

**Sustainability and the Forest Sector:
A Values Based Objective**

Sustainable Development and the Law
Friday, October 13, 2006

What are the drivers of Sustainability?

- All 4 are at play
 - Markets
 - Legal Obligations
 - Social Licence
 - Internalized Values

Markets

- Powerful forces
- Fickle
- Ever-shifting
- Can be shallow

Legal Obligations

- Threat of regulation can alone provide incentive for voluntary action
- Creates a level playing field domestically but markets are global
- Slow to develop and inflexible once in place
- Can be impractical

Social Licence

- Social licence is integrated into brand and reputational factors
- Often as much about listening and communicating as it is about performing
- Are you perceived as a good guy or a bad guy
- Performance: perceived not always in line with actual

Internalized Value Systems

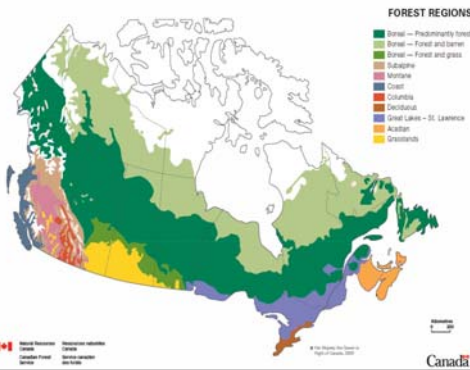
- Corporate culture a major driver
- Individual industry leader personality significant factor
 - Industry leaders bring their own set of core values to the table

Sustainability: A Values Question

- Social
- Economic
- Environmental

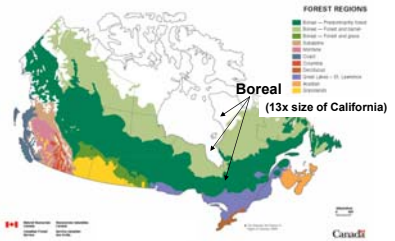
What's at Stake?

Enormous Ecosystems



Wilderness Values

Canadian Boreal: 70% Un-accessed



Social & Economic: Cornerstone of Rural Canada

- Source of 340,000 direct jobs
 - High productivity jobs with above average wages
 - Irreplaceable in rural areas
- Economic lifeblood of more than 300 single-industry communities
- Over 500,000 (often urban) jobs depend indirectly on forest industry
- Leading industrial employer of Canada's Aboriginal people

Challenge:

Embody Our Values in Processes and Products

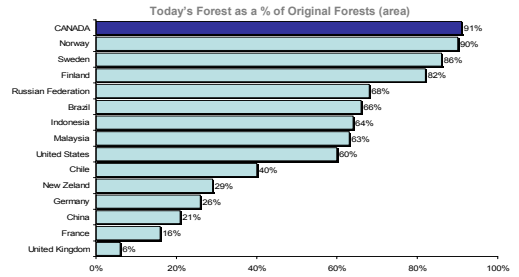
Core Values

1. No deforestation
2. Wilderness Protection
3. Ecosystem integrity
4. Reduced footprint
5. Reduce, reuse, recycle

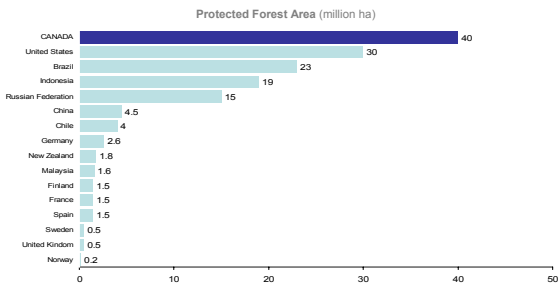
No Deforestation

- 75% of Canada's forest is not used for forestry purposes
- Of the commercially available forest, only 1/2 of 1% is harvested each year

2009 2005 Deforestation Rate in Canada: Zero



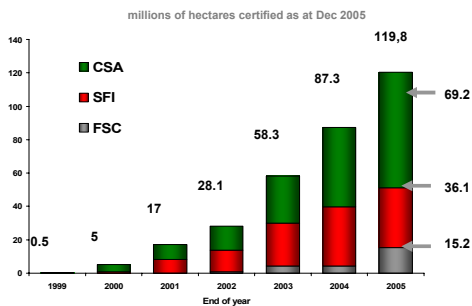
Protect Wilderness



Protect Ecosystem Integrity

- FPAC requirement**
 - Third Party Certification by end of 2006
 - Three Certification Standards: CSA, FSC, SFI
 - Condition of Membership
 - World's largest area of third-party certified forest

SFM Certification in Canada: 1999 2005

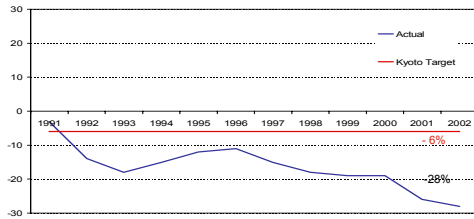


Source: Canadian Sustainable Forestry Certification Coalition, December 2005

Reduced Footprint

- 8 billion dollars invested in environmental improvements over the decade
- Air quality improvements**
 - 62% reduction in particulate emissions
 - 20% reduction in SO₂ emissions
- Water quality improvements**
 - 94% reduction in biochemical oxygen demand
 - 90% reduction of organochlorines
 - 70% reduction total suspended solids
 - Virtual elimination of dioxins and furans

Pulp and Paper Mills Emissions Reduction



% reduction of direct emissions from 1990 level

Fuel Switching to Renewable Fuel

- 58% of energy self-generated from biomass (2005 - p&p)
- Fossil fuel use cut by 30% since 1990 (2002 - p&p)
- Biomass is the largest non-hydro renewable source
- 1720 MW capacity – largest industrial cogen capacity in Canada

Reduce, Reuse, Recycle

- 40% reduction in landfill requirements since 1996
- 34% reduction in water consumption since 1989
- Almost 3 times more recycling now vs 1989
- Percentage of fibre supply for new paper provided from recycled material
 - Canada: 25%
 - Sweden: 17%
 - Finland: 5%
- Will take all the good fibre we can get—no good paper should go to landfill

Canadian Fiber Supply

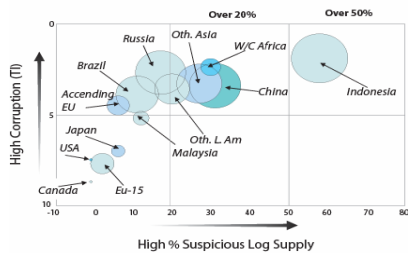
Canadian paper is made from

Chips & sawmill residues	55%
Recovered paper	25%
Roundwood	20%



What's at Stake: Emerging Competitors Troubled by Questions about Sustainability

Corruption and Illegal Forest Activity (AF&PA, 2004)



Note: Size of bubbles represents volume of suspect roundwood, including imports. Source: Transparency International; WU/SCA estimates of illegal logging, in American Forests & Paper Association 2004

Attitude

- Status quo – Not good enough
- Need for Continual Improvement

Next Steps



- Sustainability Commitment
- 2008 Traceability Commitment
- Air Quality Forum
- Towards Energy Self-Sufficiency