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Carbon Performance of Pulp & Paper Companies: Sveaskog leading the Industry, International Research Group Claims

The Swedish Sveaskog are among a select group of companies that lead the pulp & paper sector with regards to carbon efficiency. From a Nordic perspective, Sveaskog also consistently outperforms its Scandinavian peers – with industry heavyweights such as Stora Enso and UPM lagging far behind.

These are some of the results of a study titled „Sustainable Value_{CO2} Creation by Pulp & Paper Companies” which puts a monetary value to the carbon performance of 25 leading pulp & paper companies. The study, funded by the Mistra foundation, uses the so called Sustainable Value approach, which extends the assessment logic applied to capital on financial markets to the use of environmental and social resources. The approach applied in this study was developed by Prof. Frank Figge and Dr. Tobias Hahn of Euromed Management School Marseille, who together with researchers from the University of Leeds and from the Institute for Futures Studies and Technology Assessment in Berlin authored this study.

The Sustainable Value approach assesses corporate sustainability based on the value created with the resources used. “Sustainable Value is created when a company uses its resources more efficiently than the market,” Dr Hahn explains. Extending traditional valuation techniques from financial analysis, it can assess the use of environmental and social resources next to economic capital. A company creates positive Sustainable Value_{CO2} when it earns a higher return than its peers with its CO₂ emissions. The study adopts two perspectives, the EBIT scenario looks at how much profit has been generated from CO₂ emissions and the Net Value Added, NVA, scenario also takes personnel expenses into account.

The results show stark differences. Swedish Sveaskog and US giant Kimberly-Clark consistently outperform. Kimberly-Clark in its best year, 2009, created € 1.5 billion more EBIT than the industry peers would have generated with these CO₂ emissions. Corrected for company size, Sveaskog emerges as best performer in 2006, 2007 and 2009, creating the highest Sustainable Value_{CO2} in relation to its sales (e.g. € 17.12 Sustainable Value_{CO2} per € 100 of sales in 2007). The 11 other Nordic companies show a mixed picture; Billerud, Holmen, Korsnas and Sodra consistently appear in the top half of the ranking. Ahlstrom, SCA, Stora and UPM largely occupy middle positions; in contrast, Metsäliitto, Norske Skog and Myllykoski under-perform consistently. Myllykoski, the weakest performer across the five years under analysis, has in fact been taken over by UPM in the meantime.

This survey is based on publicly available data. The results show that a meaningful CO₂ performance overview among pulp and paper companies is feasible. However, while the quality of sustainability reporting in the pulp and paper sector probably outpaces other sectors, the reported figures on CO₂ emissions are far from sufficient. Often, data had to be corrected to ensure comparability. Numerous industry heavyweights, e.g. Oji Paper, could not be included due to poor CO₂ reporting.

It should be noted that a positive Sustainable Value_{CO2} does not necessarily indicate that a company is in fact carbon-friendly, Professor Figge explains: “The study considers 25 pulp & paper companies – due to the nature of this sector, all of these companies are very resource-intensive. Kimberly-Clark and Sveaskog appear to have found ways to become more efficient than their peers – however, the picture changes drastically once companies from other industry sectors are also included in the

analysis.” A future study that is currently under preparation will analyse a large number of Nordic companies from a range of different sectors, thereby also shedding light on the relative performance of the 25 pulp & paper companies compared to other industry sectors.

This study shows the value created by the most CO₂-efficient pulp & paper companies when compared to their peers. Sustainable Value_{CO₂} proves useful as a practical tool for producing an in-depth assessment of corporate carbon performance.

Ends.

Barkemeyer, R.; Figge, F.; Hahn, T.; Liesen, A.; & Müller, F. (2011). Sustainable Value_{CO₂} Creation by Pulp & Paper Companies. Sustainable Value Research: Leeds, Marseille and Berlin.

The study is available for download at www.sustainablevalue.com.

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