

Our global context

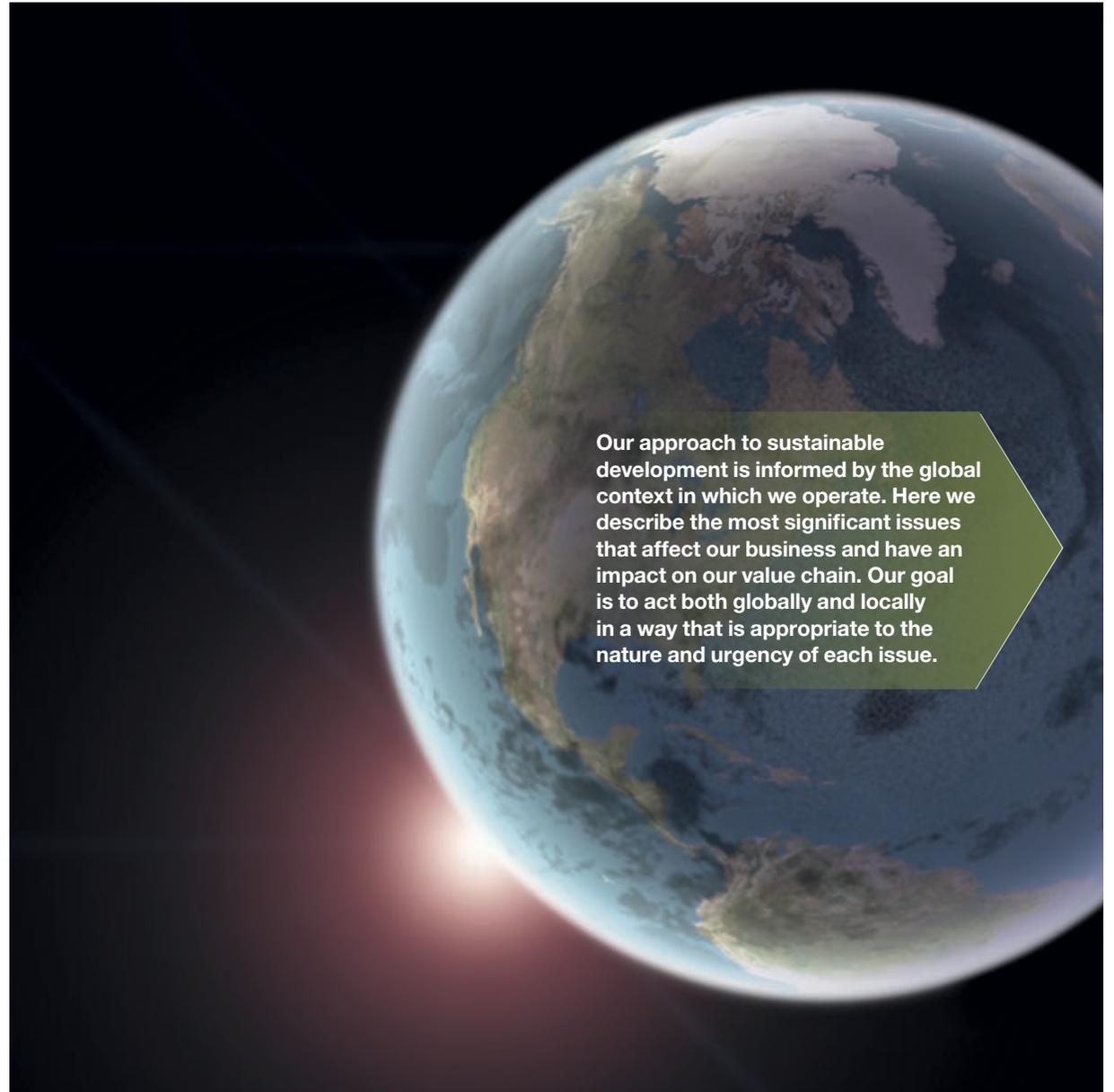
We operate in a global context

Global megatrends are changing the world we operate in. International collective action is increasingly calling for business to drive sustainability. Most recently, the UN Sustainable Development Goals (SDGs) adopted in September 2015 and the Paris Climate Agreement in December 2015, will act as catalysts for change.

Collectively we need to consider the challenges of ongoing climate change, biodiversity loss, deforestation and degradation of land and freshwater ecosystems, resource scarcity and increased transparency; all of which are affecting livelihoods and the way we do business. With the global population set to reach over 9 billion by 2050, we need to find more effective ways to support business and livelihoods within the limits of the planet.

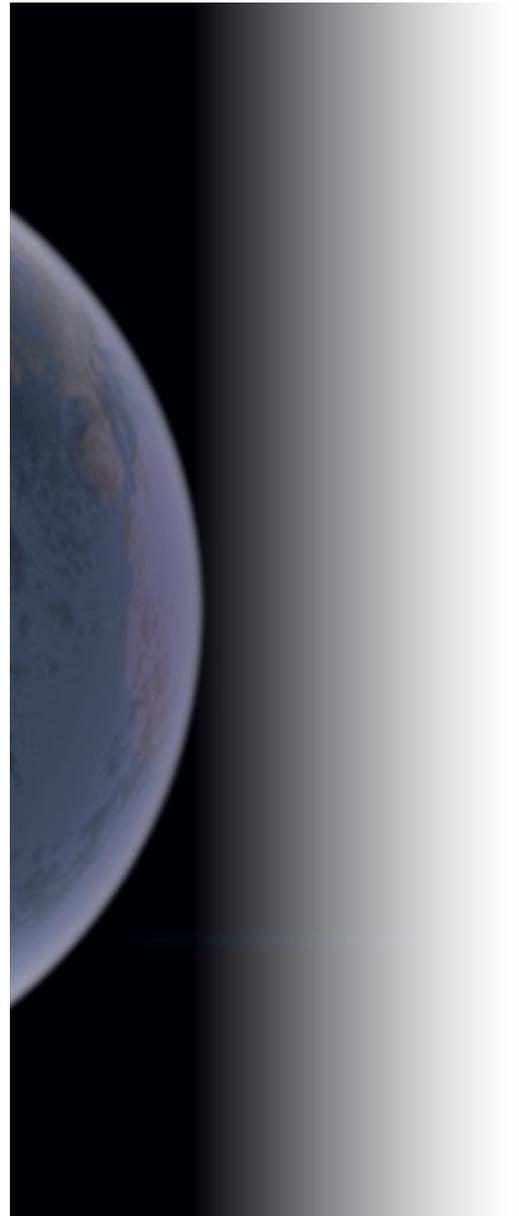
The sustainability and success of our business depends on how we manage the risks and opportunities arising from these challenges. We believe that by working together with our stakeholders we can better address global sustainability challenges across our value chain and secure our future.

In this section we outline the business and global context in which we operate and how we're responding through our approach, strategy and commitments.



Our approach to sustainable development is informed by the global context in which we operate. Here we describe the most significant issues that affect our business and have an impact on our value chain. Our goal is to act both globally and locally in a way that is appropriate to the nature and urgency of each issue.

Our global context



Climate change

Climate change continues to represent one of the greatest threats to the global environment, society and economy. Despite international policy and action, greenhouse gas emissions continue to rise.

Climate change remains top of the global environmental policy agenda, influencing local and regional regulations and investment decisions. Governments across the globe met at the COP 21¹ in Paris in December 2015 to sign a new international climate agreement. The key outcomes from the conference will inform the approach of politicians and business leaders in the years ahead.

Our response

We operate an energy intensive business and sustainably manage 2.4 million hectares of forests that capture and store large volumes of carbon and we have a responsibility to minimise our impact on climate and reduce our operational carbon footprint.

We consider climate change in our business decisions and growth strategies. Our main responses focus on improving energy efficiency, replacing fossil fuels with renewable energy where feasible, sustainably managing our forests and associated ecosystems and procuring only responsibly sourced wood and fibre based materials. We also seek to develop products that help our customers and consumers reduce their own carbon footprint and collaborate with our stakeholders to promote a low-carbon economy.

Degradation of ecosystems

Ongoing deforestation and land conversion continue to cause biodiversity loss and are major contributors to climate change. WWF's Living Planet Index² highlights the severe degradation of ecosystems and loss of habitat and species that has occurred over the last decades.

This has had a significant negative effect on the provisioning, regulating and cultural ecosystem services upon which communities and business rely. The degradation of ecosystems impacts on soils, water and biodiversity, the fundamental elements that support livelihoods and business. The responsible management of freshwater resources is already a global priority and critically important in some water stressed regions.

Our response

Wood is one of our primary raw materials and we manage significant areas of forested land and associated ecosystems. Our communities and stakeholders living on and around our land rely on the health of the ecosystems that we manage for their livelihoods. Fresh water is another critical resource for our business and a key input to our production processes. All of our pulp and paper mills are located next to a natural water resource which provides their water needs and receives their treated water discharges.

We responsibly manage our land and associated freshwater ecosystems, and protect high conservation value areas (including water resources). At the same time, we apply sound science and sustainability principles to increase the yields from commercial forest areas by working in partnership to share our management practices and improve our resilience.

We look to reduce our specific contact water consumption through focused investments and implementing closed loops and recycling water streams in our operations, where economically feasible, and have measures in place to monitor our progress. Our discharges are treated before being released back into the natural environment.

We also procure wood exclusively from responsible sources. This reduces our impact on natural habitats which helps ensure the wood supply we secure is sustainable now and into the future.

¹ Also known as the 2015 Paris Climate Conference.

² The Living Planet Index (LPI), which measures trends in thousands of vertebrate species populations, shows a decline of 52% between 1970 and 2010. © WWF International.

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Resource scarcity and emissions

Increased material consumption due to shifting social trends including population growth, urbanisation and rising incomes is placing additional pressure on already constrained natural resources. According to the Global Footprint Network, humanity currently uses the equivalent of 1.5 planets to provide the resources we use and absorb our waste. This trend is set to continue into the future.

Our response

Our business is raw material and resource intensive. We procure significant volumes of materials such as fibre, chemicals, resins and metals and use energy and water in our production processes. We also have an impact on the natural environment through emissions to air and water and waste generation.

Our key challenge and opportunity is securing our raw materials sustainably and reducing our operational footprint by producing resource-efficient solutions while addressing the needs of our customers and adding value to society.

We procure wood exclusively from responsible sources to reduce our impact on natural habitats and to secure a sustainable source of fibre for our business.

We develop production processes and product solutions that promote resource efficiency and seek to bring to market new and innovative products that help tackle challenges such as climate change, scarce resources and food waste.

We also reduce water consumption through focused investment, closed-loop systems and recycling, where this is economically feasible. All effluent discharges are treated before being returned to the natural environment and we continually measure and monitor our performance.

Business and human rights

Respecting human rights is a global standard of conduct for all business enterprises wherever they operate. Human rights issues including labour conditions and safety at work, are increasingly central to public debates about the interaction of business and society. High profile breaches have shown the world the consequences of getting it wrong. There is also a rising expectation of business to tackle human rights issues particularly in areas of weak governance. According to the UN Guiding Principle 11, all companies “should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved”.

Our response

The UN Guiding Principles on Business and Human Rights provides a sensible and effective framework for business. We look to strengthen our monitoring and reporting on potential issues in our operations and supply chain. This is particularly important as we move into new and emerging markets, where governance may be weaker and where there is an opportunity to help build capacity alongside our stakeholders. We also expect all our suppliers to comply with our Code of Conduct that includes human rights and labour standards.

Emergence of new markets

The global population is growing, increasingly urban, ageing, and with rising incomes. Economic power and production patterns are also shifting to the east and south, with overall trade volumes rising steeply.

Such demographic and economic shifts are driving increased demand for basic materials, energy and natural resources, which in turn have environmental implications. They can affect the socioeconomic status of our operating regions as well as customer demand and purchasing power; and provide opportunities in emerging markets.

Our response

We strategically move into markets that offer us growth opportunities. Global socioeconomic shifts discussed above can translate into opportunities for our business to develop new products and markets that respond to these trends. In addition to challenges related to material input and products' end-of-life, moving into emerging markets presents us with the challenge and opportunity of addressing potential human rights issues in areas of weaker governance, through strengthened mechanisms for assessing human rights risks in our operations and supply chain, and addressing these by working together with our stakeholders.

Demographic shifts can also affect our ability to recruit and retain skilled and motivated people in more remote and rural locations. Other challenges include obstacles for development in rural communities as people migrate to the urban areas.

Increased transparency and public awareness

We operate in an increasingly transparent and connected world that involves a globalised economy and widespread use of internet, mobile technology and social media. This has an impact on how we manage markets, strategy, communication and stakeholder engagement approach, as well as our reputation.

Our response

When set against policy frameworks that promote greater corporate disclosure and reporting, it is important that businesses adopt a culture and practice of transparency. We proactively engage with a wide range of stakeholders and look to promote transparency by publicly disclosing our sustainability performance on a regular basis through meetings with stakeholders, ongoing web and media communications and formal reporting. Wherever we operate, we will continue to pursue a policy of transparency and public engagement.

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Demand for sustainable products

Consumer awareness of responsible purchasing has boosted the demand for increased transparency across the whole value chain including certified forestry products over the past 20 years. However, only limited areas of the world's forests are so far certified. This must be urgently addressed if certification is to remain relevant and demand for sustainable certified wood is to be met.

Our response

While much of our focus remains on securing responsibly produced fibre and other raw materials, as well as increasing efficiency and reducing emissions during manufacturing processes, we also increasingly look to better communicate our sustainability practices with our customers. This helps to highlight the value embedded in our products and to encourage responsible purchasing in markets where we operate. Our Green Range initiative is a good example. We are also working through multi-stakeholder platforms to improve certification systems, including the new Forest Stewardship Council® (FSC®) global strategy. Our next challenge will be to ensure that this is successfully implemented on the ground.

Collective action and international commitment to sustainable development

Over the last 20 years collaboration across sectors has looked to address sustainable development challenges. In September 2015, the UN Millennium Development Goals (MDGs) were superseded by the Sustainable Development Goals (SDGs) which explicitly call for a more integrated, holistic approach. They will shape the global sustainable development agenda until 2030, and call for business to use creativity and innovation to address sustainable development challenges such as poverty, gender equality, clean water, clean energy and climate change.



Our response

We are guided by international conventions and agreements in our policies, standards, reporting and practices. We also operate across a wide range of sectors and work with our stakeholders to address sustainability challenges across our value chain.

Our Growing responsibly action areas and 2020 commitments show alignment with the SDGs. Examples include:

- Our focus on sustainable fibre shows alignment with SDGs 6 (Clean water and sanitation), 11 (Sustainable cities and communities), 12 (Responsible consumption and production), 13 (Climate action) and 15 (Life on land).
- Our focus on people, safety, health and communities addresses many aspects covered by SDG 1 (No poverty), 2 (Zero hunger), 3 (Good health and wellbeing), 4 (Quality education), 5 (Gender equality), 8 (Decent work and economic growth), 9 (Industry, innovation and infrastructure) and 17 (Partnerships for the goals).
- Our climate performance shows alignment with SDG 7 (Affordable and clean energy), 13 (Climate action) and 15 (Life on land).