

January 23, 2007



Richard Robinson

Chairman of the Board, CEO
Scholastic Inc.
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Dear Mr. Robinson:

On behalf of the undersigned socially concerned investors, we are writing to initiate a dialogue with Scholastic about our company's efforts to minimize the environmental impact of paper used in its book and magazine production.

Paper production accounts for 42 percent of the global wood harvest for "industrial uses" (except for fuelwood).¹ The pulp and paper industry is the single largest consumer of water among industrial activities in countries of the Organization for Economic Co-operation and Development and is the third largest industrial greenhouse gas emitter, after the chemical and steel industries.²

We believe Scholastic would benefit significantly in developing a comprehensive approach to the environmental impact of its paper production. We recommend an approach that addresses recycled content and recovery goals as well as increasing the use of paper certified as sustainably harvested. The international forest monitoring group known as the Forest Stewardship Council, (FSC) monitors suppliers for best practices in forest management. With rising awareness of the climate change implications of industrial processes like paper production, we also encourage Scholastic to be a leader in sourcing from suppliers who are taking steps to reduce greenhouse gas emissions.

Large magazine and book publishing companies are already taking important steps. Some of the undersigned have been in dialogue with Time Inc., the largest buyer of coated magazine paper, for more than two years. We are pleased that Time has taken leadership steps on several environmental issues related to magazine publishing. Time has set a goal of requiring that 80 percent of wood fiber be derived from sources with forest management certification. Time uses 18 percent recycled content in its European editions. We have urged the company to set recycled content goals. Time has agreed to look for opportunities to use recycled content domestically where long-term economics are sustainable.

In the book publishing area Random House Inc. last year committed that recycled fiber will comprise 30% by weight of all paper use by 2010—a tenfold increase in its use of recycled fiber. Random House also committed to favoring FSC certified paper from its suppliers and protecting High Conservation Value Forests.

We believe the upcoming July 2007 publication of the seventh and final *Harry Potter* book provides the perfect opportunity for Scholastic to demonstrate environmental leadership. We would like the company to investigate the feasibility of printing *Harry Potter and the Deathly Hallows* on paper containing high levels of post-consumer recycled content or of virgin fiber content with FSC certification and chlorine free processing.

Other publishers of *Harry Potter* have shown strong environmental leadership as it relates to paper choice. The 2003 and 2005 Canadian editions of the fifth and sixth books in the series were both

¹ Abramovitz, "Paper Cuts", WorldWatch Institute, 1999, p. 124.

² OECD *Environmental Outlook*, 2001, p. 218.

published on 100% post-consumer recycled paper that was also processed chlorine free. In fact, publishers in six countries have printed the book on high recycled content paper and some incorporated paper that also contained FSC certification for the virgin fiber portion.

We were also delighted to find recent comments by *Harry Potter* series author J.K. Rowling congratulating those publishers who used recycled content. Ms. Rowling further stated that she would urge other publishers to do the same and use recycled paper for future runs.

Considering the company's impact and influence, its key youthful demographic audience, as well as the public's growing concern about environmental sustainability, Scholastic could significantly enhance its brand value and claims to sustainable practices by publishing *Harry Potter and the Deathly Hallows* on recycled paper.

Consumers have expressed an interest in buying books and magazines with recycled content and/or using certified fibers as well as a willingness to pay more for these attributes.³ We believe large paper buyers like Time, Random House, Scholastic, and others can readily use their influence to competitively negotiate purchases of recycled and FSC certified stock at a price similar to virgin stock. If Scholastic signals to paper suppliers its desire to use post-consumer recycled and FSC certified paper, it could help catalyze a shift in the industry to drive investments to production methods that conserve natural resources and protect the environment.

We would be interested to discuss these issues with you in more detail. We are specifically interested in the following:

- Please provide a copy of Scholastic's environmental policy and any other policies or reports that address the company's commitment to "greener" paper?
- What is the percentage of recycled or FSC-certified content of Scholastic's books and magazines as a whole, and what is the percentage for *Harry Potter* books in particular?
- Please explain any current efforts by Scholastic to encourage its suppliers to use paper with recycled content or FSC-certified fiber or chlorine-free paper. Please also describe any collaborative efforts with industry peers in this regard.
- What goals does Scholastic have in place with regard to increasing the use of recycled content and FSC-certified and chlorine-free paper for its books and magazines?
- More specifically, does Scholastic intend to publish *Harry Potter and the Deathly Hallows* on recycled content or using FSC-certified paper? Has Ms. Rowling requested that Scholastic include any specific environmental attributes for the paper on which *Harry Potter* books are published?

We hope that Scholastic is open to working with its shareholders on this important issue. We look forward to hearing from you by February 14, 2007.

Sincerely,

Conrad MacKerron
Director
Corporate Social Responsibility Program

Nishita Bakshi
Research Director
Corporate Social Responsibility Program

³ Skodzinski, N., "Consumers Will Spend More for Publications Using Recycled Paper", *Book Business*, 2006.

On behalf of:

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cc:

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