>

<sup>9</sup> Food and Agricultural Organization of the United Nations (FAO). “Environmental Impact Assessment and Environmental Auditing in the Pulp and Paper Industry.” <http://www.fao.org/docrep/005/V9933E/V9933E03.htm>

- 3) Paper that has earned at least one credible independent third-party forest certification system (e.g. SFI, FSC, PEFC, CSA).

We will further reduce our paper consumption and minimize our carbon footprint through:

- Reducing the basis weight of paper, where appropriate, to extend fiber yield.
- Continued emphasis on setting efficient print quantities to minimize over-printing along with increasing the amount of digital and Print-on-Demand options.
- Design books so as to maximize paper efficiency while respecting reasonable aesthetic standards and customer expectations.
- Partnering with our suppliers to realize greater efficiencies both up and down the supply chain via logistics and transportation choices.
- Planning our paper needs with as much lead time as possible in order to maximize the environmental profile of cargo ships or rail freight rather than less efficient truck transportation.

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

#### Directly Purchased and Merchant Supplied Paper:

Macmillan USA sources about 80% of its paper needs directly from paper manufacturers and brokers. The other 20% is provided by printers and other vendors. In 2018, about 60 percent of our directly sourced paper was sourced from the residues of sawmills that cut lumber, as we prefer to utilize resources that would otherwise be burned as a fuel source or landfilled.

In 2018 more than 99% of our directly purchased paper came from forests and mills located in North America where tight regulations and sustainable forestry are the norm. However, at Macmillan USA we go beyond legal requirements, so we sought suppliers that have earned external, third-party certification for sustainable forest management. In 2018, 94% of our purchased paper (by weight) comes from fiber harvested from forests that have been certified to the standards of FSC, SFI, CSA, and/or PEFC and are working to increase this percentage where possible.

#### Printer Supplied Paper

Approximately twenty percent of Macmillan USA's paper is supplied by our printers for both our Trade and Learning divisions. However, Macmillan USA remains committed to knowing the sources of our paper and requiring that our printers use paper that is consistent with our goals and values. Since our books with color printing are often printed in China, where there are fewer forestry regulations, we have mandated that our printers there use FSC-certified paper in our books for which we are willing to pay a reasonable premium.

In addition, our Asian printers have also committed to sourcing paper from mills that have earned a 3 or greater rating in the Book Chain Project's Publisher's Database for Responsible Environmental Paper Sourcing<sup>10</sup> assessment. We also may recognize additional legitimate certification entities that may emerge in the future.

Moreover, since 2010 Macmillan USA has prohibited each of its Asian printers from sourcing paper or fiber from Indonesia or other sources that are deficient in environmental criteria established by Macmillan USA to be used in our products. While there have been recent indications that progress is being made on the ground in Indonesia, our policy remains that until we determine that significant improvements and reforms have been realized concerning the environmental impacts of such fiber and paper, that it may not be used. We perform paper testing twice a year on randomly selected books that are sourced in Asia to ensure that we are not sourcing virgin tropical hardwood fibers from problematic sources. If we find substantial noncompliance on the part of our suppliers, we will work to remediate the situation and may choose to stop doing business with these selected partners.

### **Recycled Paper**

Macmillan USA, of course, is a proponent of the use of recycled fiber. By keeping paper out of landfills and utilizing it in new fiber-based products (corrugated, pasteboard, paper, etc.) enormous reductions in the amounts of greenhouse gases that would otherwise be generated converting virgin fibers can be realized.

The most compelling reason for the use of post-consumer recycled paper is because, depending on grade it typically requires about 44% percent less energy to reconstitute as paper as compared to paper derived from virgin fiber.<sup>11</sup> We also understand that a leading cause of emissions in the forest products industry comes from the loss of carbon stocks caused by unsustainable forestry practice and deforestation. However, due to the current state of the global paper recycling system, paper is oftentimes recycled in regions of the world where environmental criteria are not well established or enforced and electricity grids may still be

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<sup>10</sup> Book Chain Project's PREPS <https://bookchainproject.com/home>

<sup>11</sup> The State of the Paper Industry: Monitoring the Indicators of Environmental Performance <http://www.greenpressinitiative.org/documents/StateOfPaperInd.pdf>

dependent on coal. Coal is the most detrimental in terms of impact on our climate out of the available fuel sources. Nevertheless, we are working to increase our recycling rates of fiber-based and non-fiber-based materials across our company to promote circular ideology.

### **Working Collaboratively**

Macmillan USA is actively working with its suppliers, consultants, non-governmental organizations and other stakeholders to better understand and develop solutions for climate change and sustainability improvements across our business. We are sharing appropriate information with and inviting business partners and others to adopt emissions reductions programs, sustainability goals, policies, and best practices. One such area of interest is supporting credible methods and assessments for measuring the extent of biogenic or embedded carbon associated with different papers and prioritize use of papers with the lowest carbon profiles.

In 2012, Macmillan USA was invited by the Sustainable Forestry Initiative (SFI) to join together with National Geographic, Pearson, and Time Inc. as founding members their Forest Partners® Program that has the goal of putting 15 million acres of Southern US forests in the under certification by 2020.

We are committed to working in partnerships and continuing our advocacy efforts. We submit comments to certification standards and attend multi-stakeholder meetings. We recognize that being transparent and working with others will be crucial for addressing climate change and improving sustainability

### **Responsible Paper Use**

Macmillan USA's committed to using paper responsibly and will continue and increase its efforts to:

- Maximize efficiency in paper use for book publications and office 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

### **Looking Ahead**

Macmillan USA's sustainability efforts now cover every aspect of our working day, processes, and many of the steps required to publish, print, and sell books. We engage our employees,

vendors, authors, retailers, 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. Sustainability is as important as our company growth and success. It is more than 'doing well by doing good;' it is the basic allegiance that all global citizens should pledge.

To learn more visit us at [sustainability.macmillan.com](https://sustainability.macmillan.com)