



# Producing Change

## Letter from the President & Chairman

**O**n behalf of the entire team at Hemlock, we are proud to introduce our company's 2012 Sustainability Report. Over our 45-year history, we have aspired to be progressive and responsible in everything we do. This commitment is reflected in our approach to business: producing exceptional work for our clients, innovating with the pace of technology and building strong, long-lasting relationships among staff, clients and suppliers. We are privileged to work in an incredible industry, one that is firmly rooted in craft and tradition while in a state of continual evolution with advances in technology. At Hemlock, we see embedding sustainability within our products, services and internal processes as an integral part of our evolution.

This report represents an important milestone on a journey that began 10 years ago when our first sustainability committee met and discussed steps to reduce Hemlock's environmental footprint. We were excited to discover many opportunities for internal action and creative engagement of customers and suppliers. Our staff and clients have demonstrated interest and support since day one. We have a great deal of which to be proud, having been named Canada's Most Environmentally Progressive Printing Company annually since 2006. This sense of opportunity continues to advance our practices today.

One very important message that we intend to convey with this report is that sustainability has been good for our business. By reducing waste, improving our purchasing patterns and giving our clients more environmentally progressive products, we have strengthened our offerings. A great example is Zero, our carbon-neutral printing program, which receives positive feedback from customers on a regular basis. For us, sustainability inspires innovation, and ultimately leads to stronger, more compelling products.

It is our goal in this report to provide a clear picture of the progress we have made in the six key areas that are most material to our business. The data, observations and goals presented within each also serve to inform our strategy in the future. Some important achievements from our 2012 fiscal year and notable highlights within this report:

- Our web development team launched 23 custom websites that provide our clients with online access to their print materials for on-demand production or distribution from our warehouse
- Over 20% of our staff members have been with Hemlock for more than 20 years and 60% for more than 10
- Purchases of papers certified by the Forest Stewardship Council® (FSC®) have grown from 5% in 2005 to 78% in 2012
- Greenhouse gas emissions have been reduced by 24% from our 2007 baseline



- We have reduced our landfill-bound waste by 80% since 2006 — 100% of our waste paper is recycled and 89% of all non-paper waste is recycled, repurposed or reused
- Hemlock honoured the late Jim Rimmer, a local design icon, typographer and type designer, by creating the Jim Rimmer Community Scholarship for Design, in partnership with the Society of Graphic Designers of Canada (BC Mainland chapter)

This report is a guide to where Hemlock is today and a demonstration of our drive to progress in our craft in the years ahead. We encourage our stakeholders and colleagues to join us in the continual improvement of social and environmental stewardship.

### **Richard Kouwenhoven**

President and General Manager

### **Dick Kouwenhoven**

Chairman and Chief Executive Officer



# About Hemlock

**H**emlock Printers Ltd. is a premier commercial printing company providing quality products for diverse clients in Canada and the United States for more than 45 years. Our modern 79,000-square-foot production facility and head office, located in Burnaby, British Columbia, is the home for all of our production services along with our sales, customer support and administrative staff. We have a further sales presence in Victoria, B.C., as well as in Seattle, Portland, San Francisco and Monterey in the U.S.

Hemlock offers offset and digital printing supported by custom online services, automated workflows and extensive in-house finishing, fulfillment services and warehousing. We also specialize in advertising and corporate communications materials, fine-art, labels, packaging and publications.

Incorporated in 1968, Hemlock Printers Ltd. and our wholly owned subsidiary, Hemlock Printers (USA) Inc., are privately owned and operated by the Kouwenhoven family. Our team of 171 employees supported gross sales of \$30.7 million in fiscal 2012 (ending July 31). No significant changes in Hemlock's size, structure or ownership occurred during the 2012 fiscal year.



## Awards and recognition

Hemlock has received numerous awards and much recognition over the years, including the following from fiscal 2012:

- June 2012: **Sappi Printer of the Year**, Silver in Magazines – Sheetfed, for Color Magazine
- November 2011: **Canada's Most Environmentally Progressive Printer** from PrintAction magazine, awarded to Hemlock for the sixth consecutive year
- November 2011: Canadian Printing Awards, **Gold in Magazines & Catalogues** for Inventory Magazine; **Silver in Magazines & Catalogues** for "Finchley Paper Arts Passport"; **Silver in Stationery Packages** for "Level Ground Trading"; **Bronze in Books** for The Cheaper Show: Blood, Sweat and 10 Years
- November 2011: **Excellence in Corporate Responsibility Award** from Green Living magazine
- September 2011: **PIA Premier Print Award** (Benny) for Best of Brochures and Broadsides

# About this report

This is Hemlock's first sustainability report that uses the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. It covers our 2012 fiscal year, running from August 1, 2011, to July 31, 2012, including available data from fiscal 2011, fiscal 2010 and prior years where noted for context. Hemlock's previously published sustainability snapshots, for calendar years 2008 and 2009, focused on environmental impact and followed no recognized reporting framework. Our greenhouse gas reports for the calendar years 2008-11 followed the World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol Corporate Standard for accounting. Except where indicated, this sustainability report includes results from our Burnaby facility, warehouse and related outsourced operations, as

our Burnaby operations account for 94% of Hemlock's employment. We intend to report our sustainability performance publicly and to all stakeholders biennially.

In preparing this report, our leadership team and sustainability committee have met to consider the issues significant to our business: ones that have the greatest potential for social, economic, or environmental impact and opportunity. The group has agreed that six issues of strategic importance to Hemlock have priority, though they have not been surveyed formally with other stakeholders. These issues, which we consider most material to include within the scope of our sustainability reporting, are:



In this report, we share our thinking about these strategic issues and our responses to them. We have written primarily for Hemlock's customers, suppliers, employees as well as for our partners in the community. These stakeholders are the groups we expect our decisions and performance to affect most and the ones likeliest to influence our sustainability opportunities, impact and success.

We invite your feedback on our 2012 Sustainability Report or any other matters regarding Hemlock. Please contact Richard Kouwenhoven, president and general manager, at [richard@hemlock.com](mailto:richard@hemlock.com).

# Management and governance of sustainability

At Hemlock, day-to-day decisions are guided by our mission and environmental policy, as described on our website and posted within our head office and plant in Burnaby. Any significant decisions, including those with implications for sustainability, involve the company's leadership team.

Our governance structure has four levels:

**1 Advisory board of directors:** The advisory board oversees and guides our private family-run company, reviewing finances, company performance and strategic priorities on a quarterly basis. Its seven members include three shareholders, one of whom is the board chair and chief executive officer, two senior management members and two independent business people.

**2 Leadership team:** Run by senior managers of Hemlock, the leadership team meets once monthly to discuss and implement strategic priorities, review metrics of operational performance and discuss new projects, including those brought forward by Hemlock's operations team, sustainability committee and health & safety committee.

**3 Operations team:** Reporting to the leadership team, the operations team is made up of departmental supervisors who meet on a weekly basis to discuss production load, current projects, process improvement and training opportunities.

**4 Sustainability committee; health and safety committee:** Open to all employees, these committees include representatives from Hemlock's leadership team and staff from different departments within the company. Operating independently, these committees work to promote a safe, healthy and sustainable workplace. The sustainability committee also discusses new client programs and other operational improvements, which it brings forward to the necessary parties within Hemlock.

Advisory board members are represented on all levels of governance alongside Hemlock employees from every department. As part of a mid-sized, private, family-run company, all employees also have direct, open access to Hemlock's leaders and advisory board through regular town hall staff meetings, office appointments and informal hallway chats.

Hemlock benefits regularly from the advice of community stakeholders who assist us in improving our social and environmental performance. We align ourselves with and support business associations, nonprofits and other organizations that share our values of collaboration and progress on sustainability. During 2012, we worked with the following groups:

Burnaby Board of Trade

BSR (U.S.)

Canadian Association of Family Enterprise

Canopy

CBSR

Climate Smart Businesses Inc.

Environmental Paper Network

Forest Stewardship Council®

Green-e

Offsetters

Rainforest Alliance

Society of Graphic Designers of Canada

World Resources Institute

## Dramatic evolutions are reshaping the printing industry

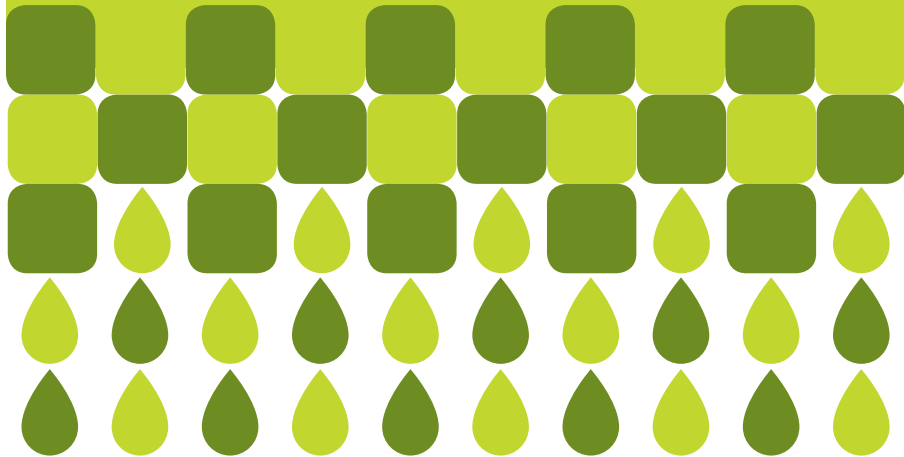
Over Hemlock's 45-year history, one constant has been the continual adoption of new technologies in our business. Our production has undergone multiple generations of adaptation, from handset letterpress in our founding year to the more recent addition of our second HP Indigo digital printing press. High-impact technology that delivers value to customers has always been and will continue to be critical to Hemlock's success.

The very digital technologies that are reshaping our industry's processes and capabilities are triggering widespread changes to the demand for printed products. Thanks to instant access to digital media through the Internet and the exponential growth in the use of mobile devices, the role of print from books and magazines to maps and reports is rapidly transforming. While this global shift is causing steady declines in demand for many printed products, it is also prompting a clearer understanding of the unique qualities of print: its tangibility, its permanence and the more personal experience it can provide to audiences.

At Hemlock, we meet the challenges of these sweeping changes by embracing technology in all facets of our organization. In so doing, we keep pace with the needs of our clients, offer products not previously available and improve the efficiency of our production. Key signals of our responsiveness are: (1) our sustained growth in digital print services, (2) the rise in our customized online services and (3) the increasing importance of the warehousing and distribution that support our printing work.

Hemlock's quest to be innovative and adaptive also positions the company as an important economic driver for our region and our industry, as our commitment to new technology requires capital investment in equipment, software and ongoing training of staff.

**Digital printing** is core to Hemlock's future growth, offering quick-turnaround materials in smaller quantities that clients are increasingly ordering online.



## From printer to print manager

The largest credit union on Vancouver Island wanted to increase the quality and consistency of the printed products available at its dozens of branches there and on the Gulf Islands by consolidating production with a single vendor. With 26 branches and multiple insurance and investment offices, Coastal Community Credit Union required a partner to supply them all. In selecting Hemlock as its partner, Coastal Community chose a company able to deliver a wide variety of materials consistent to the credit unions brand identity within one centralized online ordering solution.

"Hemlock manages over 250 different SKUs, including everything from printer ribbons and deposit envelopes to business cards and stationery. Across our branches, Coastal Community can now rely on a level of consistency and quality previously unattained, with all the 'pain' removed from the process."

**Mike Goerzen**  
Associate Vice President  
Coastal Community Credit Union



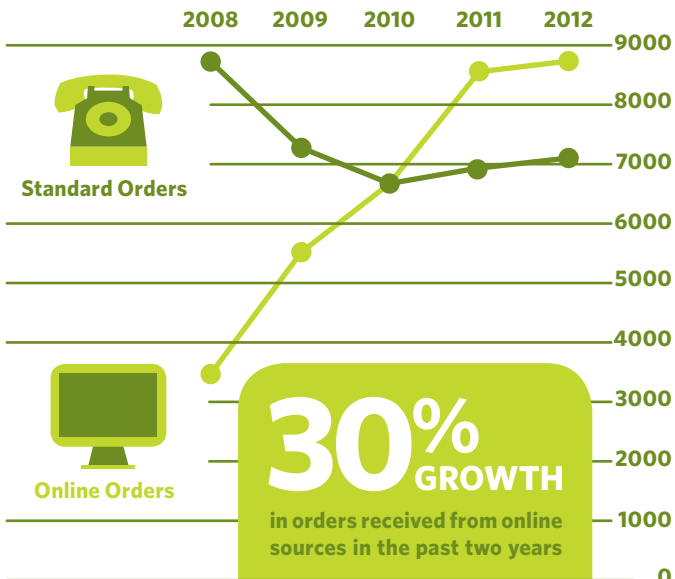


## Technological Change

In 2012, Hemlock launched 23 custom online print-management sites, bringing the total active customer sites to 81. Online orders received from these sites are predominantly small “print-on-demand” projects and warehouse fulfillment orders. These orders contain all necessary information to process and ship, including the electronic file for printing, when applicable. In addition to the building of online ordering sites, Hemlock’s web services team build customized client “dashboards” that provide access to live project information and various other resources, such as specifications from past orders and price lists.

The trend over the past five fiscal years is that while the number of standard printing orders has stabilized, we are experiencing year-over-year growth in orders derived from online sources. These online services will continue to increase in importance as they allow our services to become more accessible to a wider range of clients and projects. Hemlock will continue to develop our online reach and capabilities in the years ahead.

### Trends in number of orders received online compared to standard orders, 2008-2012



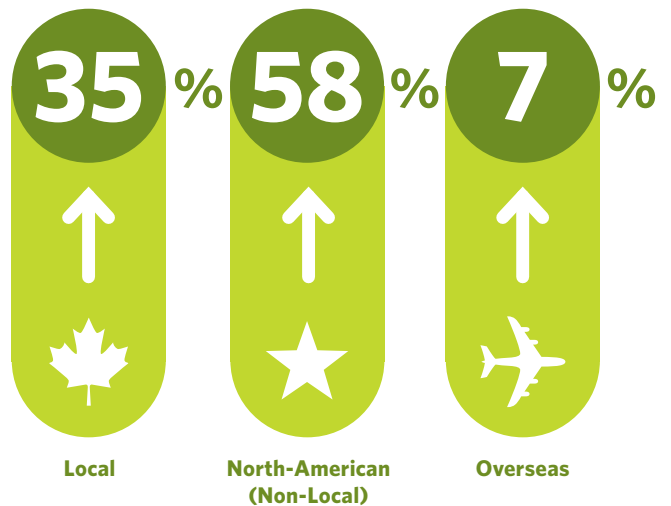
### Delivering economic benefits to our region, our continent

As B.C.’s largest sheet-fed printing company, Hemlock plays an important part in the economy of the Pacific Northwest. For speed of service, product quality and environmental performance, we give preference to papers manufactured in North America. A stable and healthy supply chain within our continent is strategically vital to our business, and we have long-established relationships with our Canadian and U.S. paper suppliers. These relationships are highly collaborative and Hemlock provides active feedback on the future direction of products, regularly discussing with suppliers the importance of environmental characteristics.

In fiscal 2012, we purchased almost \$12 million of materials, equipment and services within our supply chain. This total included equipment purchases essential to the efficiency of our production and to our competitiveness within the market. Our largest spending categories were paper and finishing services, both of which were driven directly by the projects we produced throughout the year.

The table below illustrates our geographic spending breakdowns for material and service suppliers for fiscal 2012.

In the fiscal year, with local and non-local North American expenditures combined, a total of 93% of Hemlock’s supplier spending was on goods manufactured and managed on this continent, including 49% from U.S. paper companies alone.



**GOALS** We will actively pursue the ongoing development of online tools, with the aim of increasing order volumes by 50% by the end of fiscal 2014. We will also develop, by the end of fiscal 2014, a formalized purchasing policy that outlines our sustainability goals and sets reasonable, achievable expectations for companies to meet as qualified suppliers.



## Employee Experience



### A diverse and supportive workplace

People are at the core of Hemlock's success. Together, skill and passion make our staff members integral to our success and our ability to adapt to change. Through continual investment in technology and training, we've developed a culture that responds dynamically to changes in the technological and economic landscape.

The rapid evolutions around us have motivated the cross-training of Hemlock employees in new skills in both our production and office environments and the adoption of new processes that improve our ability to service our customers. With 20% of our workforce employed by us for more than 20 years, our newer employees have a wealth of experience from which to draw to assist in their professional development. All staff members are encouraged and supported to train and develop the technical competencies necessary for diverse careers in graphic arts today.

Employee engagement matters to everyone at Hemlock. Through regular town-hall meetings and a monthly employee newsletter, we discuss our opportunities, challenges and successes with our staff. A culture of open and frequent dialogue with staff is an important part of our culture and keeps our entire team focussed to a common goal.



Paul Mackie

### Positive atmosphere, personal growth

Paul Mackie knew he wanted to work for Hemlock long before he was hired. The company's great reputation spread all the way to Winnipeg, where Paul was then living and working. Paul sent in his resumé and was hired in 2005 as a digital press operator in Burnaby around the same time that Hemlock installed its first HP Indigo press. With the training he received amid Hemlock's supportive atmosphere, Paul advanced within the company to his current position of managing Hemlock's digital division, earning recognition from PrintAction magazine as one of the Top 35 Under 35 in Canada. His professional growth reflects sales in the division, which have tripled since he joined it. Paul hopes that in 10 years he'll still be working at Hemlock.

"Hemlock produces high-quality, high-end pieces: that's the first thing you hear about the company that you're intrigued by. And when you dig a little deeper, you hear about how well it's run and how happy people are when they're working here. When you dig even deeper, you see all the different initiatives and technologies Hemlock is always looking at.

"The camaraderie and the way we all work together as a team make it really enjoyable to belong to our great division. Everyone here is cross-trained and able to help one another out, so if you have an unexpected emergency, you know somebody has your back. A big part of what makes a great team is just getting along with the people you work with."

#### Paul Mackie

Manager, digital division  
Hemlock Printers Ltd.





## Employee Experience

Hemlock’s employees work in collaborative, problem-solving teams that share a commitment to product quality and continuous process improvement. These teams include production, planning, sales and estimating. Of our 171 employees, all but nine employees who work in sales and sales support are located in our main plant in Burnaby.

We’re proud of the long tenure of our staff. Over 100 employees have been with us for more than a decade.



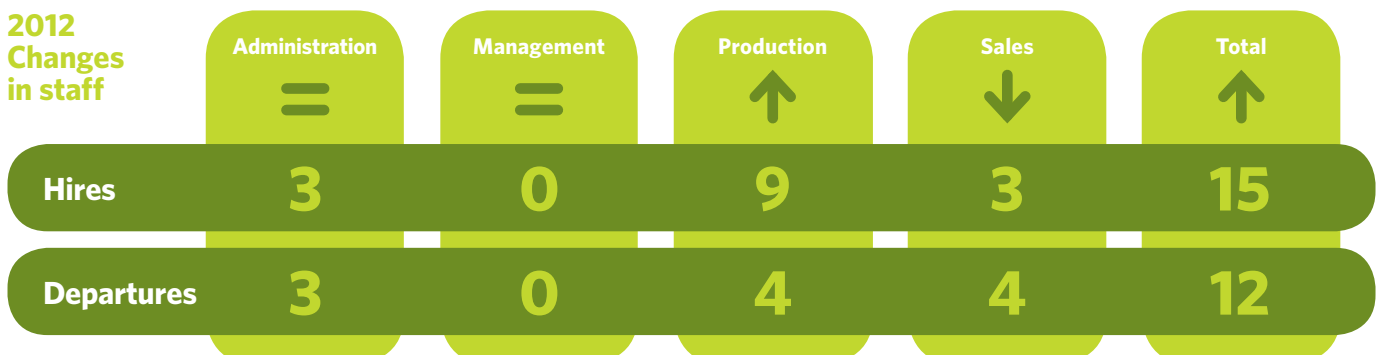
of Hemlock staff have been with the company for more than 10 years

### Tenure of staff



Staff Demographic									
	Number of employees	Gender		Employment		Age			
		Male	Female	Full-time	Part-time	15-30	31-45	46-60	61+
Administration	34	38%	62%	31	3	6	11	17	0
Management	15	73%	27%	15	0	0	4	9	2
Production	99	87%	13%	97	2	4	49	39	7
Sales	23	43%	57%	23	0	2	11	10	0
<b>Total</b>	<b>171</b>	<b>70%</b>	<b>30%</b>	<b>166</b>	<b>5</b>	<b>12</b>	<b>75</b>	<b>75</b>	<b>9</b>

### 2012 Changes in staff





### Health and safety at the forefront

Working with existing policies, employee feedback and management, Hemlock’s health and safety committee supports a fair and safe working environment and helps maintain a clean, tidy plant where exposure to dust and solvents is low. We have a statistically negligible rate of injury among staff members, with injuries incurred only by those in production positions at our Burnaby plant (see table below). No work-related fatality or occupational disease claim has ever occurred at Hemlock, and workers’ chemical exposures are far below established safety thresholds.

Our health and safety committee assesses risks on a monthly basis, and production teams refresh their safety skills semi-annually. Our supervisors provide updates on injury prevention at weekly meetings as well as debriefing sessions for production teams after injuries occur that result in more than one day of lost time. In addition, free anonymous third-party counselling services are available to employees at any time.

### Fiscal year 2012

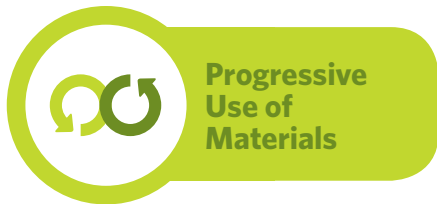


\*Lost-time days are counted from the first day of scheduled work missed following workplace injury or disease.

†Absenteeism encompasses all days missed from injury, disease and any other incapacities as well as care days used as vacation days. It does not include holidays, study leave, parental leave or compassionate leave.

Hemlock offers every employee one week of “care days” annually to be used for short-term time taken off for personal illness or family responsibilities, but they may also be added to scheduled vacation days. Our rate of absenteeism may appear higher as compared to the actual rate of illness and injury, since we don’t track for what purposes employees use their care days.

**GOALS** In 2013, we will introduce new performance reviews consistently throughout our business that focus on employee development. Also in 2013, we will institute a staff feedback program aimed at describing our current internal initiatives and gathering input on other improvements that can be made.



## Helping the planet with our spending choices

Small changes in purchasing decisions can have a large impact on a company's environmental footprint. By collaborating with suppliers, Hemlock takes the initiative to learn about newly available products and, if technically and economically viable, adapts our purchases accordingly.

Making up more than 90% by weight of the materials Hemlock uses annually, paper provides our company's best opportunity for creating positive change. Our paper purchases are linked to the global paper supply chain, which has a direct impact on the state of the world's forests, a vital resource essential to the planet's biodiversity and climate stability. In many cases, the paper industry has responded to environmental concerns relating to forestry practices, fibre-sourcing and emissions quality by developing environmentally preferable products and approaches. These changes have been supported through wide engagement with independent third parties such as the Forest Stewardship Council® (FSC®) and other international environmental nonprofit organizations.

By choosing paper with lower impact features, including recycled and alternative fibres, chlorine-free bleaching and FSC certification, our clients can directly help widen the market for these products. As Hemlock is a relatively large buyer and a recognized leader, our advocacy and purchasing preferences have effects all along the paper supply chain.

The other 10% of materials we use in production are inks, coatings, printing plates, solvents and additives. From less volatile, less toxic solvents to vegetable-based inks, our clients and their customers demand environmentally preferable printing materials, and Hemlock has been an industry leader in adopting and promoting these materials. In addition, we consult with clients to plan the most efficient use of these materials for their individual projects.



**Hemlock's roll program** offers clients a range of weights and finishes that minimize waste. All are FSC-certified and allow for custom sheet sizes.

## There's good company in ancient forests

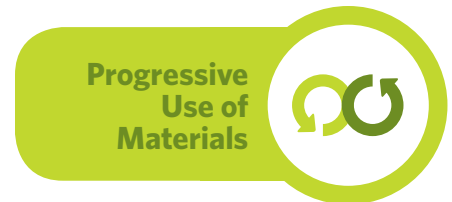
For more than a decade, Canopy has been working to protect the world's forests, species and climate by supporting publishers, printers and paper producers in adopting green practices. Since printers are the gatekeepers of the print world, it was a "very happy surprise," in Canopy's words, when Hemlock approached the group in 2004 to build on their work with publishers and set up a collaborative eco-paper procurement strategy. Via this partnership, Hemlock became the first printer to join Canopy's Ancient Forest Friendly™ program. Since then, Hemlock has been in good company, earning from Canopy an Order of the Forest Award along with recipients such as Margaret Atwood and J. K. Rowling.

"We really enjoy collaborating with Hemlock because they are visionary and always wanting to stay at the forefront of environmental initiatives. Everything Hemlock has done, from paper procurement choices to work on carbon reduction, asking mills and merchants to adopt FSC and working back through the supply chain to secure lasting protection for ancient and endangered forests on the ground has helped set a baseline of what leadership looks like within the entire North American print industry.

Hemlock was the first printing company we worked with, and the things we have learned together have inspired Canopy's work across the print sector."

**Neva Murtha**  
Printer Campaigner  
Canopy





### Leading the sustainable way for suppliers and clients

For years, Hemlock has promoted environmentally preferable products and transparent reporting among our partners. Since becoming the first printer to develop an Ancient Forest Friendly™ policy with Canopy in 2005, we've continued in our commitment to improving the sustainability of the paper we purchase, working with the most environmentally transparent mills to increase the availability of their papers and reduce costs for our clients.

Many of our paper suppliers have also improved their own sustainability by adding FSC certification, increasing recycled content, purchasing renewable energy credits and publishing environmental reports.

For instance, several of our most popular papers have seen increases in recycled content from 10% to 30%, as well as gaining new FSC certifications. In addition, we continue to compile detailed reports on the environmental profile of our paper orders, finding that 78% of the paper we purchased in fiscal 2012 was FSC-certified, up from 5% in 2005.

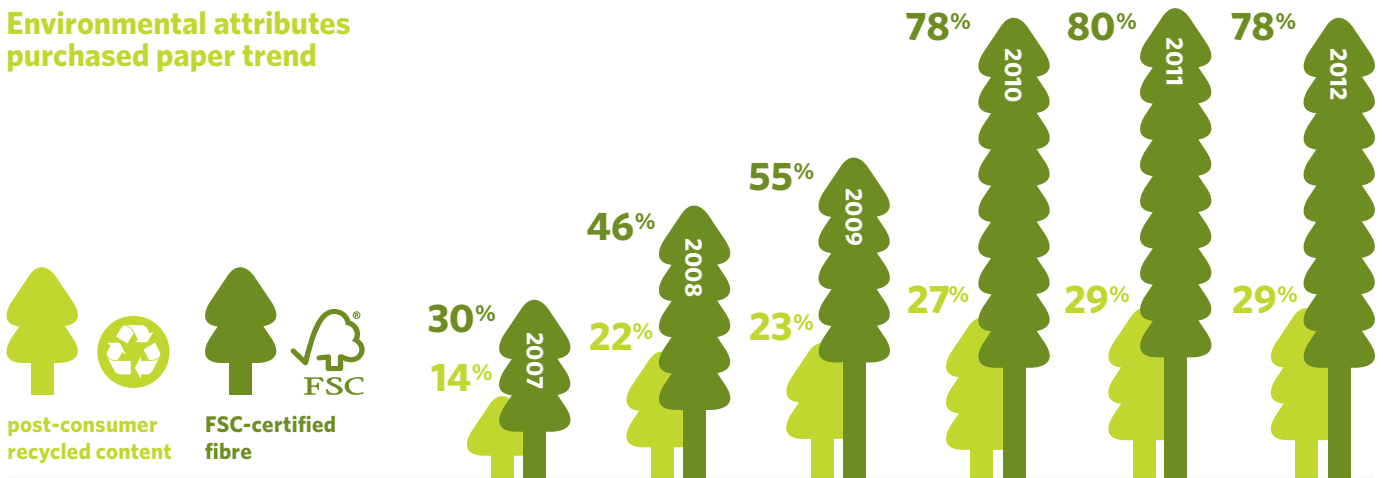
Suppliers' support of our Ancient Forest Friendly™ commitment has resulted in marked improvements in sales of lower-impact paper. Thanks to the new roll-to-sheet equipment we acquired in late 2010,

we can now use rolls of popular FSC-certified and recycled-content papers. Their use reduces material costs and the environmental impact of transport, as well as saving us time by reducing press stoppages by 50%.

In recent years, our suppliers of non-paper, non-renewable materials have increased their environmental performance. Among these, Fujifilm Canada Inc. reported 10% post-consumer recycled content in the 22 tonnes of aluminum printing plates we use per year, which made up over 50% of our annual metal consumption in fiscal 2012. Moreover, the inks used in our lithographic process continued to contain a renewable vegetable-oil base and were made with the lowest evaporation formula available.

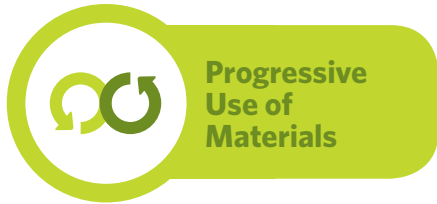
Water is the only raw material we use at Hemlock. Our municipal water use (12,410 cubic metres in fiscal 2012) continues to be below Metro Vancouver's water discharge permit threshold. Nearly all of this goes to domestic consumption and garden irrigation. In fiscal 2012, only 437 cubic metres, or 4% of our total water supply, went to printing and an additional five cubic metres were mixed with solvent and used to clean the presses. This water is reused multiple times before it is collected for responsible treatment and disposal.

### Environmental attributes purchased paper trend



Material usage by metric tonne						
Cleaning solvents and fountain additive	Ink/varnish/coating	Plastics	Plates and metal	Printing and internal papers	Single-use shipping cartons	Wood, cotton and starch
25	73	17	22	3,188	51	31

Consumable materials purchased by Hemlock in fiscal 2012.



### Recycled origins of materials consumed

Among the renewable manufactured goods and recycled materials we use at Hemlock, paper is by far the most significant by quantity, making up 94% of the category by weight. The environmental profile of the paper on which we print for clients has continued to improve, with the proportion of post-consumer recycled content increasing from 7% in fiscal 2005 to 29% in fiscal 2012. Despite challenging economic conditions in recent years, demand for FSC-certified and recycled content papers continues to be strong. Meanwhile, our recycled shipping cartons have 50% post-consumer content. Post-consumer recycled content is rarer in our non-paper materials, which made up a small proportion (6.4%) of Hemlock’s total purchases by weight in fiscal 2012.



Purchased recycled and renewable inputs							
	Cleaning solvents and fountain additive	Ink/varnish/coating	Plastics	Plates and metal	Printing and internal papers	Single-use shipping cartons	Wood, cotton and starch
Post-consumer recycled content	0%	0%	0%	10%	29%	50%	0%
Metric tonnes recycled content	0	0	0	2	924	25	0
Renewable?	no	over 15%	no	no	yes	yes	yes

Fiscal 2012 figures

**GOALS** By 2015, we aim to increase the demand for our purchases of FSC papers to 85% and to include the use of agricultural residue fiber in our paper metrics. We intend to initiate a reusable shipping-carton program for repeat customers, including cost incentives, by 2014.

## Energy Use and Climate Change



### A new world means new business risks and opportunities

Climate change is a reality that every individual, company and government today must play a role in addressing. To remain competitive, businesses need to acknowledge and respond urgently to its demands. For Hemlock, risks include rising shipping costs, changes in the availability of pulp and paper and an increase in the need to reduce material consumption.

Another much smaller liability is the rising cost of emissions credits. Working with Offsetters, a leading provider of solutions in carbon management, Hemlock voluntarily buys GHG credits at \$20 per metric tonne. We achieve carbon neutrality on an annual basis, and its cost to us in fiscal 2011 was \$8,500. We purchase credits for scope 1 (direct), scope 2 (indirect) and part of scope 3 (other) only after we've done all we can otherwise to reduce our emissions for the calendar year. In addition to working with Offsetters on purchasing these credits, we act in partnership with Climate Smart Businesses Inc., a Vancouver-based social enterprise, on carbon management. Indeed, we continue to benefit from carbon-reduction strategies that reduce expenses associated with electricity and waste-handling.

Ongoing business opportunities include maintaining our leadership as a carbon-neutral company and a knowledgeable supplier of lower-carbon papers and printed products, both of which are enjoying rising demand. 2011 was the fourth calendar year we tracked operational GHG emissions using the globally recognized WRI GHG Protocol Corporate Standard for accounting. In our 2011 Greenhouse Gas Report, generated under the protocol, we address energy use and emissions that we can control and influence, including those of our major subcontractors for manufacturing and transporting our products. Our clients, employees and stakeholders value our transparency in reporting the carbon impact of our operations and products: a transparency that helps us establish Hemlock as a trusted, environmentally progressive business leader.

Another significant opportunity for Hemlock is to advise clients on the greenhouse gas impacts of specific papers selected for a project. Papers which are manufactured using renewable energy, higher post-consumer content and have reduced transportation footprints all contribute to a lower greenhouse gas footprint. Through Zero, Hemlock's carbon-neutral product program, we help clients become aware of the papers with the lowest carbon footprints that will fit their needs, and we tailor offset purchases for particular print projects.

# zero

**10% of Hemlock's clients**  
opted for carbon-neutral  
printing in fiscal 2012.

### From Zero and counting

In the world of voluntary carbon offsets held to international standards, Vancouver-based Offsetters is gold. Highly ranked by the David Suzuki Foundation and the Pembina Institute, Offsetters was the official offset provider to the 2010 Olympic Winter Games, the first carbon-neutral Olympics. Nearly two years earlier, Hemlock approached Offsetters for assistance in achieving carbon neutrality and for the development of the Zero program, which allows customers to opt into carbon-neutral print projects.

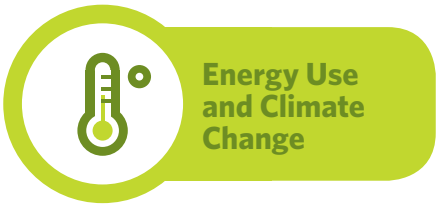
The people at Offsetters start by assisting clients like Hemlock in understanding their impact on climate. Hemlock purchases carbon credits in support of energy-efficient and fuel-switching projects that reduce GHG emissions, such as the installation of insulating night covers and clean-burning biomass furnaces in B.C. greenhouses. The result: Hemlock became the first carbon-neutral printer in Canada, something that's had a ripple effect much as Zero itself has had.

"First of all, in the way Hemlock understands emissions, it is one of the most sophisticated in terms of carbon management of any client that we work with. The Zero program is a great example of that.

"And Hemlock has absolutely inspired others. We know they are still a leader because we've been contacted by a couple of other printers who now wish to replicate carbon-neutral printing as well. That's one way we can really measure our clients and how they're leading their industries, because we get contacted by their competitors."

**Christopher Hakes**  
Director of client engagement  
Offsetters



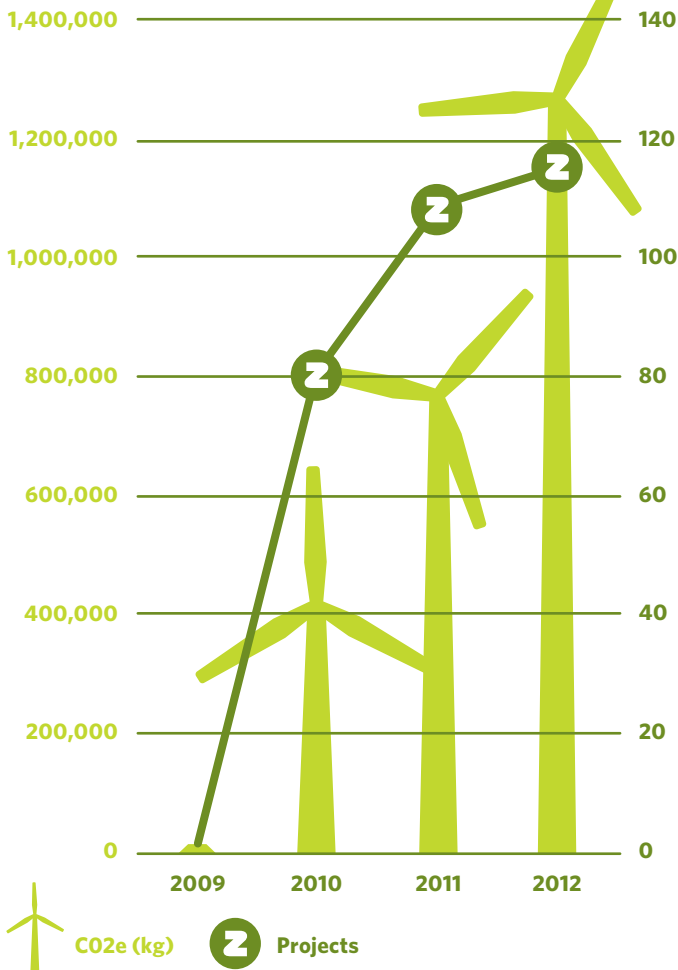


### Helping clients control carbon

In 2008, Hemlock became the first printer in North America to report on and reduce its carbon emissions. We took a step further in 2009 with our Zero program. In fiscal 2012, we continued to build Zero as well as reducing emissions from transportation and energy use in our building.

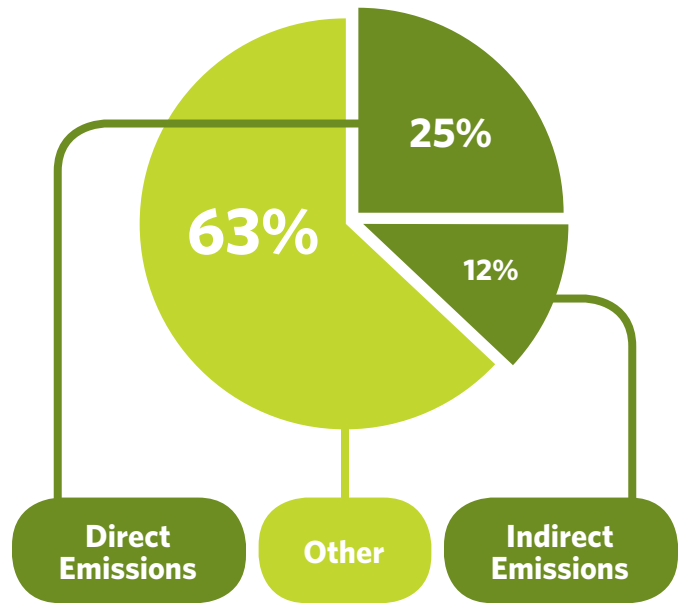
How does Zero work? The program provides the client with a customized GHG statement covering emissions associated with the papers used in the project. The calculation takes into account the location of the paper mill, the percentage of post-consumer content and emissions from the forest floor to manufacturing and end-of-life. A carbon. In fiscal 2012, 10% of customers participated in Zero, helping us reduce our printed-paper emissions category by 14%.

### Zero program growth



2012 was the fifth fiscal year that we continued operating as a carbon-neutral company through our association with Offsetters, balancing our operational emissions by purchasing voluntary carbon credits that support renewable energy generation, fuel-switching and energy-efficiency installations around the world. Fiscal 2013 will be our second year working with Climate Smart. On an annual basis, after evaluating the calendar year's emissions performance, we create a GHG report on our inventory and progress toward our emissions-reduction goal.

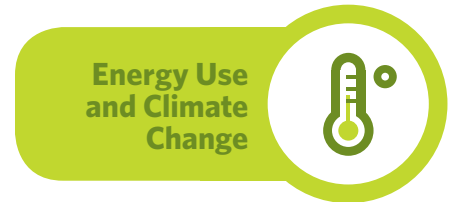
### Greenhouse gas footprint, calendar 2011



Emissions by weight					
Source	2007	2008	2009	2010	2011
Total Direct Emissions	135	138	124	84	97
Total Indirect Emissions	63	58	53	49	46

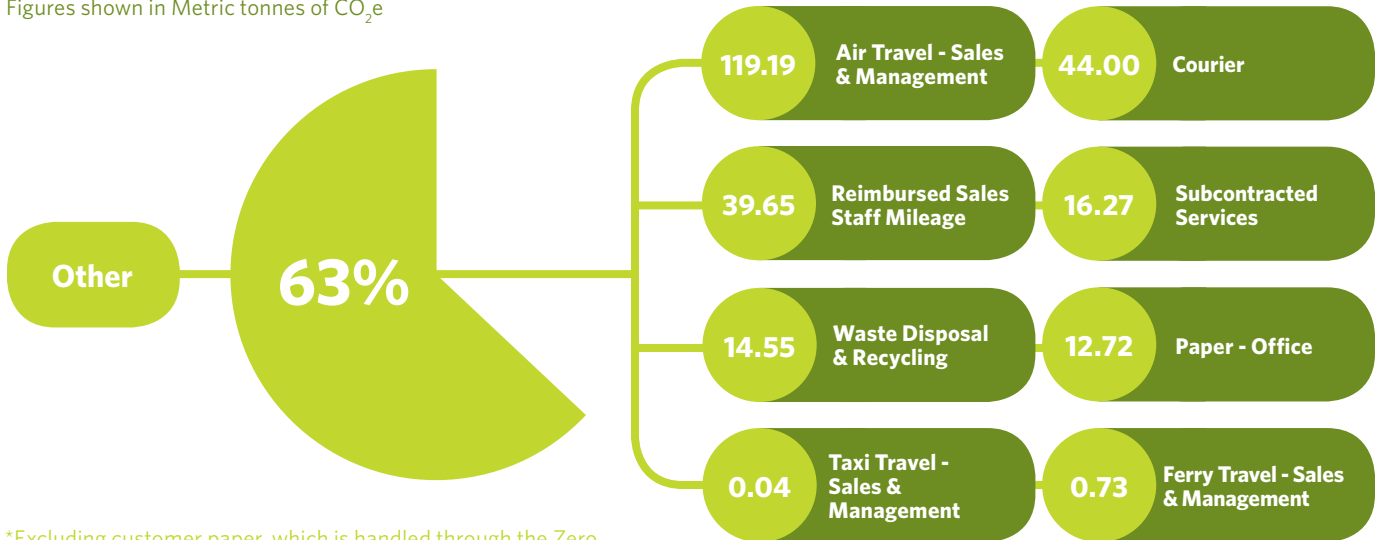
Direct emissions are from purchased natural gas and diesel fuel, and indirect emissions are from purchased hydroelectricity, both in line with the WRI GHG Protocol Corporate Standard. Figures are given in metric tonnes of CO<sub>2</sub>e.





### Other relevant indirect greenhouse gas emissions by weight, calendar 2011\*

Figures shown in Metric tonnes of CO<sub>2</sub>e



\*Excluding customer paper, which is handled through the Zero program, and staff commuting. For full details, please see our 2011 Greenhouse Gas Report, available at hemlock.com.

### Energy uses and emission sources

We calculate our emissions and consumptions by calendar year, publishing a Greenhouse Gas Report on our website annually. Our largest categories of operational emissions come directly from power for our Burnaby plant and indirectly from suppliers. These are services within our control, so we make every effort to reduce the impact of these emissions and offset the remainder. While commuting choices are not under our operational control, we encourage our employees to take public transit by offering subsidized transit passes and providing amenities for cyclists and carpoolers.

With 380 metric tonnes of operational GHG emissions in 2011, Hemlock has achieved a reduction of 24% as compared to 2007 emissions. We are thus well ahead in working toward our original total goal of a 33% reduction by 2020.

Hemlock has reduced direct and indirect energy consumption and greenhouse gas emissions through a variety of initiatives, including:

- incorporation of our digital division into our primary production facility;
- lighting retrofits;
- installation of a new roof covering that has significantly decreased the need for heating and cooling in the plant area; and
- improved online and on-site file-proofing, which has reduced emissions from client and courier travel.

Energy consumption					
Source	2007	2008	2009	2010	2011
Direct	2,180	2,348	2,136	1,458	1,679
Indirect	11,339	10,420	9,451	8,891	8,248

Direct emissions are from purchased natural gas and diesel fuel, and indirect emissions are from purchased hydroelectricity, both in line with the WRI GHG Protocol Corporate Standard. Figures are given in metric tonnes of CO<sub>2</sub>e.

**GOALS** We will continue our progress to reduce our emissions by 33% below our 2007 baseline by 2020. By 2015, we will invest in the energy efficiency of our plant and improve workplace practices to cut electrical consumption by 10%.



## Protecting people and ecosystems for a cleaner tomorrow

Air quality, water quality and waste management are important local and global issues. Responsible waste management centres on the principle that tomorrow's environment and quality of life should be as good or better than today's. Efficient planning of resources maximizes reuse and recycling of materials while minimizing the environmental impact of manufacturing and disposal. Concerns voiced by our community and industry stakeholders about solid and liquid waste, as well as about solvent vapours, provide opportunities for action.

At Hemlock, we apply the world's best processes for minimizing solid and liquid waste, diverting what waste we do produce toward recycling and treatment. We invest in technologies that reduce air emissions and facilitate efficient material use, both of which approaches also reduce costs. Our waste handling and diversion have additional benefits, such as preventing environmental contamination and chemical exposures for workers. Investing in efficient reuse often results in savings on disposal, which we can then apply to implementing better recycling systems.

## Less is more in the world of waste

Like all manufacturers, printers generate constant flows of recycling and waste. At one point, Hemlock had eight trucks per week pulling up to haul away tonnes of everything from recyclable paper off-cuts, landfill waste, waste inks and other process waste. While expanding our recycling efforts enabled us to cut down on the loads headed to the landfill, our shipping area remained congested with collection bins and multiple pickups. Therefore, we started working with Cascades Recovery Inc. to create a new, efficient system of collection that halved the number of recycling pickups, freeing up storage and loading space. Our busy shipping staff could breathe easier, and we saw ongoing improvements in waste-handling.

Changes included adding a baler and paper compactor, automatic waste-removal chutes right on the paper cutters, ergonomically designed custom tipping carts and a colour-coded sorting system. In addition to reducing waste, the new system increases income from paper recycling by reducing charges for handling and contamination. It has inspired other companies to follow suit.

"One of the things we had to work on was making sure that everything we possibly could divert out of the landfill, beyond even paper, was done in a sustainable kind of way and maintained the highest value as recycling. Hemlock worked with us so well, allowing us to come in and and make our changes and train the staff. Now it all works perfectly.

"Hemlock wants to try new things that help the planet. And that's the feeling we share in our company, too."

**Danielle Villeneuve**  
Senior Account Manager  
Cascades Recovery Inc.

**Cascades Recovery Inc.** 



Hemlock's comprehensive waste handling practices help divert **99.6%** of paper and **94%** of non-paper solids from the landfill.

**Waste and Emissions Management**



**Amounts of emitted solids in metric tonnes, ranked by destination**

	Landfill	Paper Recycling	Metal Recycling	Plastic Recycling	Wood Recycling	Compost	Totals
Totals	9.33	1,128.21	17.02	19.64	40.03	0.944	1215.18
Percent of total	1%	93%	1%	2%	3%	0%	100%

**GOALS** In 2013, we will improve our signage and waste-handling procedures to improve landfill-diversion rates. We will install high-intensity energy-efficient electric hand-dryers and reduce domestic water use by 20% by 2015.



**Solid thinking**

Treating solid waste in an environmentally sensitive way is central to sustainability at Hemlock. Our well-established handling of waste paper goes back to the early 1970s, when we were among Greater Vancouver's first printers to collect waste paper for recycling.

We also divert many more challenging waste materials that are still commonly sent to the landfill and local sewers or allowed to evaporate. These include plastics, ink containers, obsolete electronics, compost from paper towels and food, rubber scraps, specialty papers, solvents, metals and process wastewater. Our extended waste and emissions management supports our clients' goals of reducing the frequency and severity of unethical and environmentally damaging activities in the supply chain.

Processes and technologies that help us reduce and reuse materials are key aspects of waste management. In 2010, we added the capability of on-press sheeting, which enables the production of custom sheet sizes from paper rolls. We thereby reduced the average paper consumption on our 10-colour press by up to 15%. We continue to benefit from our 2008 investment in dampening filters, which allow us to reuse water and additives multiple times in our lithography presses and reduce our wastewater from those presses by 65%.

After reducing and reusing, we seek progressive, collaborative suppliers that help us improve our recycling. We send all plastics, metals, wood waste and specialty substrates off site for recycling and organics and paper towels for composting. We do an annual dumpster dive to confirm the proper diversion and disposal of our solid waste. Every year, we aim to send less waste to the landfill. In calendar 2012, we diverted 89% of non-paper solid waste from landfill, and we have reduced our landfill-bound solid waste by 80% since 2006, when we began our waste audits.



**Air ways**

Hemlock's opportunity to reduce air emissions lies in our selection of progressive inks, coatings and solvents. Inherent in the drying process is the potential for the release of harmful materials, known as volatile organic compounds (VOC), into the atmosphere.

At Hemlock, we make a point of sourcing low-VOC materials that also meet our production requirements. We control solvent vapours by using vegetable oil-based process inks with low VOC content and by cooling our printing presses to reduce further evaporation. These approaches lessen odours and make our press room and print products safer.

In fiscal 2012, Hemlock continued to come in far below the 10-tonne air-contaminant annual emission reporting threshold for Environment Canada's National Pollutant Release Inventory. The company emits no other air pollutants.



**Fluid facts**

Hemlock's non-recyclable and liquid waste equals approximately 5% of the company's total waste. We contract licensed, high-quality treatment suppliers to handle our process wastewater and our spent solvent and ink residues, which equalled 1.23 cubic metres

and 46 cubic metres, respectively, in fiscal 2012. Along with the solvent residues from our rag launderer, these liquids go to Canadian companies offering water purification and waste-to-fuel energy recovery.

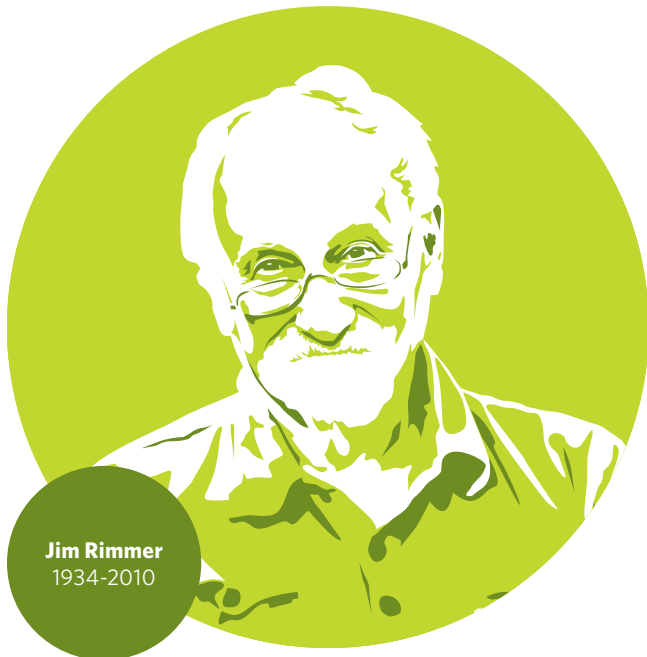
Our total metered water use in fiscal 2012 was 12,410 cubic metres. Of this quantity, 4% (437 cubic metres) was used for Hemlock's printing presses. As 95% of such process water evaporates from the printed page, only 5% requires licensed treatment. The other 96% of municipal water we consumed in the fiscal year, which went to domestic uses by staff and to landscape irrigation, met local drainage bylaws and was discharged to sewers accordingly.



## Collaboration with community groups fosters important relationships

The business community has always used the strength of relationships and reputation to inspire change. Increased collaboration with groups working on environmental and social causes indicates growing awareness of sustainability among business leaders. By working with local community and environmental non-profit organizations, we can achieve greater social and environmental benefits than we could by focusing on business networks alone.

It is vital to the health of our company culture and to the strength of our business that we actively address the environmental and social issues affecting our community, our employees and our industry, both locally and globally. We communicate our values and actions to stakeholders primarily through press releases, social media, educational seminars and volunteer efforts, as well through financial or in-kind support for the causes in which we believe.



**Jim Rimmer**  
1934-2010

Hemlock and the Society of Graphic Designers of Canada (BC Mainland chapter) honour Jim Rimmer, legendary type designer, with an annual scholarship to design students that promotes community causes.

## Opening the minds of young designers

Jim Rimmer was one of a kind. An exceptional typographer, designer and letterpress operator, he also taught at Emily Carr University of Art + Design, Vancouver. Jim's reputation for creating a range of beautiful, original things from fonts to books was matched by his warmth, integrity and generosity. He spent countless hours sharing his skills and knowledge. Dick Kouwenhoven, Hemlock's founder, CEO and chairman, was a longtime friend of Jim's, and our company has been a member of the Society of Graphic Designers of Canada (GDC) going way back. So it was natural for the two organizations to create a scholarship in Jim's honour just before he passed away.

Since 2010, the Jim Rimmer Community Scholarship for Design has awarded \$1,000 each to two design students every November who show outstanding ability and who have applied their skills and thinking to benefit their communities and effectively convey messages, affect action and promote change. These awards are fitting tributes to a Canadian icon of the design world.

"The scholarships are all about community, education and using your creativity and ingenuity to get involved. 'Community' is such a broad term, but in Jim's case it's appropriate. His door was always open; he always welcomed students to come in and learn. They were completely inspired leaving there. It changed their entire perspective of what design can contribute.

"When we looked at Jim and everything he did for the community, the idea was that up-and-coming design students would use their design skills to give back to the community by improving something like a homeless shelter or a garden and impact the world in a positive way."

### Andy Maier

*Designer and brand strategist, COURAGEOUSb*

Past president, Society of Graphic Designers of Canada / BC



**Society of  
Graphic Designers of Canada**





## Social Impact

### From classroom to action, Hemlock builds a better future

At Hemlock, we believe strongly in the value of sharing our knowledge and experience with industry associations, non-profit organizations and educational institutions.

We hosted many instructional tours throughout calendar year 2012 for clients and students alike at educational institutions including British Columbia Institute of Technology, Emily Carr University of Art + Design, Visual College of Art & Design of Vancouver, Langara College and Simon Fraser University. Several of our employees teach evening classes at BCIT's graphic arts technology program.

As a member of the BCIT graphic arts technology advisory board, our senior vice-president of manufacturing and operations was instrumental in adding a required course in business and environmental ethics to the school's curriculum, co-instructing it in 2010. Hemlock also increased awareness of social and environmental sustainability among students of graphic arts by co-establishing the Jim Rimmer Community Scholarship for Design through the Society of Graphic Designers of Canada (BC Mainland chapter) in 2010.

Through their participating in the 24 Hour Relay since 1989, Hemlock has raised over **\$250,000** for Easter Seals Camps.

In their spare time, and sometimes on paid staff time as well, many Hemlock employees volunteer to help build better communities. Several advocate for improved environmental practice through non-profits and industry associations focused on business development, graphic arts and printing, affecting development of public policy and improving industry standards. We have staff participating as members of the Burnaby Board of Trade and its sustainability committee, as well as in the Victoria Advanced Technology Council (VIATeC) Sustainability Round Table.

In 2012, Hemlock became a Power User of the Environmental Paper Network (EPN), an NGO with the mission to protect the climate, forests and communities. This new status means that we support EPN financially in exchange for additional "paper calculator" features and technical support. EPN's paper calculator is a lifecycle estimator that allows users to measure the environmental footprint left by their paper usage and choose paper that enables protection of climate and

endangered forests. Also in the calendar year, we earned Climate Smart's seal, signalling our success in measuring and reducing our carbon footprint and bringing us access to a large network of ideas and resources that will help us achieve our aggressive sustainability goals in the coming years. We were moreover Canada's first printer to acquire certification from Green-e, a leading independent program that certifies and verifies renewable-energy projects and GHG reductions in Canada and the U.S.

Always seeking suitable platforms and audiences, we disseminate practical information in an effort to spread the word about sustainable business practices. In calendar 2012, we published prominent articles in the business press on how a company can choose the right printer for its marketing needs, on how we at Hemlock use changing technology to expand our print and sustainability offerings and on steps companies can take to green their supply chains. We also host client events where guest speakers present on topics ranging from the carbon economy to emerging design trends.

We support charities active in the arts and environmental education by donating services, regularly matching employees' contributions to humanitarian causes. The products generated from our involvement include the Hope in Shadows calendar, sold by and showcasing photography by residents of Vancouver's Downtown Eastside; printed materials for the YWCA Women of Distinction Awards night; and a perfect bound book for the Museum of Vancouver's exhibit Object(ing): The Art/Design of Tobias Wong.

We continued our financial, material and in-kind support for our long-standing charitable partners, as well as our volunteer work on paid staff time, in calendar 2012. Our contributions during this period included the following:

- Our staff spent more than 180 paid hours organizing fundraising and volunteering for the Easter Seals 24 Hour Relay, the Burnaby Christmas Bureau's hamper programs, Burnaby Hospital's Rhythm for Life: the Run and Walk for Everyone and a community cleanup
- Our Off Cuts for Charity program printed over 44,000 pieces
- We donated approximately \$50,000 to registered arts-education and environmental charities, on top of other in-kind donations, equalling 0.16% of sales for the fiscal year

**GOALS** By 2014, we aim to build a system that will accurately track the financial value and/or mass of in-kind and material charitable contributions we make, as well as hours of paid and unpaid voluntary time given. We will expand the Off Cuts for Charity program to use leftover and waste paper to benefit charitable organizations and community groups.

Hemlock Printers used the Global Reporting Initiative (GRI) G3 guidelines as a basis for this report and a framework for measuring and reporting our environmental, social and economic performance. Hemlock self-declares this report to meet the standard set out by the GRI for a C level report. More information on the GRI is available at [www.globalreporting.org](http://www.globalreporting.org)



**Report Application Level**



		C	C+	B	B+	A	A+
<b>Standard Disclosures</b>	<b>G3 Profile Disclosures</b> →	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17		Same as requirements for Level B	
	<b>G3 Management Approach Disclosures</b> →	Not Required	<b>Report Externally Assured</b>	Management Approach Disclosures for each Indicator Category	<b>Report Externally Assured</b>	Management Approach Disclosures for each Indicator Category	<b>Report Externally Assured</b>
	<b>G3 Performance Indicators &amp; Sector Supplement Performance Indicators</b> →	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one of each of Economic, Environmental, Human rights, Labour, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

## G3 Content Index – GRI Application Level C

Indicator	Description	Section	Page
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2.1	Name of the organization	About Hemlock	4
2.2	Primary brands, products, and/or services	About Hemlock	4
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	About Hemlock	4
2.4	Location of organization's headquarters	About Hemlock	4
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2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	About Hemlock	4
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<b>3. Report Parameters</b>			
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3.4	Contact point for questions regarding the report or its contents.	About this report	5
3.5	Process for defining report content.	About this report	5
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	About this report	5
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	About this report	5
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	About this report	5
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	About this report	5
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4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Management and governance of sustainability	6
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Management and governance of sustainability	6
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Management and governance of sustainability	6

continued

Indicator	Description	Section	Page
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4.15	Basis for identification and selection of stakeholders with whom to engage.	Management and governance of sustainability	6
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<b>Economic performance</b>			
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<b>Materials</b>			
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EN4	Indirect energy consumption by primary source.	Energy and Climate Change	17
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LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Employee Experience	11
<b>Public policy</b>			
SO5	Public policy positions and participation in public policy development and lobbying.	Social Impact	21



Hemlock would like to thank the following partners for their continued advocacy for sustainability:



The mark of responsible forestry



## Canopy

Canopy is a not-for-profit environmental organization dedicated to protecting forests, species and climate. Collaborating with more than 700 companies to help ensure their supply chains are sustainable, Canopy believes that businesses can be powerful partners in implementing innovative solutions.

## Climate Smart

Climate Smart is a social enterprise based in Vancouver, committed to empowering and enabling organizations to reduce their emissions through greenhouse gas management training, strengthen their businesses and build a resilient economy.

## Environmental Paper Network

Based in the United States, the Environmental Paper Network is an association of over 100 international organizations working collaboratively to empower and motivate consumers, corporations, organizations and governments to protect our environments and communities through more sustainable production and consumption of pulp and paper.

## Forest Stewardship Council®

The Forest Stewardship Council (FSC®) is an international certification and labeling system dedicated to promoting responsible management of the world's forests. FSC enables businesses and consumers to create positive change to keep our forests healthy for generations to come.

## Green-e

Green-e is the leading independent certification and verification program in the United States for renewable energy and greenhouse gas emission reductions in the retail market. Their Green-e Marketplace re:print program certifies printers and paper lines that use renewable energy from natural sources like solar, wind, and low-impact hydropower facilities.

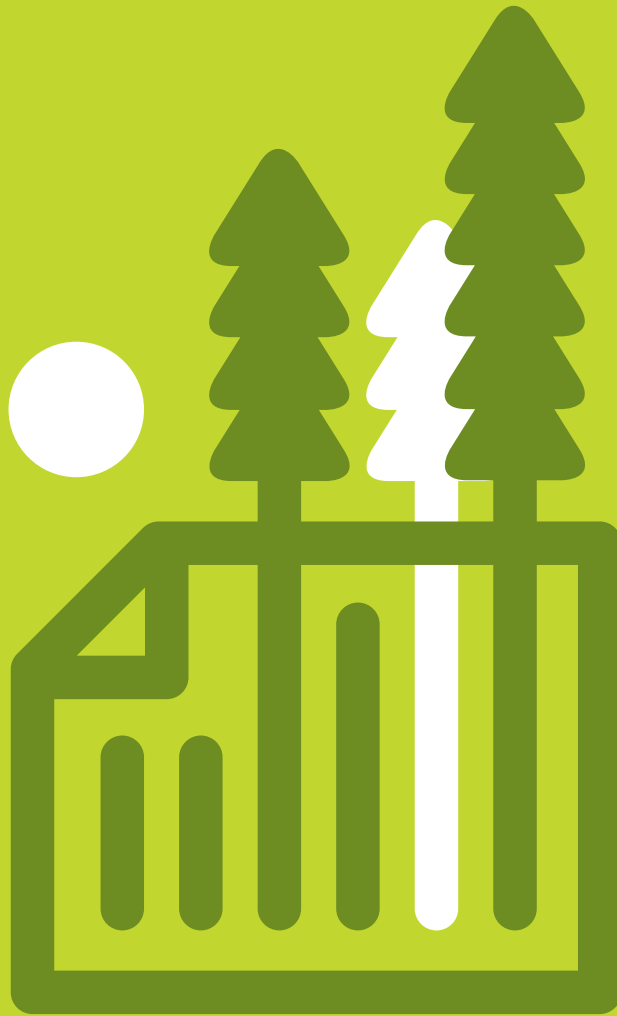
## Offsetters

Founded in 2005 in Vancouver, Offsetters is Canada's leading carbon management solutions provider and was the first ever Official Supplier of Carbon Offsets in the history of the Olympic movement in 2010. Offsetters promotes a shift to a low-carbon future by helping clients understand, reduce and offset their greenhouse gas emissions.

#### Production Notes

This sustainability report was printed with two Pantone inks on Hemlock's HP Indigo Digital Press on 100 lb Classic Crest Digital Recycled Bright White Text, containing 100% FSC® Certified post-consumer waste recycled stock, and is Green-e Certified and Ancient Forest Friendly™.

Designed by Invision Creative Studio Inc.





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