

COMPANY PROFILE

Walking the Talk with K-C Australia's Sustainability Efforts

Perini Journal recently met with Kimberly-Clark Australia to talk about the company's outlook on Sustainability and CSR, and the progressive manner in which it is addressing these topics

Perini Journal

"At Kimberly-Clark Australia," says Ross Hearne, General Manager of Corporate Services, "we have a lot of good stories to tell about our successes in the areas of sustainability and Corporate Social Responsibility. For example, 97% of all manufacturing waste which was produced in our operations in 2008 was recycled, meaning only 3% went to landfill. That's down from nearly 6% in 2003. Similarly, we continue to reduce our water usage and effluent emissions year by year, while 87% of the fibres used in our mills come from certified managed forests. Looking further back in history, we have been a pioneer in the TCF (totally chlorine free) bleaching process, using oxygen bleaching since 1989, and since 1992 all of the pulp produced at our Tantanoola pulp mill is TCF."

"For our products, we are also very aware of the need to reduce raw material consumption. For wrapping we have decreased the gauge of our plastic films by 25% in recent years, and the boxes used for our Kleenex tissues are generally made from 95% recycled fibre. We have also received numerous awards for innovative packaging waste management solutions. So we have a lot to say and be proud about on these issues," continues Hearne, "but until a couple years ago, we didn't really do it in a very public or systematic manner."

WHY NOT TALK ABOUT IT? Now, however, K-CA has taken a much higher profile with sustainability and CSR. "About five years ago," Hearne explains, "we began talking more about CSR issues and how K-CA was progressing. Around the same time, I was at a meeting and happened to speak with a former Greenpeace leader here in Australia. I told her about some of these success stories and she said 'I didn't know all that. Why don't you talk more publicly about these things?' We realized it made a lot of sense to speak more publicly about what we are doing and get the facts out. We feel it has been very beneficial to do so."

Among the most visible products of these initiatives is K-CA's annual Sustainability Report which details goals and progress with respect to numerous areas under the general area of Corporate Social Responsibility. These include topics such as environment, governance, community, people, safety, and consumers.

Kimberly-Clark Australia Managing Director Mark Wynne agrees that the Sustainability Report has been beneficial, saying it has been very positive in terms of dealings with Australian authorities. "Since we began putting out our Walking the Talk Sustainability and CSR report, our credibility has clearly gone up with the regulators. We document the successes as well as the areas where we need improvement. They recognize that we are being open, transparent and factual, and they respect us for that."

"Also by making sure our own staff are very familiar with our record we have 1,500 ambassadors who can tell our story as well. This is what we call barbeque talk. We get the staff familiar with the good things we are doing so they can tell the facts and be proud of K-C when they are talking informally with friends and family. It is also good for recruiting and retaining the best people in the company. Equally important is the external communications to customers and consumers, as well as governments, NGOs, investors and other stakeholders, so they are all aware of our efforts to protect the environment and people."

SAFETY FIRST. Along these lines, you might not normally expect that a company's Sustainability Report would include such things as detailed safety performance statistics with respect to employees. But Kimberly-Clark Australia (KCA) sees things in a broader perspective than most companies.

COMPANY PROFILE

"We take the view," Wynne explains, "that Sustainability and Corporate Social Responsibility, while of course covering topics such as the environment, climate, and our community, also extend further to include the safety and well-being of our employees. Safety is not just a serious concern at Kimberly-Clark, it is an obsession. It is the first item on every internal report, above profit and above production. And this is not just concerning the traditional factory floor safety practices but even things such as defensive driving courses for our sales reps that spend a lot of time driving to customers. A fundamental requirement of sustainability is keeping workers safe and healthy. They should go home each day in the same condition that they arrived."

87% OF FIBRE FROM CERTIFIED FORESTS. A key issue in Australia, as in other parts of the world, is the concern that wood fibres come from trees sourced in sustainably managed forests, using programs such as FSC and PEFC. Kimberly-Clark has a very clear position that it will only source fibre from sustainably managed forests and in 2008, 87% of the Australian subsidiary's wood and fibre was certified. However, there are some cases in Australia where it is just not practical or affordable for small tree farmers to go through the certification process. "For example," comments Wynne, "near our Tantanoola pulp mill in South Australia there are some very small tree farmers that can't afford the certification process. So do we tell that guy living near the mill that we are sorry we can't use his trees? Or do we instead send out a K-C forester/auditor to make an assessment based on his professional judgement as to whether these small holdings are sustainable? We prefer to do it that way, provided we judge these forests to be sustainable, so the local farmer can sell his trees without taking on the large cost of certification and we can source the trees nearer the place they will be used."

CARBON REDUCING TAX COULD HAVE INVERSE EFFECT. Something that K-CA clearly is skeptical about is the carbon trading scheme that is being considered by the Australian government. Wynne says that unless competing countries in the region also participate in emission reduction, the cost of carbon emission permit purchase will severely reduce the Australian tissue business profit margins and make Australian manufacturing less competitive. While the intended effect is of course to lower carbon dioxide emissions, it might have the exact opposite effect, he says, if it causes reduced manufacturing in Australia and opens the doors to producers in other countries where regulations might be less stringent.

"The result," claims Wynne, "could be more carbon dioxide emissions due to both manufacturing and transportation. Of course the government is trying to balance the political desire to reduce carbon, which we understand and endorse, with the commercial reality that it may damage Australian jobs and competitiveness. This is a dilemma not just for us but all industries and the pace of change is a challenge. We are also concerned that if one government requires us to do one thing and we spend say \$100 million to conform, will the next government take a different approach? It's a bit worrying."

CARBON LABELS CONFUSING. Looking from the other end, does K-CA think that carbon labels for tissue products will arrive in Australia? "I can't see that happening for a long time for the simple reason that it is so hard to calculate correctly. Almost any calculation you make about carbon emissions is open to interpretation and dispute. So if you try to label a consumer product, it will either be so simple that it will be meaningless, or so complicated that nobody can understand it. I don't see carbon labels on tissue happening anytime soon," says Wynne.

DESIGN FOR ENVIRONMENT APPROACH. To take the environmental progress further K-CA is broadening its efforts from simply cleaning up the manufacturing process, which is an after-the-fact reaction, to more progressive actions whereby it is designing a process or product with the environmental effects considered from the start. This is the Design for Environment approach and Hearne says the company is actively working with this philosophy both in Australia and at the K-C corporate headquarters in the USA.

As far as the terms used, Sustainability or CSR, Hearne says that "the term Corporate Social Responsibility or CSR was what we used initially here in Australia, but then when our parent company in the US decided to use Sustainability we decided to maintain a consistent approach. I guess it is just a matter of definitions but they are really much the same thing. Whatever you call it, the main point is that you should not take out more than you are putting in."

"The fact is that sustainability makes good economic sense and Kimberly-Clark has been a very environmentally aware corporation for decades. We have saved hundreds of millions of dollars over the years by cutting down on waste in our operations and recycling tons and tons of pulp, plastics and packaging."

Along the same lines, MD Mark Wynne sees numerous reasons for being progressive on sustainability issues. "First and foremost it's good for the environment. You can't argue with that. But there are many other advantages we see. If we have a good image as a corporation, that translates into brand equity. Consumers feel good in their hearts about buying from a company that they feel is doing things right. Of course, as we have all found out, the

cold reality is that consumers will in general not pay much more for an environmentally superior product, but when a consumer is comparing two similar items the one that has a better environmental image has an advantage.”

“We also want to be open and transparent with the Australian retailers, who want reassurances that the products they are carrying have a solid sustainability profile. In addition, we want the communities in which we do business to be assured that we are a good corporate citizen who is taking care of the community resources.”

COMPETITIVE ADVANTAGE. “On top of this, we believe that a corporate culture built on sustainability can give us a competitive edge. These are exciting times, when the winners are being sorted out from the losers a lot faster than in the past. Sustainability can also give us an edge over the competition because it can't be copied. It is engrained in our staff and co-workers over a long period of time, so that it becomes part of the corporate culture, built on a very solid foundation.”

“I recall the story many years ago about General Motors executives asking to see a competitive Toyota car plant. To their surprise they were welcomed in and shown everything. At the end of the visit they asked their hosts: 'Didn't you just give us all your secrets?' Toyota replied: 'Absolutely not. The key to our success is our culture, not our equipment, and you can't copy what you can't see.'” o