



PROCUREMENT

OUR COMMITMENT

SDG impact



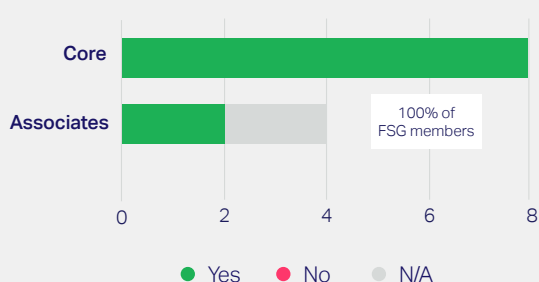
Strengthen and enhance responsible procurement practices, transparency and traceability throughout the value chain

1. Scale the use of best practices to **increase the percentage of purchased wood fiber products from legal, controlled and environmentally and socially responsible sources** (including respecting the rights of affected communities and Indigenous Peoples) by implementing a risk-based approach addressing traceability, and geographic and supply chain risk-based assessment.
2. **Improve the traceability of materials and products** by using up-to-date technology and transparent geo-localization of forest operations and applying approaches to measure and manage natural and social capital dependencies throughout the supply chain.
3. **Enhance sustainable and responsible procurement practices globally for key non-wood fiber raw materials and services**, such as chemicals and minerals, through supplier collaboration and promotion and the enforcement of supplier codes and other measures.

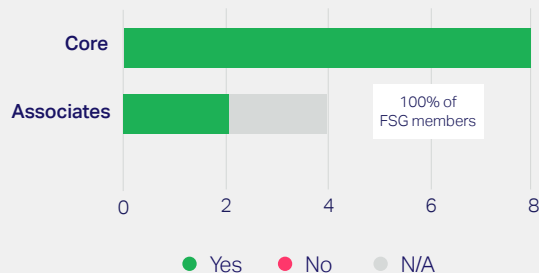
KPI RESULTS

Sourcing policies

Does your company hold its suppliers accountable to a publicly disclosed sourcing policy?



Does this sourcing policy apply equally to non-wood fiber raw materials and services?



Traceability of materials

Volume of wood fiber products intake certified (%) (weighted average)

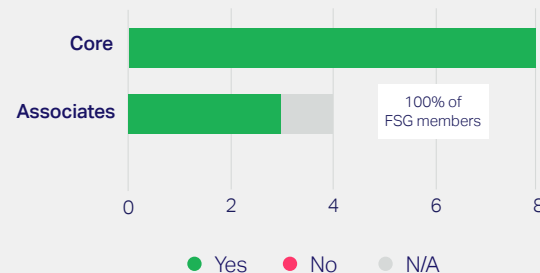
2019

CAGR (2015-2019)

67%
8 core

+1%

Does your company invest in improving the traceability of materials and products?



In recent years business has come under increased pressure to move from an arms-length transactional relationship with suppliers to a more strategic, long-term approach. Digital innovation is further disrupting the supply chain's linear structure, giving rise to a more brokered, networked system of peers.³⁷ This same trend applies to businesses in the forest sector where the growing global attention on deforestation is bringing additional pressure to manage risks in the forest products value chain.³⁸ As customers of wood fiber, we have the most direct and substantial ability to make a significant contribution through our network of over 170,000 suppliers globally. This starts with diligent risk-based approaches to more collaborative, long-term partnerships to drive impact through the adoption of sustainable forest management practices or GHG emissions reductions. In the SDG Roadmap we recognize this important lever for impact in our supply chains. With regards to raw material procurement, we commit to scaling up the amount of wood fiber products purchased from legal, controlled and sustainable sources through risk-based approaches and improved traceability. We also commit to improving procurement practices for key non-wood fiber raw materials that we rely on, such as chemicals and minerals.

1. Publicly disclosed sourcing policies

We source wood fiber from forests that we directly own, manage or lease, or from third party suppliers. For example, **International Paper**, once a large landowner and manager in North America, now relies almost exclusively on private landowners and suppliers for the procurement of its fiber supply. Therefore, wood fiber procurement policies can have far-reaching, long-term impacts on the forests where companies harvest and the communities companies support. Having a publicly available responsible sourcing policy and exercising due diligence to manage the risk of non-compliance with the policy is the first element of a responsible sourcing practice. **In 2019, all FSG members had a publicly disclosed sourcing policy. These sourcing policies apply equally to non-wood fiber products, such as the chemicals used for bleaching pulp.** When assessing supplier risks, we typically include risks related to labor, climate change, water and biodiversity, as well as risks related to illegal logging and deforestation for wood fiber supply chains.



2. Traceability of materials

Tracing the origins of wood and paper-based products can be a complex task. Supply chains often link many wood producers and dealers across several countries and procurement portfolios cover multiple supply chains. A finished forest product might include different types of trees and many products can come from the same tree.³⁹

Forest certification is an effective tool to mitigate the risks related to traceability for wood fiber products. **In 2019, a recognized certification system certified on average 67% of the total volume of wood fiber product intake from FSG members.**

But certification is not the only way to drive sustainable forest management practices. In some regions, and for smallholder forest owners, access to certification can be difficult. Also, for non-wood materials, there is no relevant third-party certification. We all invest in bridging this gap by working closely with wood fiber suppliers to uphold sustainable forest management practices and to improve the traceability of raw material supplies. Several technological approaches are emerging to help trace and verify the origin of the raw materials in products. For example, **International Paper** has launched a geographic information system (GIS)-based mapping technology application to assess forest tracts for the existence of important species or forest habitat values prior to harvest. **Birla Cellulose** has adopted a blockchain-based tool coupled with a tracer embedded in the fiber to allow consumers to trace the entire material journey, from forest to retail, by simply scanning a QR code.