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About the Artist

Kim Webster Cunningham is a printmaker and sculptor who lives in Hancock, New Hampshire. The landscape and animals of the Monadnock Region, her home since 1979, are a constant source of inspiration.

*Printed with standard 4c process, one spot color and overall satin aqueous coating.
Cover: Envi pc 100 Super Vellum, 80lb. Cover.
Interior: Astrolite pc 100, 80lb. Text.*

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*Monadnock (m' NAD nok): prominent NH mountain;
high point; "one who stands alone" [Algonquin]*

The Nature of Monadnock Paper Mills

*Our Sustainability
Progress Report*



Who Are We?

*A Letter from Richard G. Verney,
Chairman and Chief Executive Officer*

Monadnock is a family-owned and -operated business with nearly 200 years of experience in papermaking. To put that into perspective, our doors opened shortly after the War of 1812, under the presidency of James Monroe and during the reign of King George III. Today, Monadnock is a strong company and is dedicated to corporate social responsibility. Each employee understands our mutual commitment to work as a community, and we remain nimble, focused and progressive.

We believe that socially and environmentally responsible investments in technology, processes and products will deliver value to our customers and our community. Across all levels of the organization, we believe there's a lot to be said for doing the right thing — simply because it's the right thing to do.

While papermaking is consolidating worldwide, Monadnock is experiencing growth in new markets and surpassing most of our environmental impact reduction goals. How do we reduce impacts while increasing production? We do it by working smarter, finding new efficiencies in old processes, encouraging innovation across our organization and collaborating with our supply chain partners.

We will continue to challenge ourselves to reduce our environmental impacts, substitute materials, reduce demand on natural resources and reuse whatever we can, while providing a safe and healthy place to live and work — not only for this generation but for future generations. This is how we define sustainability.

The purpose of our Sustainability Progress Report is to inform and engage our customers, sales prospects, suppliers and employees in a deeper conversation about how we can work together in an increasingly sustainable way. This is our story of transparency, collaboration and innovation.



Richard G. Verney
Chairman and Chief Executive Officer

Contents

Who Are We?	1
Setting Goals and Communicating Performance	4
Environment	5
Energy	7
Emissions	9
Water Consumption	11
Solid Waste	13
Products and Process	15
Our People, Our Community	17
Looking to the Future	19
Awards and Recognition	21
Certifications and Partnerships	22



Setting Goals and Communicating Performance

History has taught us that what gets measured gets managed and usually gets better. With this in mind, we have set goals in our pursuit of sustainability. Below is an overview of the goals we are actively working to achieve.

Our progress toward these goals is governed by our commitment to continuous improvement, formalized under our third-party certified ISO 9001 Quality Management System and ISO 14001 Environmental Management System. These ISO standards help Monadnock manage, monitor and continuously improve performance.

Monadnock's Environmental Improvement Goals

Reduce **electricity consumption** by **2%** annually

Reduce **CO₂ equivalent emissions** by **2%** annually

Reduce **water usage** by **2%** annually

Reduce **solid waste to a landfill** by **5%** annually

While these goals may not appear aggressive, Monadnock has been at this for well over 40 years.

There is very little low-hanging fruit remaining, and we work diligently to exceed our impact-reduction goals.

Monadnock is located along the banks of the pristine Contoocook River in Bennington, New Hampshire. Since we live, work and raise our children here, it is our collective responsibility to preserve this beautiful place for generations to come.

The River

Designated by New Hampshire state law for protection and preservation, the Contoocook River provides clean, fishable waters and extensive wildlife habitat. Powder Mill Pond is the site of the last dam upstream owned and operated by Monadnock. New Hampshire Fish and Game stocks and oversees this 435-acre sport fishing and wildlife restoration area. Hundreds of boaters, kayakers and anglers visit the area each year. At least 117 species of birds are dependent upon the Contoocook River. Monadnock closely monitors the dams and pond levels to protect this rich and beautiful habitat.

Our relationship with the river is symbiotic: We harness low-impact hydropower from the river, and, in exchange, we act as stewards to preserve and improve the quality of the water.

The Green Team

Monadnock has established a Green Team made up of members from across the company. The team reports directly to Chairman and CEO Richard Verney. Led by our manager of environmental services, the team members identify opportunities for environmental impact reductions, and share the results across all levels of the company to promote transparency and awareness. We are fully invested in working to create a green, healthy and prosperous future.





Energy

Hydropower

Monadnock's hydro facilities, which include three dams along the Contoocook River, **generate up to 50% of our annual electricity requirement**. With a 90%-plus efficiency rate, hydropower is one of the most efficient, clean, renewable energy sources.

With a grant provided by the New Hampshire Public Utilities Commission, we have made several improvements to our hydroelectric facilities, helping us produce an additional 400,000 kWh of on-site, low-impact, clean, renewable hydroelectric power annually.

Wind Power Renewable Energy Certificates (RECs)

The balance of our electricity requirement must be purchased. We offset the purchased electricity with third-party Green-e® certified wind power Renewable Energy Certificates, or RECs. We have chosen to support the development of clean, renewable electricity to reduce our country's dependence on fossil fuels.

With 100% of our electricity derived from clean, renewable sources, Monadnock has become a leader in green energy usage in New Hampshire and beyond. As a result, Monadnock is recognized as an EPA 100% Green Power Partner®.

Monadnock's entire product portfolio of graphic arts, packaging and technical/specialty papers is manufactured with Green-e certified renewable electricity representing a significant increase in our commitment to renewable electricity through on-site generation and support of new, renewable energy sources.

REC Purchase (mgwH)

Goal: 100% Renewable Electricity

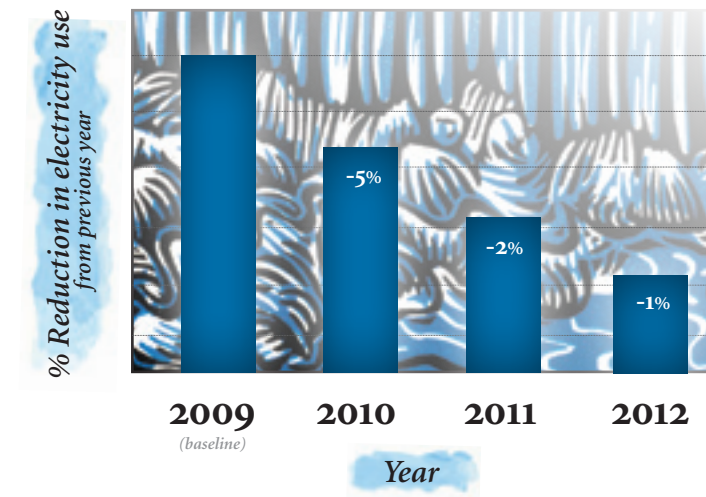
Accomplishment: 270% increase in our commitment to Green-e certified renewable electricity (from 30% to 100% production)

Goal:

Reduce **electricity consumption**
by **2%** annually

Accomplishment:

7% reduction in **electricity consumption**
over the last three years





Emissions

Monadnock produces up to 50% of its electrical requirement with on-site, low-impact hydropower — an emission-free, clean, green power source. The balance of our electrical requirement is offset with Green-e RECs. We offset the emissions resulting from our on-site consumption of purchased electricity with Verified Emission Reductions (VERs) that are certified by the Climate Action Reserve Protocol.

Thermal energy is used to produce the steam that powers dryers on our paper machines. Monadnock burns low-sulfur fuel oil and is exploring the use of biofuels and alternative technologies for producing thermal power. The environmental impacts of greenhouse gas emissions are clear — they pollute the air we breathe, produce acid rain and diminish ozone. We commit to offsetting emissions from our thermal energy generation by purchasing VERs certified by the Climate Action Reserve Protocol.

As a result, Monadnock's entire product portfolio of graphic arts, packaging and technical/specialty papers is manufactured carbon neutral. There are net zero emissions related to Monadnock's use of electricity and thermal energy.

We also reduce emissions by moving freight the smart way. Monadnock is an EPA SmartWay Transport Partner. We choose transport partners that are committed to emission reductions when moving our product to our customers. We also provide educational materials to drivers and discourage idling at our facilities.

VER Purchase

Goal: Manufacture Carbon Neutral

Accomplishment: 206% increase in our commitment to emission reductions

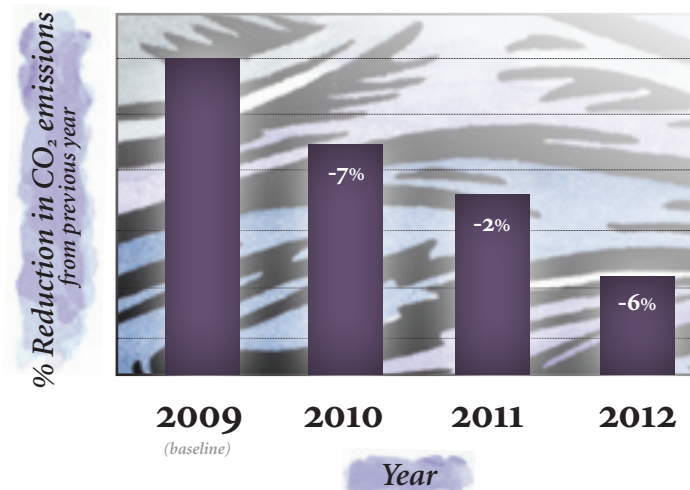
Goal:

Reduce CO₂ equivalent emissions
by 2% annually

Accomplishment:

Reduction in CO₂ equivalent emissions
by 15% over the last three years

*Emissions from fuel oil consumption.
Calculations based on EPA eGRID and www.carbonfund.org.*





Water Consumption

Consumption

The papermaking process requires water — a precious natural resource that we manage very carefully. Monadnock works with the New Hampshire State Groundwater Commission and local officials to establish sound groundwater policies to ensure water supply for our community today and well into the future.

Our Green Team has identified and implemented efficiency projects that helped us achieve a 16% reduction in water use over the last three years (2009 to 2012).

Innovations

- Equipment upgrades and process improvements in piping and controls
- Reusing white water in lieu of fresh water in the manufacturing process

Wastewater

Monadnock operates its own wastewater purification facility. We are required by the Environmental Protection Agency and the state of New Hampshire to provide a high quality of treated effluent. We exceed the state's stringent standards for water quality.

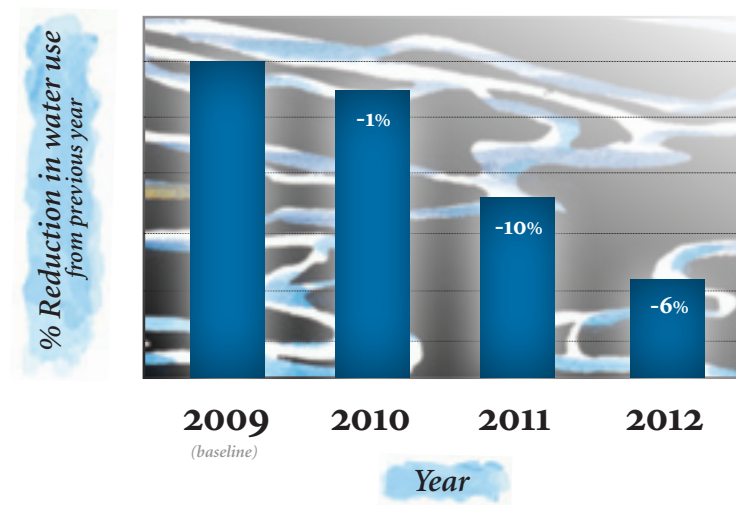
All wastewater from manufacturing is processed at the on-site treatment facility. Water discharged from the treatment facility is cleaner than the river water into which it is eventually released.

Goal:

Reduce **water use** by **2%** annually

Accomplishment:

16% reduction in **water use**
over the last three years





Solid Waste

Monadnock has a facility-wide program to divert as much waste from landfills as possible. We collect and sort paper, metal, plastic and wood for reuse and/or recycling. Waste is a major focus for our current impact-reduction goals under our ISO 14001 Environmental Management System.

In 2012, Monadnock experienced a significant increase in production in a very short period of time. Our resources for managing waste related to that production were not sufficiently scaled to handle the new production levels.

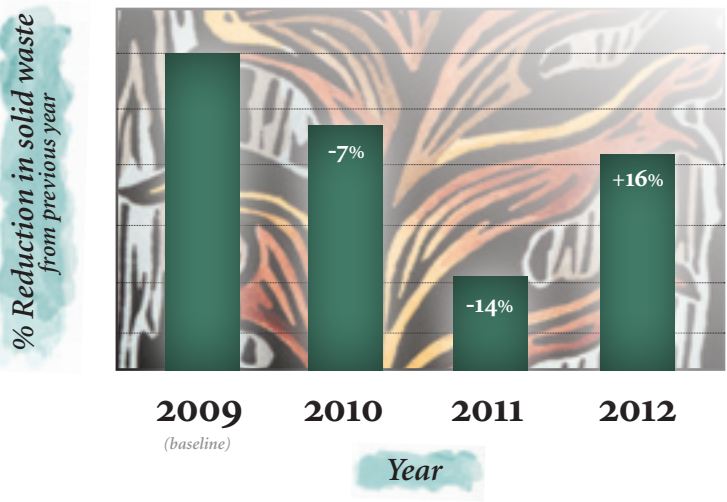
Innovations in Solid Waste Reduction

- Short paper fiber (SPF) — the byproduct from the wastewater treatment plant — was once sent to landfills. Today, this safe,* nutrient-rich material is beneficially reused in the community as a soil amendment, manufactured topsoil (to cap landfills), compost and animal bedding.
- In collaboration with another paper manufacturer, Monadnock implemented a process for cleaning the water treatment holding ponds. Historically, this operation was done every 10 to 12 years, and the large volume of material dredged from the ponds was trucked to a landfill. Today, a “sled” crawls along the bottom of the ponds, continuously pulling out settled nutrient-rich material and adding it to the short paper fiber. This innovation has saved Monadnock \$1.5 million in dredging costs and reduced solid waste shipped to the landfill by 3,000,000 pounds.

* SPF is regulated under New Hampshire’s Sludge Quality Certification Program.

Goal:
Reduce **solid waste to a landfill** by **5%** annually

Accomplishment:
6% reduction in **solid waste** over the last three years



As you can see, our landfill waste increased in 2012 by 16%. We can do better with more oversight and better sorting.

Products and Process

Making the Grades

We work with the world's leading brands to craft papers for commercial printing, packaging and technical/specialty applications. Monadnock is committed to responsible environmental stewardship, dignified labor practices and investment in our local community.

Monadnock maintains that fiber-based alternatives to plastic can be cost-efficient, environmentally sensitive and beautiful.

Proudly, all of Monadnock's products are manufactured carbon neutral using 100% renewable electricity under a third-party certified ISO 14001 Environmental Management System.

Sourcing Raw Materials

- All raw materials are reviewed and approved by Monadnock's environmental manager for environmental impact.
- All fiber purchased by Monadnock is responsibly sourced from third-party certified suppliers.
- From 2009 to 2012, Monadnock increased the use of FSC certified post-consumer waste fiber by 21%.





Our People, Our Community

Community Impact

If our business does well, we believe we have an obligation to do good. Here is a selection of just some of the organizations we have supported in recent years:

- Civic organizations, including Lions Club and Rotary Club
- Drug and alcohol abuse prevention programs
- Local schools, museums and historical societies
- Local family service, community resource and rehabilitative programs
- Local arts festivals and concerts

Monadnock has always believed in being a good citizen not just in the corporate arena, but to the people with whom and the communities in which we live and work. While economic resources make a great deal of difference to charitable organizations, our actions also can have a significant — and sometimes longer-lasting — impact. When our local schools, parks and recreation departments, town councils and citizens can benefit from our actions, we have an opportunity. When we take advantage of those opportunities — by finding ways to reuse or repurpose materials and improve, honor and educate our community — our success is mutually beneficial.

For Monadnock, responsibility is cultural, not a premium liability. It's not a philosophy we adhere to so we can slap a label or a certification on a product and leave it at that. We are a unionized facility and our employees are our finest asset. It is not uncommon to see three generations from a single family working at Monadnock. We provide long-term, stable, well-paying job positions to almost 200 of our local residents.

Monadnock's Safety Manager executes facility-wide programs to prevent or control employee exposure to workplace hazards. Employees are engaged to identify potential emergency situations and are trained to execute emergency response procedures.

Monadnock provides occupational health and safety training that includes CPR, AED and fire extinguisher use — skills that have value far beyond the walls of our facilities. We hold annual wellness fairs to educate and foster a healthy workforce.

Monadnock's Sustainability Fair attracts numerous businesses doing well by doing good. Employees and the community at large are welcome to learn more about sustainable solutions ranging from composting, alternative energy, ride-sharing and the many products that are made locally.

Looking to the Future

Where do we go from here?

Sustainability is in our nature — it's permanent. As you can see from our progress report we still have work to do and we will update you periodically on our performance as new information becomes available.

We have learned so much from our journey. Now we are more than papermakers, sharing our knowledge and experiences with our partners and customers is just as important. Do you have questions about Forest Stewardship Council certification, establishing an ISO 14001 Environmental Management System, or any of the other initiatives we have laid out for you here? Or, if you have tips you would like to share about your sustainability journey, we'd love to hear about them. Visit our Twitter page (twitter.com/monadnockpaper) and start the conversation.

We're looking for that next great sustainable innovation — where you and your customers have a need, and without compromise in performance, aesthetics, economics or the environment, we collaborate with you to develop a solution. Give us a call; we're up to the challenge.



New Hampshire Businesses for Social Responsibility Cornerstone Hall of Fame

Established in 2013, the Cornerstone Award Hall of Fame recognizes prior winners who re-apply and finish as a top-three finalist. Inductees are honored in the Hall of Fame for three years, at which point they may apply to renew their Hall of Fame status.

New Hampshire Governor's Award for Pollution Prevention

Established in 1994, the Governor's Award for Pollution Prevention recognizes New Hampshire businesses and organizations that have successfully reduced or eliminated wastes at the source. Past Award winners include a variety of NH manufacturers, a municipality, a hospital, even a postal service operation.

Environmental Protection Agency Environmental Merit Award

The Environmental Merit Awards recognize individuals and organizations whose work has protected or improved the environment in distinctive ways.

Environmental Protection Agency 100% Green Power Leader

Green Power Leadership Awards serve to recognize the leading actions of organizations, programs, suppliers and individuals that significantly advance the development of green power sources.



Forest Stewardship Council™ (FSC®) and the Rainforest Alliance

All Monadnock printing and packaging papers are Forest Stewardship Council™ (FSC®) certified (FSC® C018866 www.fsc.org). The FSC label on Monadnock products ensures responsible use of forest resources as certified by the Rainforest Alliance.

The Rainforest Alliance audits Monadnock to ensure that the company complies with FSC standards. The Rainforest Alliance is the international gold standard for credibility in auditing environmentally and socially responsible forestry. By participating in this program, Monadnock meets rigorous standards that conserve biodiversity and provide sustainable livelihoods.



EPA SmartWay

Monadnock is an EPA SmartWay Transport Partner. We choose transport partners that are committed to emission reductions when moving our product to our customers. We also provide educational materials to drivers and discourage idling at our facilities.



Green-e®

Monadnock supports the development of clean sources of renewable electricity and clean air by purchasing Green-e® certified wind power Renewable Energy Certificates (RECs).

Monadnock utilizes on-site, low-impact hydroelectric power and Green-e certified renewable electricity. www.green-e.org.



ISO 14001:2004 and ISO 9001:2008

All papers are manufactured under the strict requirements of a third-party ISO 14001:2004 certified Environmental Management System.

All papers are manufactured under the strict requirements of a third-party ISO 9001:2008 certified Quality Management System.