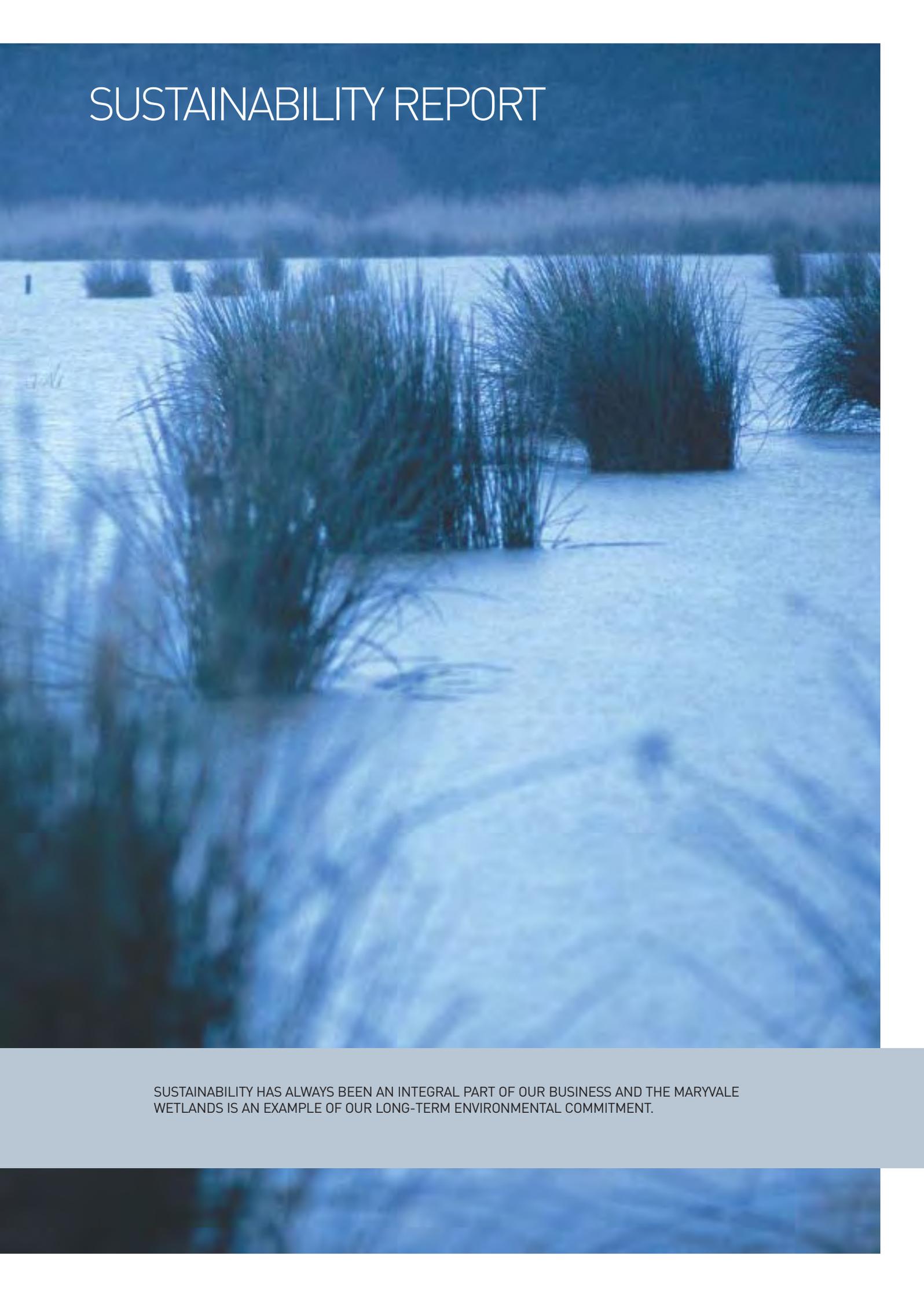


# SUSTAINABILITY REPORT

A blue-tinted photograph of a wetland landscape. In the foreground, there are several clumps of tall, thin grasses growing out of shallow water. The water reflects the light, creating a shimmering effect. In the background, more grasses and a line of trees are visible under a clear sky. The overall scene is serene and natural.

SUSTAINABILITY HAS ALWAYS BEEN AN INTEGRAL PART OF OUR BUSINESS AND THE MARYVALE WETLANDS IS AN EXAMPLE OF OUR LONG-TERM ENVIRONMENTAL COMMITMENT.

# PAPERLINX SUSTAINABILITY CHARTER

PAPERLINX IS A LEADING INTERNATIONAL PAPER DISTRIBUTION AND MANUFACTURING COMPANY WITH A COMMITMENT TO DELIVERING LONG-TERM SUSTAINABLE RETURNS AND ENVIRONMENTAL AND SOCIAL BENEFITS FOR ALL OUR STAKEHOLDERS.

In so doing, we seek to add value for our customers, employees, the communities in which we operate and for our shareholders.

In pursuit of these commitments, PaperlinX recognises that its products and operations have an impact on the environment and that we must continually improve our performance across a range of areas to deliver the sustainable returns to which we aspire.

Our fundamental commitment globally is to not only ensure that as a minimum we comply with the laws of all the regions in which we operate, but we also seek to go beyond just compliance with a range of positive initiatives.

Our commitments in relation to the environment, our employees, our communities and our suppliers are explained below.

## ENVIRONMENT

We will provide product options to satisfy the needs of our customers and will ensure that we provide information to allow our customers, neighbours and the public to make informed choices about our products and their environmental credentials.

At PaperlinX, we are committed to continually reducing our environmental footprint in measurable ways. Our operations seek, wherever possible, to reduce resource use (such as energy, water, fibre and chemicals) efficiently by increasing recycling opportunities and reducing waste output.

We are committed to regularly monitoring these improvements.

## COMMUNITIES

We will support the communities in which we operate in ways that make a positive difference and will maintain an open relationship with these communities, report on our performance and make this information readily available to the public as well as customers.

In addition, we will also recognise our corporate role in assisting our employees make individual and collective contributions to improve aspects of the communities in which they participate.

## EMPLOYEES

Our objective is to be the 'employer of choice' in which all members of our workforce are treated with respect and employed within strong principles of equal opportunity, ethical behaviour and transparent management practices.

At PaperlinX, we are committed to providing our employees the opportunity to grow and develop within a safe workplace wherever they are located.

## SUPPLIERS

We are committed to proactively encouraging our suppliers to improve their environmental performance by insisting they act in a legal and sustainable fashion and are committed to continuous improvement.

Fibre Source



**Sustainability – Working for the Future**

For PaperlinX, sustainability is one of the core principles of our business. It means working for the long-term health and vitality of our Company, the environment and society as a whole. It is about investing in our facilities, our systems, our brands and our people so that we can continue to grow and deliver improving returns for all our stakeholders.

PaperlinX’s Sustainability Charter sets out our commitments in relation to the environment, our employees, our suppliers and the communities of which we are a part.

PaperlinX is the world’s leading fine paper merchant, with businesses in Australia, New Zealand, Asia, North America, South Africa and Europe. We are the only Australasian producer of high quality communication papers and of high performance packaging and industrial papers.

With businesses in more than 30 countries, our products and services must address the needs and respect the values of many different groups and individuals. We share the responsibility of achieving this with our suppliers and partners and believe that, together, we are creating a sustainable business that is delivering value for all our stakeholders.

Here, we report on the key environmental issues within our operations, health and safety within our workplaces and our relationships with the communities of which we are a part.

PaperlinX is striving to make progress in every area that will help us to be a stronger company in the future. We understand that there will always be improvements we can make and we see this as something that drives positive change. We are proud of the progress we have made and we are committed to further progress in the future.

**Fibre Supply**

As a Company that uses a renewable resource as the major raw material in our manufacturing business, sustainable environmental practices have always been important to PaperlinX.

One of the key issues for our business is ensuring that the source of the fibre we use for making paper is sustainably managed.

The fibre used in PaperlinX’s Australian Paper’s manufacturing operations comes from Australian plantations, wastepaper, sawmilling residue, reject logs from harvesting for saw logs from Government owned and managed forests, and imported pulp produced from managed forests and plantations. These resources are all managed for long-term sustainability and PaperlinX requires its suppliers to ensure that at no time do they source old growth timber.

As plantation timber becomes increasingly available within Australia, we plan to significantly reduce the amount of timber we purchase from other sources. By 2018 to 2022, we expect to have phased out fibre from Government managed forests altogether for the manufacture of white paper.

Already 64 per cent of the timber that is sourced by the Maryvale Mill (our largest manufacturing site) is from Forest Stewardship Council certified plantations.

The fibre used to make the papers that are sold in our merchandising businesses also comes from sustainably managed forests, plantations and wastepaper from many paper manufacturers around the world.

Whether we are buying fibre or pulp to manufacture paper, or purchasing paper products from a manufacturer, we source materials and products from companies that share our commitment to responsible environmental standards. This means working with our suppliers to ensure they are able to demonstrate that they follow responsible working practices and use raw materials from sustainably managed sources.

We apply the internationally recognised standard of ISO 14001 to our own pulp manufacturing operations and require our pulp suppliers to have, or to be working towards, appropriate independent accreditation such as ISO 14001 for their manufacturing processes or Sustainable Forest Certification for their fibre.

As a Company, we are always striving to improve our own performance and we expect our suppliers to do the same. We work with our suppliers to help them achieve this, however, we also make it clear that we will seek alternative options if our suppliers are not able or prepared to work towards meeting appropriate environmental standards.

### Recycling

PaperlinX is committed to maximising the use of recycled fibre in our paper manufacturing operations, taking into account the needs of our customers.

At present, approximately 10 per cent of the fibre used in our manufacturing is from recycled sources, and 50 per cent of our Shoalhaven Mill's fibre needs are derived from recycled waste.

The important issue in using recycled fibre is that the wastepaper is put to good use rather than being sent to landfill. We work to an Australian standard that defines post-consumer material as 'material generated by households or by commercial, industrial and institutional facilities in their role as end-users of the product which can no longer be used for its intended purpose'.

Our Australian paper manufacturing operations are signatories to the National Packaging Covenant, which seeks to reduce the amount of waste going to landfill, and is also a member of the Buy Recycled Business Alliance, demonstrating a commitment to buy recycled products.

Across the world, PaperlinX sells a wide variety of products that contain recycled paper, each of them designed to meet customer needs. In doing so, they contribute to a reduction in the amount of waste going to landfill and reduce the use of wood fibre in the manufacturing process.

We have waste-recycling programmes within our offices, distribution and manufacturing operations, and have annual targets to reduce our waste to landfill as part of the commitments in our Sustainability Charter.

### Environmental Management

Improving our environmental performance is a responsibility that is shared across the Group and with our suppliers. We are committed to continuously reducing our environmental footprint in measurable ways that are monitored to ensure we are achieving our objectives.

In our manufacturing operations we have significantly reduced our water and energy usage and we have reduced our carbon dioxide emissions by nearly 20 per cent since the mid-1980s, despite increasing our production capacity significantly.

We are continually striving to improve our environmental performance across the Group through energy-efficiency in our office environments, waste reduction programmes and the energy-efficient transportation of our goods.

### Returning Land to the Community

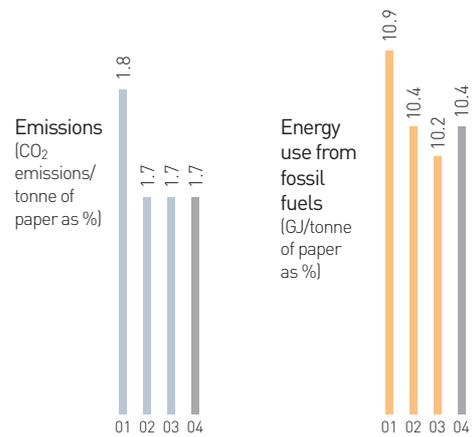
*The manufacture of high-grade paper uses a type of clay, known as kaolin, in the paper-making process itself and as an ingredient for finishing the paper with a high-quality, smooth surface.*

*From the 1970s, clay was mined in north-west Tasmania for use at the nearby Burnie Paper Mill. In the mid-1990s, the Company phased out this activity and commenced rehabilitating the area, returning it to the Tasmanian Government and the people of Tasmania in 2004.*

*Working to higher standards than those required by regulation, Australian Paper stabilised and revegetated the 300 hectare site. The Company worked in close partnership with Government departments and the local community to achieve the successful transition from mine site to an area that is rich in natural vegetation and wildlife.*

FACTS

90% OF THE ENERGY USED AT OUR TASMANIAN MANUFACTURING OPERATIONS COMES FROM RENEWABLE ENERGY – EITHER HYDRO OR WIND FARMS.



### Environmental Communication – Working with our Customers

The PaperlinX global Sustainability Charter sets out our commitments to the environment and other key areas of our operations. This Charter commits the Company to providing information that enables customers and the public to make informed choices about our products and their environmental credentials.

PaperlinX seeks to demonstrate that our products, whether those that we make ourselves or those we sell that are manufactured by other companies, are produced responsibly.

Each of our businesses is responsible for establishing and implementing plans that enable them to meet this commitment. At a minimum this will involve having sufficient information readily available for the customer to be able to make an informed choice.

We will continue towards our goal of demonstrating the sustainability of our products and providing our stakeholders with sufficient information to enable them to make an informed decision about the products they purchase.

#### Creative Thinking to Create a Winning Cover Design

Spicers Stationery produces more than 45 million school exercise books annually for the Australian market.

During the year, the Company launched the Tudor Design-a-Cover Competition for its 60 per cent recycled, 100 per cent Australian made exercise books. The competition will result in the winning design being featured on all Tudor exercise books and the winning school will receive \$20,000 worth of audio visual equipment.

Spicers Stationery teamed up with internationally recognised creative thinker Dr Edward de Bono to incorporate innovative skill development techniques into the support material for students entering the competition.

The response from schools around Australia has been very strong, with nearly 700 schools competing to create the winning design.

Spicers Stationery is excited by the response to this initiative, especially given that the 60 per cent recycled content of the exercise books will result in 5,000 tonnes of wastepaper being diverted from landfill.

#### The Rough Guide to the Environment

Environmental matters are important to many of our customers, yet there are so many differing claims about the environmental credentials of different products that it can be difficult to make an informed choice.

To assist customers, and others, with information about paper and the environment, PaperlinX's Robert Horne Group in the UK produced The Rough Guide. This pocket-sized guide contains information on the Company's environment policy, defines the different product labelling and certification schemes and provides a glossary of environmental terms.

The Rough Guide has been effective in raising awareness and understanding of environmental issues among Robert Horne staff and customers.

IN THE LAST 25 YEARS WE HAVE HALVED THE CONSUMPTION OF ENERGY FROM FOSSIL FUELS PER TONNE OF PAPER PRODUCED.

64% OF THE TIMBER SOURCED BY MARYVALE MILL IS FROM FOREST STEWARDSHIP COUNCIL CERTIFIED PLANTATIONS.

### Community Involvement

As a member of the community, PaperlinX is proud to work with and support the local communities in which it operates.

Our businesses have invested in a number of community partnerships, often with the direct involvement of employees, to raise funds or provide other practical support to community initiatives.

In Australia, PaperlinX supports a diverse range of activities ranging from highly specialised medical research to grass-roots fundraising for a cure for cancer. We also support local activities by identifying opportunities to partner with community organisations.

Each of our businesses supports their communities in a variety of ways through product donations, participating in a toy drive or supporting local charities through an employee payroll deduction scheme.

#### **Spicers Paper Goes MAD with Landcare**

*Employees of Spicers Paper in Australia identified an opportunity to support Landcare, the well-respected programme that rehabilitates damaged land. The initiative came from an internal programme where employees were asked to make a difference and 'Go MAD – with ideas'.*

*In January 2004, Spicers Paper pledged to donate \$100 to Landcare for every tonne of Tudor RP 100 per cent recycled stock sold. Money raised is going towards rehabilitating landfill sites around Australia. The initiative has resulted in significant growth in product sales and the Spicers Paper team are confident they will build on this success as more customers become aware of the benefits of participating in this programme.*

#### **Dear President, Monarch, CEO ...**

*On 21 September 2004, the booklet 'Is there a time' was presented to Kofi Annan, Secretary General of the United Nations. The booklet portrays people living with poverty, set against the lyrics of 'Miss Sarajevo' (U2). It has also been received by 25,000 of the world's most influential people, covering 191 countries. The booklet is printed on Hello paper, our leading European paper brand, which was donated by PaperlinX. For more information: [www.first8.org](http://www.first8.org).*

#### **The Orchid Cancer Charity Appeal**

*The Howard Smith Paper Group, a leading UK paper merchant, has developed an innovative approach to fundraising for a charity dedicated to funding research into diagnosis, prevention and treatment of prostate and testicular cancers. Using their 'very own' models in the 'Dare to Bare' calendar, the Howard Smith Paper Group has donated £500 to The Orchid Cancer Appeal for every model featured.*

*In August 2004, the Company and its valued customers, suppliers and other supporters had raised over £50,000 for the charity.*

### Community Relations

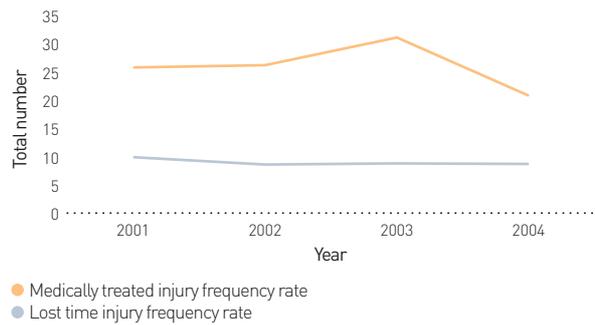
PaperlinX believes it is important to have open and honest dialogue with the communities in which we operate. At our manufacturing sites we have Consultative Committees that provide information on the site's environmental performance, address issues raised by the community and act as a point of contact for community members.

Wherever we are, PaperlinX is proud of the role we play in the community and our ability to make a difference where it is needed most.

## FACTS

WE USE AROUND 80,000 TONNES OF WASTEPAPER IN OUR PAPER MAKING THAT WOULD OTHERWISE GO TO LANDFILL AND 50% OF THE FIBRE USED AT OUR SHOALHAVEN MILL IS FROM WASTEPAPER.

## Work Safely



### PaperlinX People

PaperlinX provides a working environment in which every employee is respected and employed within strong principles of equal opportunity, ethical behaviour and transparent management practices.

We are committed to investing in our people and their skills to ensure that our employees have the opportunity to grow and develop.

The Group's employees increased from 5,000 to more than 10,000 over the year, as a result of acquisitions. We have focused on leveraging the benefits this has brought to the Group by providing cross-Company opportunities and formalising the leadership development of our people.

#### Developing Our Global Leadership Skills

*PaperlinX recognises that for a Company that has grown to be the leading fine paper merchant in the world, the leadership skills of our senior managers are critical to our success.*

*During the year, the Company formed a Leadership Group to support and develop the skills of the most senior managers. Members of the Leadership Group form a core that will provide guidance for the global PaperlinX team, and include Managing Directors from substantial businesses and managers with responsibility for major functional areas, as well as managers of smaller, but still significant, businesses within the PaperlinX Group. This initiative will help unite our geographically diverse workforce by communicating a shared understanding of the Group's business strategy and the role each individual has in our success.*

### Working Safely

The health and safety of the people working at PaperlinX is one of the Company's key priorities. Corporate policies set global directions and minimum standards that are implemented at a business, country or regional level, taking into account cultural and legislative differences.

The Group's 300 sites are now categorised according to their risk profile. All categories must complete an annual assessment with the two higher-risk categories undergoing regular audits of performance. Our four paper manufacturing sites have integrated their environment, safety and health and quality systems and are externally audited each year.

Substantial reductions in injuries are being seen as a result of the Company's focus on injury prevention and intervention.

The frequency rate of incidents that required more than first aid treatment declined from 31.1 to 20.5 when compared with the previous 12 months, despite doubling our workforce. As the Group's new businesses have started to report injuries there is an increase in lost time injury reports, which will continue to be a focus in the coming year. The provision of return to work programmes and alternative duties are all a part of the process.

As the Group moves forward, our focus will be on supporting local management to operate within the standards the Company sets while recognising local conditions and requirements – helping to ensure a safe working environment for everyone at PaperlinX.

THE PAPER COMPANY HAS IMPLEMENTED AN ENVIRONMENTAL MANAGEMENT SYSTEM USING BRITISH STANDARD BS8555.

ALL OUR MILLS HAVE ACHIEVED ISO 14001 FOR ENVIRONMENTAL MANAGEMENT.

IN THE LAST 20 YEARS WE HAVE REDUCED WATER USAGE PER TONNE PAPER MANUFACTURED BY 60%.