

# Paper Sourcing & Usage Commitments

## 2014–2018

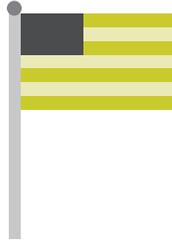


## 2014 Key Targets



**\$50**

million donated to the Green Apple Initiative for every U.S. district that makes the switch to virtual product sampling



**40%**

of domestically printed Consumer and Trade products will be FSC certified



**40%**

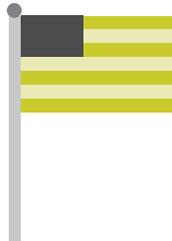
fiber by weight across all print products in all business units is recycled

## Goals for 2018



**20%**

of internationally printed Consumer and Trade products will be FSC certified



**50%**

of domestically printed Consumer and Trade products will be FSC certified



**50%**

fiber by weight across all print products in all business units is recycled

## Paper Product Disposal Guidelines



**Donation**

is the preferred method of disposal



**ZERO**

the number of our books that are incinerated or go into landfills

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## Introduction & Values Statement

For nearly 200 years, Houghton Mifflin Harcourt™ has had the privilege of changing people's lives by fostering passionate, curious learners. Today, as a global education company serving 50 million students in 150 countries, we believe it is our responsibility to prepare each generation of youth to contribute productively to their communities as adults.

We recognize that this means more than simply teaching core skills and traditional bodies of knowledge. In a world facing increasingly complex challenges, we must inspire in our youth the curiosity to be lifelong learners and problem solvers, and we must impart the knowledge required to address these issues.

One of the major challenges that today's students will face is ensuring the long-term sustainability of their societies and the environment. As an education company, we feel a responsibility to equip our youth with the information and skills they need to address this challenge. As a company focused on investing in children, we seek to serve as caretakers of the world our students will inherit. As a corporate citizen, we feel a responsibility to minimize our own impact on the environment. As a business, we recognize that minimizing our environmental impact increases our efficiency, effectiveness, and agility.

HMH® is also motivated to be environmentally responsible based on our company values. In particular, we are committed to the principle of learning; as such, we seek to understand how we use resources and our options for employing more responsible practices, and we strive to improve our impact over time. We also seek to be a best-in-class company in all that we do. This includes leading our industry in providing solutions to our customers and communities in a way that safeguards the future.

Based on these motivations, HMH seeks to minimize the use of paper and make responsible sourcing and disposal decisions for the paper we do use. We do so in a way that is consistent with our financial sustainability, ensuring that we will be able to continue to make such decisions long into the future.

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## Reducing Paper Usage

In order to minimize our environmental impact, we seek to minimize our paper usage.

### **Move to Digital**

HMH® is moving aggressively towards a digital future; a large majority of our products is already available digitally. Going forward, we aim to generate 50% of major program revenues from the sale of digital products, significantly reducing our need for paper.

### **Product Design**

We will continue to choose the lightest basis weight possible while maintaining quality and meeting standards.

### **Supply Planning**

A significant way in which HMH can minimize paper usage is to minimize the quantity of printed products we procure beyond that quantity which we are able to sell. In its effort to improve forecasting ability and reduce inventory, our Supply Planning team continually looks for ways to streamline processes and provide employees with access to the best information available, thus decreasing inventory levels.

### **Sales and Marketing**

Historically, HMH has used paper extensively in its sales and marketing activities. For instance, our sales representatives deliver sample packs of materials, comprising thousands of pages of content, to schools and districts in the months leading up to a purchasing decision. In September 2008, HMH became the first education company to pilot a virtual sampling format, and we are currently focused on significantly increasing the use of virtual sampling to reduce the need for physical samples. We therefore expect our use of paper for physical samples to decrease. Additionally, HMH publishes comprehensive virtual catalogs for its full suite of offerings, thus significantly reducing our reliance on printed catalogs.

### **Distribution:**

As the majority of our packaging materials are paper-derived, our distribution centers utilize a warehouse management system to determine the most efficient packaging based on the actual cubic dimension of the order.

## Paper Usage in Our Products

HMH recognizes that the most significant way in which we impact the environment is through the choices we make about paper use in our core products, including textbooks and consumer/trade books. While we strive to minimize our paper usage and expect it to go down significantly in the coming years, at this point in time HMH is still dependent on paper to produce the majority of our core products. As such, we seek to make the most responsible choices possible about the types of papers we procure. Our goal is to maximize recycled content for the products we create for the education market, and to use FSC-certified paper in the books we publish for the consumer and trade markets.

## Sourcing Paper Responsibly

### **Recycled Paper**

HMH strives to lead its peers in recycled paper usage for its education products by ensuring that, by 2018, over 50% of our fiber by weight is recycled.

### **FSC-Certified Paper**

By 2018, at least 50% of the paper we procure domestically and use in consumer and trade products will be FSC certified. Also, we seek to increase our use of FSC paper in those consumer and trade products we print internationally with a goal of reaching 20% FSC by 2018.

### **Paper from Controversial Sources**

We seek to ensure that, by no later than 2016, paper used by HMH will not be sourced from controversial sources (defined in Appendix A). To achieve this goal, we plan to: 1) determine whether paper from such sources currently exists in our supply chain; 2) determine how to reliably track and validate this information; and 3) if we determine that such paper exists in our supply chain, determine how to eliminate it.

## Disposing of Paper Products

Where we are unable to prevent excess inventory through better supply planning, we seek to dispose of products in a way that maximizes their educational impact and minimizes their environmental impact.

### Donation

Our preferred disposal option for excess inventory is donation. After all sales are complete, we seek to donate products to nonprofit partners and schools around the world.

### Destruction

Books that are not sold or donated are sold to a certified recycler. These companies turn the books into pulp, which is made into recycled paper. None of our books are incinerated or go into landfills. We are also committed to recycling in our distribution process, recycling all corrugate.

## Selecting & Influencing Suppliers

HMH recognizes that our supply chain partners are critical to our ability to achieve the goals laid out in this policy. We can only successfully implement this policy if our suppliers offer us the products we seek in sufficient quantities while meeting our requirements for both quality and price. We also rely on our suppliers to provide us with sufficient information to track our progress against our objectives.

To ensure that we are partnering with suppliers who can help us achieve our objectives, HMH will work toward engaging only with suppliers who support sound environmental practices and responsible sourcing. This information should be documented and readily available on the vendor websites. We will only procure domestic paper

from mills that are FSC-certified and have strict environmental policies. HMH will not work with suppliers who are unwilling to partner with us to achieve the goals laid out in this policy. As an example, our Consumer and Trade Publishing division has ceased working with two mills that could not meet our environmental expectations. This division has found alternative sources of supply that do comply with our standards. Going forward, we will work to apply this change company-wide.

We also recognize that we have a significant role to play in encouraging our suppliers to join us in our efforts to use paper more responsibly. As such, we commit to communicating our needs to our suppliers and engaging with them to work toward this goal. We will share this policy actively with our suppliers to ensure they are aware of our objectives, and we will ask them to share our goals, in turn, with their supply chains. We will also ask our suppliers to share with us information about their own environmental goals and outcomes, including any existing paper policies. If they do not have these policies or information otherwise available, we will encourage them to develop such documents.

## Monitoring, Evaluating & Reporting

HMH will track progress against our paper usage goals via a robust process of monitoring and evaluation; this process is also designed to help us learn from our experience and improve the quality of our work over time. We will report on our progress via a publicly available annual update, which will discuss our progress towards

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the goals laid out in this document, what we learned in our pursuit of those objectives, and any revisions to this policy based on our learnings. We will also share, annually, our key targets or action steps for the upcoming year.

To monitor our progress against the goals laid out in this policy, we will convene a Green Paper Task Force. The task force will be chaired by a representative from HMH's procurement department, with additional representation from the Consumer and Trade production team, Corporate Social Responsibility and Corporate Communications departments. This group will meet quarterly to review progress against this policy and will be responsible for producing the public reporting described above. Their report will be circulated to the senior executives in charge of Corporate Affairs and Global Supply Chain, and will be communicated publicly.

To inform the Green Paper Task Force, our procurement team will obtain monthly reports from our suppliers, enabling us to track usage of various paper types and address these issues in quarterly business review meetings. In addition, we will request periodic updates on the chain-of-custody documentation for paper grades used and will ask suppliers to update us any time changes are made to the recipes of the papers that we are using. We will also conduct spot testing on products to ensure that the agreed-upon standards are being met.

## 2014 Key Targets/Action Steps

This year, HMH will take the following actions in an effort to accelerate progress toward fulfilling our near- and long-term sustainability goals.

-  Increase virtual sampling and reduce physical sampling by launching a cause marketing campaign with the Center for Green Schools at the U.S. Green Building Council; for every U.S. school or district that makes the switch from physical to virtual sampling, HMH will make a \$50 donation to the Center's Green Apple Initiative. Visit [hmhco.com/virtualsampling](http://hmhco.com/virtualsampling) for details.
-  Achieve at least 40% recycled fiber by weight across all HMH paper purchases.
-  At least 40% of the paper we procure domestically and use in Consumer and Trade products will be FSC certified.
-  Share our paper policy and key targets/action steps with our suppliers and ask them to share any similar paper policies or other environmental outcomes with us. If they do not have similar paper policies, encourage them to develop their own.
-  Communicate to domestic and international suppliers that we are seeking to increase our consumption of recycled and FSC certified papers and that we are a ready market for those papers should the suppliers offer them at the cost and quality we require.
-  Communicate to domestic and international suppliers that we are seeking to eliminate paper from controversial sources –such as acacia and other fibers from Indonesia–from our supply chain by no later than 2016 and work with suppliers to understand whether the paper we buy currently includes fiber from controversial sources.
-  Expand our current practices of requesting chain-of-custody documentation, which have previously only applied to our Consumer and Trade Publishing division, company-wide.
-  Expand our current product testing processes, which have previously included only Consumer and Trade books, company-wide.

## Appendix A

We define paper from controversial sources as:

- 🍃 Producers and fiber associated with the loss of old growth, intact or primary forests, tropical peatlands and peatland forests, or other high-carbon landscapes;
- 🍃 Producers and fiber associated with the loss of habitats of threatened or endangered fish and wildlife species;
- 🍃 Producers and fiber associated with the loss of high conservation values;
- 🍃 Producers and fiber associated with the conversion of natural forests to plantations lacking natural forest diversity or to non-forest land uses (and thus likely reducing forest carbon stocks and maintaining forest landscapes, biodiversity and resource sustainability);
- 🍃 Producers and fiber associated with violations of indigenous or local community rights;
- 🍃 Producers and fiber associated with violations of laws applicable to forest allocation, management, production, and trade;
- 🍃 Producers and fiber associated with the use of genetically modified organisms (GMOs);
- 🍃 Producers and fiber associated with the use of elemental chlorine and harmful water and air pollution.

*Source: Rainforest Action Network*



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**For more information call**

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