

**SUSTAINABILITY**

## Clearing up the Kleercut conflict

When Kimberly-Clark and Greenpeace suddenly announced in August 2009 that they were settling their long-running conflict regarding K-C sourcing fiber from Boreal Forests in Canada, the news was met in some quarters with disbelief. The long and bitter Kleercut conflict had been running for close to five years and there had been no prior indication that a settlement was near.

### Hugh O'Brian

"I got involved very late in the process when most of the details had been worked out by my predecessors", explains Suhas Apte, K-C's VP of Global Sustainability since mid 2009. "My understanding is that several years ago Greenpeace asked us to talk and we decided there was nothing to gain by talking with them. We believed that K-C already had good fiber procurement policies and practices in place, most of the fiber we purchased was certified, and we met all legal requirements."

"Based on this response, Greenpeace decided to go after K-C in a big way and the Kleercut campaign began. From a business standpoint, the actual impact to short term sales was limited. However, the Kleercut campaign definitely was detrimental to our long term brand equity, as images of us destroying old-growth forests was something we certainly didn't want."

**INFORMING BEFORE CONFRONTING.** Scott Paul, the Greenpeace USA Forest Campaign Director who has been involved in the K-C case for many years, gives his version of the early stages. "We did not start out with a plan to go after Kimberly-Clark per se," he says. "In 2002 Greenpeace Canada was looking at the Canadian Boreal Forest, documenting the condition of the forest, who was logging where, and where the wood was ultimately going."

"By 2004 our chain of custody analysis – following the wood from the forest to store shelves – lead us to, among others, K-C, who we documented was buying pulp clearcut from Endangered Forest regions in the Boreal. Based on this information we asked K-C for a meeting to inform them of our findings. These meetings typically go one of two ways. Sometimes companies respond positively, ask good questions and say 'we didn't know this. What should we do, etc.', other times companies are simply not interested."

"That was the case when we initially spoke with K-C here in Washington DC in 2005. We were simply talking past each other and they had no interest in having another meeting. So we made a political calculation that the largest tissue maker in the world could not continue consuming ancient forest fiber at that rate, and decided to launch the Kleercut campaign."

**POWERFUL LAWYERS AND SCARED HIPPIES.** After a couple of years of running the campaign, says Scott, in 2007 it looked like there might be a chance to make progress. "We ended up in a series of extremely formal negotiations. I'm sure you can picture a meeting with a lot of high powered lawyers on one side of the table and scared hippies on the other side," laughs Scott, "but in all seriousness there was not a lot of common ground to be found. The negotiations broke off completely when K-C suddenly removed recycled fiber from the agenda. It was clear that the talks were going nowhere, we walked from the table and restarted Kleercut."

In early 2009, with K-C growing tired of the conflict and looking for some way to settle it, the company had an intermediary in Washington approach Greenpeace and ask: "What would it take to restart the negotiations?"

Scott continues: "At that point, we simply asked for a new person to represent the K-C side. There was too much bad blood. We needed someone new, someone very senior, with direct access to the CEO and the ability to make decisions. They agreed so I flew to Atlanta and met Drew Barfoot, the newly named VP of Sustainability who was apparently close to retirement and highly respected in the company. The two of us hit it off immediately and broke past the misinformation and misperceptions that had generated over the years."

"At one point Drew leaned back in his chair and smiled. He then said 'This situation reminds me of what I learned from many years of working with organized labor. That is, there is so much more to be gained through engagement versus adversarial relations. We have to stop treating each other like enemies and vice versa.' That was a break-

through, and we agreed then and there that all further discussions would occur only between Drew and myself, conducting shuttle diplomacy between our teams." For the next five months Scott and Drew traded papers every few weeks, consulted with their various issue experts and talked through contentious points and misunderstandings one-on-one. Trust, at least between Scott and Drew, began to grow.

**BOREAL FOREST PROTECTION A KEY ISSUE.** A central point in the agreement that emerged is that Kimberly-Clark will no longer source any fiber from the Canadian Boreal Forest that is not FSC certified by the end of 2011. K-C will also increase its usage of FSC certified plus recycled fiber in its North American tissue products to 40% by the end of 2011. This is up from around 25% in 2008.

Suhas says that the key aim of the agreement was to protect important old growth forests globally, but especially the Boreal Forests in Canada. "Our negotiations with Greenpeace brought a sense of urgency to the issue and clear metrics to measure our progress. Our 2003 fiber procurement standards called for purchasing certified wood fiber and in 2007 we introduced a preference for wood fiber from FSC certified source. The negotiations with Greenpeace and others helped us to update and upgrade our fiber procurement policy, which we adopted on June 30, 2009 and announced together with Greenpeace on August 5, 2009. The agreement brought additional protection to special forest areas and clear targets for K-C to increase its usage of environmentally preferred fibers in North American tissue products over next three years."

K-C over-delivered the 2009 target of total recycled fiber and FSC pulp in its North America tissue products by achieving a 43% level of environmentally preferred fiber. Suhas says that the market dynamics for obtaining FSC fiber were unusually favorable: "In early 2009 demand for pulp crashed due to the global recession. Pulp suppliers needed cash and FSC was easily available, which is not always the case. Another factor was that Brazilian pulp suppliers got FSC certification for Eucalyptus fiber. The reality now is that the market has tightened significantly so it's harder to secure FSC fiber."

"In K-C we take our commitments very seriously and despite less favorable market conditions, we will strive to deliver our midterm goal of around 40% environmentally preferred fiber we promised to Greenpeace. We now have an ongoing open dialogue with Greenpeace. They understand the supply side challenges we face and are playing a very constructive role. At the same time, we are implementing other provisions of our agreement with Greenpeace by identifying and mapping high conservation forests. Our ongoing engagement with Greenpeace has helped us recognize the value of transparency in building durable relationships with stakeholders and moving towards greater and greater sustainability."

**TRUST IS THE WORD.** Since Suhas arrived from K-C Europe in 2009, an important part of his job has been to implement the agreement with Greenpeace and strengthen the relationship. "We have made a special effort to bring the two teams together to build trust by openly sharing information. We consider Greenpeace as our partners who will help us stretch to become better stewards of the environment by educating and challenging our team. We may not agree to everything they say but I am confident that in the end our dialogue with Greenpeace will both make K-C a better corporate citizen and help us improve our sustainability initiatives".

Scott agrees that the trust, and the seriousness of purpose, is crucial. "Part of the agreement is regularly scheduled face-to-face meetings between our teams to discuss progress and challenges. I have to say we are impressed with how seriously Kimberly-Clark takes the series of documents to which we have agreed. I have dealt with an awful lot of companies who will sign one thing and do another. I am sure we will continue to have differing viewpoints on some issues but the respect, I believe, is there on both sides."

**LCA OF SECONDARY FIBER TOUCHY.** When asked how Greenpeace reacted to K-C's 2008 Lifecycle Assessment (LCA) of primary and secondary fiber that concluded that there is no environmental advantage to secondary fiber, Suhas says it took a little time for the sides to see each other's points.

"Greenpeace had concerns about the study," says Suhas. "The two teams cross checked the assumptions and concluded that the major missing element was biodiversity loss. While the LCA boundaries did not include biodiversity, K-C fiber procurement policy does take biodiversity into account. Our LCA study clearly stated that the results applied only to the K-C North Atlantic tissue products studied and would not be relevant to other K-C locations or the operations of other companies."

Scott continues, "This was a good example of us talking past each other for a long time. We were initially furious when the LCA came out with bold font talking points claiming there was no difference between recycled and virgin from an environmental standpoint. However once the two sides really started talking, there was recognition that the difference was in the starting point. Their LCA begins at the mill not in the forest. Obviously Greenpeace begins quantifying loss in the forest. Broad statements about environmental benefits need to be put in full context. I have to say the LCA is still a bit sensitive for us."

**INDUSTRY REACTION.** Regarding the reaction by K-C's peers in the tissue industry to the settlement with Greenpeace, Suhas says "Quite honestly, we don't talk to each other but I am sure that this agreement has raised awareness and perhaps will challenge our major competitors to adopt more progressive fiber policies. In looking at our long term business strategy, we know that Kimberly-Clark must secure environmentally sustainable fiber sources that are acceptable to our stakeholders. What's good for the planet has to be good for all businesses. On the other hand, a small US producer of 100% recycled tissue has publicly stated that it thought Greenpeace gave in too easily so, as usual, there are many sides to the story."

**NO PERMANENT FRIENDS AND NO PERMANENT ENEMIES.** How long the feel-good relation between K-C and Greenpeace will last is perhaps anyone's guess. It is pretty clear that after four years of conflict from 2005 to 2009, the two parties have found a way to collaborate. Still some arm wrestling will most certainly occur but both sides at present feel that the bond is growing. Scott adds: "We have an unofficial slogan in Greenpeace: 'We have no permanent friends and no permanent enemies.' As long as K-C is implementing the policy in good faith, we anticipate nothing but friendship. It's a strong policy and the positive trends for the environment are real." Based on the solid foundation of trust that has been built following a very difficult period of conflict, combined with the reality that in some ways both sides need each other, it seems likely that the parties will remain on good terms. Both were very fixed in their positions and both have now seen the value of cooperation. The winner, most likely, is this little blue ball we are all riding around on: the Planet Earth. •