 Certification Schemes: Guideposts or Guiding Principles?

Confusion around Responsible Purchasing of Paper Products

With the backdrop of 2011 as the International Year of Forests, the first APEC Forestry Ministerial Meeting was recently held in Beijing. An important message was communicated at the meeting: Sustainable forest management is critical to achieving important ecological goals and long-term economic growth for Asia Pacific. The Asia Pacific region, where the majority of developing countries are located, is dependent on forest resources. Having become one of the major high-growth industries in countries such as Malaysia, Indonesia and China, the forestry industry has provided a large number of job opportunities and income for many impoverished communities in rural areas. Globalization has had a positive effect on poverty alleviation for these communities.

At the same time, the West has attached increasing importance to responsible purchasing, by advocating certification schemes. Forest and paper manufacturers in Asia-Pacific are inevitably compelled to follow those certification schemes when purchasing decisions are mainly in the hands of developed economies and multinational companies in Western countries. Today, the two internationally recognized forest certification schemes are FSC (Forest Stewardship Council) and PEFC (Program for the Endorsement of Forest Certification). Besides, there are dozens of other schemes out there that have the same bottom line impact of promoting sustainable forestry management. However, some western-based NGOs promote FSC as the sole standard for sustainable management of the forestry industry. This is a one-sided and misleading message.

The very purpose of promoting forest certification standards in the procurement process is to ensure that responsible and sustainable practices are implemented throughout the supply chain. But a critical point – often ignored – is that it is very difficult to have a single common standard which applies to all parts of the world. Implementation of sustainable practices needs to be adjusted by region, depending on the economic and social conditions which apply. In this regard, many countries have set up their own national systems tailored to their local priorities and forestry situations. Among the developing countries in Asia, these include the China Forest Certification Council (CFCC) and Indonesian Ecolabelling Institute (LEI).

The good news is that in August 2011, PEFC, the world’s largest forest certification organization, unanimously approved the application of CFCC to join the organization. "The Chinese commitment to sustainable forest management and forest certification is to be welcomed," said Ben Gunneberg, PEFC Secretary General. "With the Chinese forest sector embracing forest certification, a major step forward towards mainstreaming sustainable forest management is being made."

The PEFC-CFCC move is positively anticipated. We believe that, under CFCC’s high standards and its global perspective, companies in China will be better guided and engaged in the responsible production and procurement of forest and paper products. However, this is not the sole objective. The integration of specific national conditions and international practices and insights is crucial in realizing sustainable forest management in the long term.

In summary, from a market perspective, responsible procurement allows companies to move from a base of legal compliance to pursue environmental certification that meets advanced national or international standards. Beyond that, supply chains should meet forestry certification requirements which balance environmental, social and economic development needs. In compliance with this vision, APP embraces all credible, third-party certification systems, and is committed to working with stakeholders to promote sustainable forest management. But it has to be stressed that these forestry certification schemes should be viewed primarily as guideposts or guidelines for companies; they are not absolute principles to be applied at all times and in all places. True responsible procurement has to adjust to particular circumstances which may go beyond one certification scheme or other.

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“Paper Contract with China” 2011 Q3 Updates

The Paper Contract with China - Paper Industry Sustainability Forum 2011, one of the most significant annual conferences for China’s paper industry, concluded in Shenzhen on August 19. At the forum, prominent opinion leaders from the industry held in-depth discussions on responsible procurement and certification schemes. This is a topic of great concern in recent years, partly due to confusion resulting from the complexity of today’s global certification schemes, as well as different concepts of responsible purchasing principles applied by procurement professionals.

Faced with two critical issues – shortages of raw materials and the need to minimize negative environmental impact, the Chinese paper industry cannot avoid this critical certification issue. It must wade through the very complex and confusing certification schemes currently available in the market, and decide upon an appropriate approach to sustainable management of the industry. Recognizing that the collective efforts from industry stakeholders are key to realizing responsible and sustainable practices throughout the supply chain, APP-China recently launched the Paper Contract with China 2011 Manifesto, calling on all industry players to contribute to sustainable growth of the pulp and paper industry and to support the establishment of China’s national certification system.

For more information please visit www.app.com.cn or www.paperccontract.com.

LOVE YOUR PAPER When you use paper, we plant trees.

By planting trees, we work to preserve our country’s nature and make the communities we operate in better places to live. By planting trees, we are able to invest in programs for education, healthcare, and environmental conservation. And the cycle continues when you use APP paper, and we plant trees.

APP-China, we’re more than just paper.
Despite drawing increasing attention from stakeholders, responsible trade of forest and paper products continues to mean different things to different organizations and corporations. The key driver behind responsible purchasing comes from end users who demand green and environment-friendly products, and are willing to pay higher costs for the products. As a highly resource-intensive and environment-sensitive industry, the pulp and paper industry is expected to take rigorous action to ensure its raw material suppliers are acting legally and sustainably, and that the entire industry chain is environmentally responsible.

Currently, a variety of domestic and international certification systems exist in the market with some overlapping. The following is an overview of today’s main certification schemes and procedures.

1. **Legal Compliance**

   **Legal sourcing**
   - **Verification of Legal Origin (VLO)**: To verify that forestry products come from a legal source.
   - **Verification of Legal Compliance (VLC)**: To verify the company’s forest management, timber processing and production activities are legal.
   - **Timber Legality & Traceability Verification (TLTV)**: To verify that timber is legally harvested, and its origin can be tracked. It must be certified by an independent third-party.

   **Production compliance**:
   - The pulp and paper industry has been challenged for energy consumption and waste emissions in the manufacturing process. China has already imposed stringent energy-saving and emission-reduction requirements on the pulp and paper sector. Generally, on its legal premises, a company will be required to meet multiple environmental requirements in production, including wastewater discharge and COD emissions.

2. **Environmental Certification**

   China Environmental Labelling is the top recognition of a product’s environmental performance in the country. Labeled products are compliant with all the environmental performance requirements throughout the process of production, application and disposal, and are less toxic and more resource-saving.

   Globally, ISO14001 is the most recognized environmental management standard granted to corporations implementing high-standard environmental performance. This means the organization needs to:

   - Minimize its negative impact on the environment
   - Deliver continuous improvement in environmental performance

3. **Forest Certification**

   Forest certification is a system identifying well-managed forestland. In this context, sustainability includes maintenance of ecological, economic, and social components. Products from certified forestland (FM certification) can, through chain-of-custody certification, move into production streams and in the end receive labeling that allows customers to know the product came from a certified, well-managed forest.

   - FM certification (forest management certification) certifies that the forest in which the wood is sourced and managed in a sustainable way, balancing economic, social and environmental needs.
   - CoC certification (chain-of-custody certification) certifies that the facility is implementing systems ensuring its final products are manufactured with materials sourced from certified sustainable origins.

   **Different kinds of forest certification schemes**:

   - International forest management certification schemes: PEFC and FSC.
   - Country-specific national forest management certification system: CFCC (China), LEI (Indonesia), FSI (the United States), CSA (Canada), MTCC (Malaysia), AFS (Australia), etc.

### Comparison between PEFC and FSC

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<tr>
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<th>PEFC</th>
<th>FSC</th>
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<tr>
<td>1. Origins</td>
<td>Established in 1999, the PEFC is jointly sponsored by a number of European forest owners, industrial users, and related associations.</td>
<td>Founded in 1993, the FSC is sponsored by NGOs, timber trade organizations and business entities.</td>
</tr>
<tr>
<td>2. Funding sources</td>
<td>Membership fees</td>
<td>Foundations, government and corporate donations, membership dues, and accreditation fees</td>
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</table>
| 3. Standard Setting | **Umbrella Scheme**
- PEFC has a decentralized structure. It requires national standards for FM and CoC to be set by National Standards Bodies with technical committees and stakeholder consultation.
- Before a national standard is adopted, it must also undergo an external conformity assessment to ensure that it meets the requirements of PEFC’s international standard. | **Stand Alone Scheme**
- FSC develops a set of 10 Principles and 55 Criteria for responsible forest management. The national standards have been developed by interpreting the Principles and Criteria of the international standard into a nationally specific document. This is done through a FSC Standards Development Group.
- FSC has no mutual recognition of any independent national forest certification standard. |
| 4. Membership | **The PEFC Council** consists of member organisations from six continents around the world. Each national member represents the forest certification systems and different stakeholders groups in a country. (35 national members and 30 endorsed national certification systems)
- The Council also has Extraordinary Members. | **FSC is a membership association open to a wide range of organizations and individuals representing social, economic and environmental interests.** |
| 5. Area of certified forest | More than 240 million hectares of plantation forests certified | More than 140 million hectares of plantation forests certified...
China’s National Forest Management Certification Scheme – CFCC:

- China’s State Forestry Administration (SFA) established two industry standards respectively in 2007, the China Forest Certification – Forest Management and China Forest Certification – Chain of Custody.
- China’s first forest certification body——Zhonglin Tianhe (Beijing) Forest Certification Center (ZTFC) was launched in April 2009.
- PEFC approved CFCC’s application for PEFC membership in August 2011. CFCC has thus acquired the prerequisite to be endorsed by PEFC.
- ZTFC estimates that more than 3 million hectares of forests would be CFCC-certified by the end of 2011.


Forest certification is not the only way to promote sustainable forest management. In particular, emerging countries need to manage this in a way tailored to its own specific condition. At the Paper Contract with China - Paper Industry Sustainability Forum 2011 in Shenzhen this August, industry opinion leaders and stakeholders who attended the forum reached unanimous agreement that China, as the world’s Number One paper manufacturing country, is in urgent need of a national forest certification system compliant with the country’s priorities and international guidelines. This forum was co-hosted by China National Pulp and Paper Research Institute (CNPPRI), China National Forest Product Industry Association (CNFPIA) and Warton Economic Institute (WEI) and sponsored by APP-China. The following are speech highlights from the forum.

With the economic globalization and the increasing consciousness of sustainable development, China’s paper industry needs to move forward in sustainable forest management while continuing its efforts in green production, and in turn expanding the sustainable practice to the whole industrial chain.

FSC and PEFC are both credible global certification schemes and only differ in certification standards, procedures and the recognition systems. While forest certification scheme is not the only way to ensure sustainable forest management, it is of great importance to take each country’s local priorities and specific forestry situations into considerations in the application of forest certification. Developing countries should first enhance their governments' understanding in the management of forest resources, and then adopt management schemes tailored to the specific needs of the country. China, in particular, needs to set a good example in the implementation of forest certification scheme.

--- Cao Chunyu, Chairman of China National Pulp and Paper Research Institute

--- Shi Feng, General Secretary of China National Forest Product Industry Association & Director of Zhonglin Tianhe (Beijing) Forest Certification Center

--- Shen Hanyao, President of Warton Economic Institute

China must properly address environmental and ecological issues on its way to the strongest paper-making country around the world. We’re working together with State Environmental Protection Administration and National Bureau of Statistics, in an effort to develop a set of Green GDP indicators. With impact on environment and ecology taken into account, the growth of Green GDP should be what we pursue ultimately.

APP-China’s Raw Material Procurement & Environmental Protection Policies and Achievements

- APP-China has zero tolerance for illegal logging.
- APP-China manages plantations using harvesting rotation cycles. One-sixth of the mature plantations is harvested annually, with replanting taking place shortly afterwards. The remaining plantations are left to grow and mature, allowing for sustainable development.
- Six of APP-China’s forestry companies and all pulp and paper mills APP-China built in China had been certified with ISO 14001 by 2010.
- In 2010, five major APP-China products were recognized by the China Environmental United Certification Center (CEC) when they received “China Environmental Labeling II”, the top recognition of product’s environmental performance in China.
- By the end of 2010, 12 of APP-China subsidiaries had received PEFC-CoC certification.
- During the third quarter of 2011, the average volume of wastewater discharged by APP-China’s paper mills is less than half of the Chinese national standards. The average volume of COD emission is less than one third of the national standards.
Sustainable Plantation Development

- Latest Plantation Data

| APP-China’s Latest Plantation Data in 2nd Quarter 2011 |
|---------------------------------|----------------|
| Newly planted trees            | 206 ha         |
| Forest purchased               | None           |
| Timber felled                  | 4,500 ha       |
| Area coppiced after felling    | 2,327 ha       |
| Area replanted after felling   | 3,040 ha       |
| Cumulative total of plantation that APP-China manages: 304,000 ha |

Cleaner Production

- Gold Huasheng Acquired Certification on Energy Management
In June, Gold Huasheng Paper acquired the Certification on Energy Management (GB/T23331-2009), becoming the first company in Suzhou and one of the first paper companies in China to receive this recognition.

- Gold East Paper’s Corporate Environmental Performance Rated as Top Grade by Zhenjiang Government
In September, Gold East Paper received a Green Enterprise Certificate from Zhenjiang Municipal Environmental Protection Bureau after a series of rigorous assessments of its environmental performance covering more than 10 indicators such as waste control and discharge. This was the ninth consecutive year for Gold East Paper to be awarded with the Green Enterprise Certificate which is one of the highest honors in the certification system. In addition, Gold East was ranked No.254 in the 2011 China’s Top 500 Enterprises recognized by China Enterprise Confederation and China Entrepreneur Association.

- Jingui’s CTMP Flash-Drying Technology Received Fund from Guangxi Science & Technology Bureau
In August, the project studying wet chemi-thermo-mechanical pulp (CTMP) flash-drying technology jointly undertaken by Guangxi Jingui Pulp & Paper and Guangxi University was granted a fund of RMB 200,000 (USD 31,250) from Guangxi Science & Technology Bureau. This project succeeded in solving the obstacles encountered by China’s pulp and paper industry in the development of its high-yield commercial pulp.

- APP-China’s Mills Won a Series of Awards in Recognition of Clean Production Capabilities
In June, Jingui Pulp & Paper obtained three major management system certifications of ISO9001, ISO14001 and OHSAS18001, with scope of certification covering BCTMP (bleached chemi-thermo mechanical pulp) products and its entire manufacturing process. In addition, Ningbo Zhonghua Paper and Ningbo Asia Pulp & Paper won the excellence award granted by China Paper Association in recognition of their environmentally sound practice in energy saving and emission reduction.

Corporate Social Responsibility

- Ningbo Zhonghua Actively Engaged in the "Love Green, Save Green" Environmental Campaign
In June, Ningbo Zhonghua Paper participated in the "Love Green, Save Green" campaign in celebration of Zhejiang Province’s Eco Day. The company’s volunteers and local residents actively adopted the city’s trees and shrubs, and circulated leaflets promoting greening Ningbo’s city landscape.

- APP-China Committed to CEO Water Mandate
In August, APP-China and its 6 major mills in China together pledged commitment to UN CEO Water Mandate, including Gold East Paper, Hainan Jinhai Pulp & Paper, Ningbo Zhonghua Paper, Ningbo Asia Pulp & Paper, Gold Huasheng Paper and Gold Hongye Group, becoming one of the first pulp and paper manufacturers in China to commit to this mandate.

- APP-China Reviewed Youth Internship Program for Grass-root NGOs
In September, Huang Yi Cong Foundation hosted a meeting reviewing its youth internship program for grass-root NGOs. The Foundation launched this program this year in partnership with Shanghai International Studies University, aiming to recruit university talents for internship at some local grass-root NGOs.

Latest Data of Cleaner Production

<table>
<thead>
<tr>
<th>Item*</th>
<th>Unit*</th>
<th>PCwC Target</th>
<th>3rd Quarter, 2011</th>
<th>National Standard Implement as of July 1, 2011</th>
<th>World’s Advanced Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption / ton of paper</td>
<td>Ton water / ton of paper</td>
<td>≤ 10</td>
<td>9.53</td>
<td>/</td>
<td>12-18</td>
</tr>
<tr>
<td>Wastewater discharge / ton of paper</td>
<td>Ton water / ton of paper</td>
<td>≤ 9</td>
<td>8.12</td>
<td>20</td>
<td>/</td>
</tr>
<tr>
<td>COD emitted / ton of pulp</td>
<td>Kg / ton of paper</td>
<td>≤ 0.61</td>
<td>0.45</td>
<td>1.6*</td>
<td>/</td>
</tr>
<tr>
<td>Water consumption / ton of pulp</td>
<td>Ton water / ton of pulp</td>
<td>≤ 28</td>
<td>24.03</td>
<td>/</td>
<td>35-41</td>
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<tr>
<td>Wastewater discharge / ton of pulp</td>
<td>Ton water / ton of pulp</td>
<td>≤ 17</td>
<td>16.58</td>
<td>50</td>
<td>/</td>
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<tr>
<td>COD emitted / ton of pulp</td>
<td>Kg / ton of paper</td>
<td>≤ 1.7</td>
<td>1.55</td>
<td>5*</td>
<td>8</td>
</tr>
</tbody>
</table>

* All tons are metric tons
**Based on the “Pulp and Paper Industry Water Pollutant Discharge standards” approved by the Ministry of Environmental Protection on 26 March 2009.