



Environmental Paper Company Index (EPCI) 2019

Executive Summary

Introduction

Since 2010, WWF has been inviting the world's largest pulp and paper manufacturers to participate every two years in the [Environmental Paper Company Index \(EPCI\)](#). The EPCI is a WWF tool to promote transparency in information and continual improvement of the pulp and paper sector. It tracks companies' performance on responsible fibre sourcing, clean manufacturing, Environmental Management Systems (EMS) and transparency in reporting.

The Index is voluntary and based on data disclosure by the invited participants who respond through a questionnaire that includes indicators on sourcing policy, actual sourcing (e.g. recycled material, FSC fibers), future targets, GHG emissions, water emissions, among others. WWF then publishes the collated results per company, showing a sustainability timeline overview since 2013 of the sector's categories newsprint, tissue, packaging graphic paper and pulp.

EPCI 2019 comes ahead of the significant 2020 milestone by which many global companies pledged to have fully eliminated deforestation from their supply chains. The pulp and paper sector plays a crucial role in achieving deforestation-free commitments because growing demand for paper, particularly virgin fiber, is adding pressure on our remaining natural forests, aquatic ecosystems, forest biodiversity and climate change. The EPCI spurs companies to become more transparent in disclosing their sustainability data, and in that way, helps companies report progress on their commitments to the [2030 Agenda for Sustainable Development](#), the [Bonn Challenge](#) and [New York Declaration on Forests](#), among others.

Methodology

The EPCI 2019 assesses data on 30 companies in total from Asia, Europe, North America and South America, and includes a special assessment of 3 Asian companies, solely based on publicly available information. Collectively, these companies represent around 18% of total production of pulp and paper manufacturers worldwide. The Index evaluates a significant percentage of global total production which, for the 27 companies that voluntarily answered WWF's questionnaire, covers:

- NEWSPRINT: 13%,
- GRAPHIC PAPER: 16%,
- TISSUE: 15%,
- PACKAGING: 9%,
- PULP: 10%

In total, almost 300 mills in these 5 product categories were assessed with 48% of the mills located in Europe, 22% in North America, another 22% in South and Central America, 7% in Asia and 1% in Africa.

For the first time, 4 new companies took part in the Index: Ence and Lecta (with headquarters in Spain), JK Paper (India), and Nippon Paper (Japan)¹.

¹ Wepa answered the questionnaire, but decided not to publish the results on the day of release.

The additional special assessment of 3 companies that were invited but did not voluntarily disclose data on their performance and transparency was based on public reporting only. WWF has not been able to score these companies in the same manner as those providing responses to the EPCI survey, however, information on their performance in the EPCI categories based on their own publicly shared information are available on the website <http://epci.panda.org/>. These large paper producers are Lee & Man Paper Manufacturing and Nine Dragon Paper Holding with headquarters in China, and Daio Paper Corporation from Japan. Together, they represent 4.6% of global total pulp and paper production, while Lee & Man Paper Manufacturing and Nine Dragons Paper Holding alone represents around 8% of the total packaging production.

It is the first time that 7 Asian companies were assessed in the Index, which is a very positive development given the importance of Asia, which represents almost 50% of global production of paper and paper board for the pulp and paper sector.

WWF analysis

Together, the 27 participating companies, excluding those from the special assessment, obtained 76% of the maximum points for responsible fibre sourcing, 70% for clean manufacturing and 63% for EMS and transparency in reporting, holding an overall average score of 70%, slightly less compared to their overall performance in EPCI 2017 (73%).

The table below shows the overall results of 2019 and 2017.

	2019						2017					
	Total	Graphic paper	Newsprint	Packaging	Pulp	Tissue	Total	Graphic paper	Newsprint	Packaging	Pulp	Tissue
Responsible fiber sourcing	76%	71%	80%	82%	74%	70%	83%	79%	91%	85%	74%	85%
Clean manufacturing	70%	63%	80%	78%	60%	68%	71%	68%	81%	74%	64%	66%
Reporting & EMS	64%	65%	64%	64%	61%	64%	66%	73%	66%	60%	66%	63%
Average Total	70%	67%	75%	75%	66%	67%	73%	73%	80%	74%	68%	72%

Table 1: Average scores per product category

Fair performance for responsible fibre sourcing and manufacturing

The newsprint (80%) and packaging (82%) product categories reached the best total average scores for responsible fibre sourcing, which may be explained by the high levels of recycled fibre used in these sectors. However, products categories graphic paper, tissue and pulp, scores could do much better if companies use more FSC-certified fibre.

Graphic paper (71% in 2019) and newsprint (80% in 2019) showed the highest decline in responsible fibre sourcing with respectively 6% and 10% for FSC, and 12% and 5% for recycled. It is important to note that the production of newsprint (7% of the global production) has been declining, mainly due to an increasing shift towards digital publications, so this product category will become less relevant in the future.

Manufacturing production processes seem to be stable overall, but the variability is great among different companies and product categories, so it is challenging to draw a general trend.

The only product category that improved overall compared to former years is packaging. Packaging represents over 55% of total paper production with no sign of potential future decline. Although the overall performance of the participants can be considered fair (almost 40% of recycled content) the trend raises concerns in terms of supply and

consumption of fibers. Packaging could reach much higher level of recycling, so this average is still insufficient, when compared to the global average of recycled material in packaging (55%). The potential for improvement is high as the most performing companies assessed reached more than 90% of recycled material for this product category. Additionally, the level of FSC in this product category is still quite low (around 28% for companies using virgin fiber), so there is much room for improving sourcing.

Recycling fibre and FSC

As paper consumption is expected to double in the next 30 years from around 400 million tons/year to 800 million, particular attention should be paid to recycling fiber. The Index 2019 shows that on average companies are overall reducing their use of recycled material for all product categories (with differences from 3% up to 6% depending on the product category), except packaging (+3%).

Recycled material must play a vital role in the circular economy and in the future of paper production, being the first choice to reduce the pressure on virgin fiber and world's forests.

Recycled material is particularly important for tissue, generally considered an end of use product: since 2017, the quota of recycled material in this product category decreased by 9%. At the same time, when recycled material is not available, the use of FSC is also overall declining except for packaging (+3%) and pulp (stable): this may be due to changes in the sourcing policies of some participating companies.

These trends appear to be more concerning, when analyzing the differences of FSC and recycled fiber summed together: Graphic Paper (-15%), Newsprint (-18%) and tissue (-14%) decrease their responsible sourcing significantly; while packaging increase only marginally (+3.5% mostly due to higher recycled percentages) and pulp is stable.

Low sustainability and reporting

Overall, the EMS and transparency in reporting scored the lowest with 64%: this is partially due to poorer company performance, but also to the fact that the questionnaire was stricter this year on a number of transparency and reporting requirements. In general, companies perform well on ISO14001 and FSC Chain of Custody certifications at mill level, however companies' sustainability reports, generally, provide generally little information on key criteria such as the certification status, particularly when it comes to clarifying the percentages of FSC and other certification schemes like PEFC. Additionally, the information in the reports is difficult to analyze: for example, quantitative water emissions are sometimes not presented; also, the information does not specify the individual performance at mill level (e.g. which mills are certified or emissions per tons produced at mill level).

Special assessment of 3 companies

The special assessment of publicly available information shows that when it comes to responsible sourcing, there is no information on certified sources. This despite the fact that Lee & Man Paper Manufacturing, Nine Dragon Paper Holding and Daio Paper Corporation have clear public policies regarding unacceptable sources and overall, report a high percentage of recycled material (above 90% for the three companies in packaging). WWF encourages these companies to disclose their sources by certification status, particularly FSC certified, recycled and FSC Controlled Wood, and other forest certification schemes such as PEFC.

On clean manufacturing, all the reports offer some data but the information varies in terms of details, depending on the company and the indicators. That's why WWF encourages the companies to become more transparent in their reports, identify strategies to reduce GHG emissions, improve the performance of processing in terms of water discharge and emissions (e.g. by using Totally Chlorine Free Technologies), and waste to landfill.

Public reporting is a great asset and offers several advantages to companies, such as:

- Increased understanding of risks and opportunities
- Streamlining processes, reducing costs and improving efficiency
- Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives
- Avoiding being implicated in publicized environmental, social and governance failures

- Comparing performance internally, and between organizations and sectors
- Mitigate social conflict and enable external stakeholders to understand the organization's true value, and tangible and intangible assets;
- Attract sustainable investors and responsible customers;
- Improve reputation and brand loyalty

As for transparency & EMS, ISO 14001 and FSC Chain of Custody Certification are mentioned by all 3 companies but the level of detail available varies. However, the 3 companies need to improve on this section as their reports often lack quantitative data or are not specific enough (e.g. the number of mills certified compared to the total).

WWF welcomes the efforts of these companies to use significant amounts of recycled fibers, but encourages them to report more transparently on their procurement of certified material, social safeguards and in general on their environmental footprint.

Given that China and Japan are respectively the first and third producers of paper in the world, Chinese and Japanese companies have a great opportunity to take a leading role in driving changes in the sector by supporting responsible forest management (such as FSC and post-consumer recycled fiber), clean manufacturing and transparency in reporting, while at the same time being able to differentiate between responsible and irresponsible players.

With this analysis WWF encourages the three companies to disclose information and become more transparent in their operations. Chinese and Japanese companies can and should take up a crucial role in improving forest practices in key deforestation fronts. Indonesian tropical forests are a prime example with both countries being key markets for pulp and paper products and buyers of Indonesian wood products. The influence of more players on Indonesian, as well as other supplying producers, to show improved and sustainable practices, especially from those with historic records of forest destruction, is critical to advancing compensatory restoration and conservation actions by these Indonesian based producers and for bringing the sector to a more consistent performance level on sustainability.

As modern businesses, and looking ahead to the next decade, these companies should be investing in the steps necessary to deliver sustainable business, and proud to show their performance to their peer companies through improved business transparency in the areas that the EPCI assesses.

Conclusions

This year, several companies have decreased their share of FSC-certified fiber. The decreasing percentages of reported use of recycled and FSC fibers are concerning and require further analysis and discussions.

Efforts in clean manufacturing greatly vary: several companies have strategies and targets on the reduction of greenhouse gas (GHG) emissions. But whilst no waste should end up in landfills, only few participating companies scored well on this point. Mills can find many ways to reuse the waste from production like recycling paper which saves water and energy in the production process, as well as reducing air, water, and land pollution.

EPCI 2019 shows the highest participation of companies based in Asia (7 including the special assessment) which certainly can be considered a positive trend. These countries can and should play a crucial role in improving forest practices in key deforestation fronts, and Indonesian tropical forests are a prime example, as both countries are key markets for pulp and paper products and buyer of Indonesian wood products. The influence of more players in the sector on Indonesian, as well as other supplying producers, to show improved and sustainable practices, especially from those with historic records of forest destruction, is critical to advancing compensatory restoration and conservation actions by these Indonesian based producers for example. WWF welcomes their participation and hopes that this is the first step towards greater transparency in the pulp and paper sector in Asia.

WWF will be working to update its engagement tools to support improvements for global sustainable pulp, paper and packaging industry players from 2020, with the companies that voluntary took part in the Index.

WWF Recommendations

By 2050, the consumption of paper will double and maybe even further increase with the pressure to substitute plastic for paper. WWF estimates that over 250 million hectares of plantation will be needed to meet our future global demand, even if we have higher levels of recycled material. WWF calls on the sector to change the status quo and deliver now by improving the sustainability of its supply chain and offering consumers a responsible choice.

Some specific recommendations for improvements:

1) Maximize recycling practices and re-use of fiber

Increase the use of post-consumer recycled fibres is a good way to reduce the pulp and paper's ecological footprint. Recycled material plays a central role in achieving a circular economy and should become the industry's first choice to reduce pressure on virgin fiber and worldwide forests. Recycled material is particularly important for tissue, mainly used in end-of-use products.

2) Source more responsibly certified fiber from timber producers and pulp and paper suppliers

Globally, companies should source virgin fibre and plantations from credibly certified forests. FSC certification is a key strategy for companies to eliminate deforestation from their supply chains because it reduces environmental impacts and protects High Conservation Value forests among other requirements. According to the [WWF Certification Assessment Tool](#), FSC is the most credible forest certification scheme.

3) Increase efforts on clean manufacturing

With the use of clean technology, the manufacturing processes can minimize pulp and paper products' impacts on climate change and water. Also, no waste should end up in landfills. Mills can find many ways to reuse the waste from production like recycling paper which saves water and energy in the production process, as well as reducing air, water, and land pollution.

4) More transparency in sustainability reporting

Transparency is a currency that builds trust. Companies need to significantly improve their public environmental reporting. Whilst some information might be sensible and cannot be disclosed, more comprehensive reports at the mill level can generate great value. It's a useful risk management tool that also has a competitive advantage: companies seen as leaders and innovators can be in a stronger bargaining position when it comes to attracting investment, initiating new activities and entering new markets.