



PaperlinX

**PEOPLE
PAPER
PROGRESS**
Sustainability Report 2008

HIGHLIGHTS 2008

- For the fourth consecutive year, PaperlinX has satisfied the requirements of the FTSE4Good Index Series by meeting global standards of corporate responsibility for social, ethical and environmental performance. And we participated in the Carbon Disclosure Project Survey in Australia.
- Over the past seven years, we successfully reduced our Medically Treated Injury Frequency Rate (MTIFR) by 55 per cent and our overall Lost Time Injury Frequency Rate (LTIFR) by 50 per cent.
- The PaperlinX Values were launched in every business to enhance our organisational culture and business performance.
- HealthLinX, our global health and wellbeing programme, was launched by offering all employees a free workplace health check.
- Carbon emissions per tonne of paper produced were reduced by 11 per cent in our Australian manufacturing business. Achieved a 6.7 per cent reduction in raw water used per tonne of paper produced in Australia.
- Developed the first Australian-made range of carbon-neutral papers, called ENVI™ and launched yoyo™, a unique combined office paper delivery and waste collection service in the UK.
- Australian Paper qualified as a member of the World Wildlife Fund's Australia Forest and Trade Network, an initiative to promote responsible forest management and credible forest certification.
- Australian Paper received dual chain-of-custody certification for its paper products under the Programme for Endorsement of Forest Certification schemes (PEFC) and Forest Stewardship Council (FSC).
- Continued to significantly drive up the number of chain-of-custody certifications in our merchant operations in Australia, Asia, Europe and North America, confirming their ability to trace paper back to an approved sustainable source of fibre.
- The upgrade of the pulp capacity at Maryvale Mill is progressing, including the new bleach plant that will provide further improvements in environmental performance.
- Our global community investment was equivalent to 1.25% of reported profits.

WHAT SUSTAINABILITY MEANS TO PAPERLINX

Sustainable development is most often defined as 'meeting the needs of the present without compromising the ability of future generations to meet their own needs'. For PaperlinX and its operating companies, this means achieving sustainable economic growth of benefit to present and future generations of employees, shareholders and customers without detrimentally affecting the resources or biological systems of the planet.

Report Scope

This Sustainability Report covers the operations of PaperlinX Limited's businesses and its social and environmental commitments for the period July 2007 to June 2008. It aims to broadly report against the Global Reporting Initiative (GRI), guidelines for sustainability reporting that encourage tracking and measure performance through disclosure. All data reported has been collected and validated through internal financial and environmental management systems and is available for auditing purposes.

CONTENTS

Chief Executive's comment	1
Our business	2
Our vision and strategy for sustainability	3
Sustainability Charter	4
Developing our people and culture	5
Our community commitment	8
Managing our environmental footprint	10
Glossary	IBC



CHIEF EXECUTIVE'S COMMENT

Tom Park
Managing Director and
Chief Executive Officer



'I am proud to say that we have developed some innovative products with environmental credentials... These are proving to be popular options for customers who are adapting their supply chains to address environmental concerns.'

Our seven PaperlinX Values were developed with intensive input from across the Company, then launched this year. They define what is special about PaperlinX, as well as our aspirations for improvement and the behaviours that will get us there. Naturally, sustainability is a core value of the Group and one that our people are committed to building upon.

Driving Sustainability Further

Sustainability reflects our commitment to social and environmental responsibility and to our employees, as follows:

- Prioritising the safety and wellbeing of our people.
- Attracting and retaining the best people.
- Promoting a work and life balance.
- Acting with integrity and honesty with all stakeholders.
- Delivering financial success.
- Demonstrating environmental leadership.

Traditionally, sustainability has been applied separately to our operational efforts (how we run the business) and commercial efforts (the products and services we provide). We have appointed a Sustainability Director in Europe and created the Sustainability Affinity Group to assist with this challenge. Now, we are working to align our efforts around the world by launching regional corporate responsibility (CR) platforms that reflect an overarching commitment to social and environmental responsibility and to employees.

Managing Carbon and Other Environmental Impacts

Our Australian paper manufacturing operations are an energy-intensive business, using 90 per cent of our global electricity consumption, making it our greatest carbon impact. Over the past seven years, we have reduced our CO₂ emissions per tonne of paper by 23 per cent. The Australian Government is now committed to introducing a Carbon Pollution Reduction Scheme. PaperlinX is actively involved in the consultative process. We support such a scheme, provided the international competitiveness of such carbon-intensive trade-exposed industries as pulp and paper manufacturing can be maintained throughout the cycle, and carbon and jobs are not leaked offshore unnecessarily.

Paper consumption has become an obvious focus for businesses wanting to reduce not only environmental impacts, but also costs. A widely held opinion is that paper is not environmentally acceptable because its production requires the harvesting of trees. This neglects the fact that forestry today can be carried out sustainably and responsibly, giving us a renewable natural product that can be recycled. So we now have a range of environmental certifications (e.g. FSC, PEFC, SFI) for our merchandising and manufacturing operations, to reassure our customers, the public and our employees that our fibre sources are sustainable.

We believe that paper is fundamentally a good product, but we can do more to manage the waste it produces and the carbon emissions involved in its production. I am proud to say that we have developed some innovative products with environmental credentials such as Australia's first carbon-neutral paper range, ENVI™ and a closed-loop paper supply, delivery and recycling system in the UK called yoyo™. These are proving to be popular options for customers who are adapting their supply chains to address environmental concerns. This is where our combined industry experience and leadership can truly contribute to global environmental improvements.

Caring About our People

Encouraging such new ideas and innovative solutions will drive our business success. So we are developing ways to improve the diversity of our workforce in areas such as gender, education and work experience. Our training and development programmes are improving people's skills and expertise. And we have made good progress in supporting the personal safety and health of all our people by launching the HealthLinX programme and further improving our safety performance over the last 12 months.

I thank everyone involved in contributing to our progress on addressing many difficult sustainability issues over the last year and look forward to receiving your views and comments on this report.

Thomas P Park
Managing Director and Chief Executive Officer

OUR BUSINESS

From Paper and Packaging to New Materials...

Around the world, it is our business to deliver the papers and materials our customers want. We operate a range of distinct businesses across 27 countries, local businesses with worldwide links. Together, we have grown to become one of the world's largest fine paper merchants and a unique Australian paper manufacturer.

We manufacture and distribute high-quality fine paper used in offices, as well as specialty papers used in brochures, magazines, annual reports and other business applications. We also manufacture packaging papers for corrugated cartons, paper bags and other packaging materials. And we are expanding our range in other materials, such as sign and display products, industrial packaging and graphics.

The companies that make up PaperlinX today have a long history in paper. In Australia, some businesses have been making paper since 1939, and, in Europe, others have been distributing paper since the 1600s.

We have a vested interest in developing a sustainable business model and providing leadership, particularly in the environmental area, for the future success of our business. Our growing range of paper and materials with strong environmental credentials is an example of how we are shaping our business to meet the challenges ahead.

Operations	2007	2008
Countries	27	27
Sites	403	366
Manufacturing sites	4	4

Financial profile	2007	2008
Total revenue (A\$m)	7,839	7,485
Earnings before interest and tax (A\$m)	185.5	160.4
Sales volume (before commission sales) ('000 tonnes)	4,313	4,276

Revenue Total Revenue – \$7,485 million



Percentage calculated before intercompany eliminations

Our People Employees – 9,365



OUR VISION AND STRATEGY FOR SUSTAINABILITY

Our vision is to be recognised as the leading international paper company – a truly sustainable business built on a positive approach to the health, wellbeing and capabilities of our people, our environmental management and our financial prudence and integrity.

When the Group's organisational values were being developed, sustainability was selected as one of the seven PaperlinX Values. As we try to balance cost constraints, social impacts and ecological performance, our focus on continuous improvement means that the organisation must make real and measurable changes every year. Our main strategy for delivering these changes is embedding sustainability into our business strategy and planning, structures and processes.

As a manufacturer and distributor of paper, we have certain responsibilities. Building our business upon paper – a sustainable product made from a renewable, natural resource that is completely recyclable – has many implications. These unique product features have become increasingly relevant to environmentally conscious consumers the world over. To maintain our Company's growth we must focus our strategy on these three areas:

- Economic sustainability – the successful performance of our business model.
- Social sustainability – meeting society's expectations of our responsibilities to our employees and the communities in which we operate.
- Environmental sustainability – managing natural resources wisely to continually improve our environmental performance.

Our commitments are set out in the PaperlinX Sustainability Charter, launched in 2004. Our business is founded on mutually beneficial relationships and partnerships with a range of stakeholders, and through the Charter we are committed to open dialogue, ethical behaviour and good business conduct.

Driving Sustainability Improvements

Supporting our sustainability commitments is a framework of management, risk and governance involving all levels of the Company from the Board through to operational teams. The Company has a risk oversight and management regime that involves detailed analysis of the material risks to the business worldwide. Board committees have responsibility for specific areas of compliance, and the regime's effectiveness is subject to annual certification by the Managing Director and Chief Financial Officer.

Good performance in occupational health and wellbeing, safety and the environment are key strategic issues for PaperlinX. A Board committee consisting of four Non-executive Directors convenes with the Managing Director and the Group General Manager Environment Safety and Health (ES&H) on a quarterly basis to consider safety and environmental issues that may have strategic, business and reputation implications for the Group. This Safety and Environment Committee reviews policies and monitors compliance, assesses management systems, standards and practices, and reviews significant incident investigation reports.

The Committee also regularly visits sites within the Group to gain first-hand knowledge of operations and performance. During the year, the Committee visited sites in the UK and The Netherlands.

To further integrate sustainability between operational and commercial efforts, the Sustainability Affinity Group was created. This global team, with representatives from each business region, is responsible for marketing sustainable product brands globally, coordinating a global sustainability position and ensuring regions have sustainability plans in place to deal with environmental risks and opportunities.

Global Environmental Management Approach

The Company has a multifaceted approach to environmental management that is underpinned by an Operations Management System (OMS), as well as the identification and implementation of strategic priorities.

The OMS provides a framework for managing ES&H through performance requirements for all operational activities. These cover risk management, legal compliance, improvement, roles and responsibilities, training and compliance, communications, documentation, operational control, emergency response, contractor management, incident reporting, record keeping and auditing.

In addition, we identified key strategic priorities for the 2008–2010 period that will add significant value to the Company's ES&H management. They are:

1. To align all levels within the organisation with positive performance indicators in order that all our people understand how they can contribute to performance improvement.
2. To instill a positive ES&H culture that aligns with the PaperlinX Values and results in a permanent change in commitment and behaviour through understanding the existing culture, and developing and implementing a cultural change programme.
3. To achieve a reduction in our environmental footprint and leverage our environmental philosophy by engaging our people.

Environmental Management in Manufacturing

In addition to the OMS, each of our four paper mills in Australia has a site-specific environmental management system (EMS) that provides the processes and procedures for compliance with environmental requirements. These include site-specific licences that are issued by the Australian Government and Australian State Governments, as well as existing standards and codes of practice. Each site's EMS complies with the International Standard ISO 14001 for environmental management, the leading standard for manufacturing sites, along with ISO 9001 quality management systems. Performance against the EMS is assessed by external auditors SAI Global and Det Norske Veritas (DNV).

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, we recognise that our products and operations have an impact on the environment and that we must continually improve our performances 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 continuously 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.

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.

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 to make individual and collective contributions to improve aspects of the communities in which they participate.

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.

Customers

Our commitment to our customers extends beyond satisfying them with excellent service, knowledge and technical support. Helping our customers understand their paper choices is one benefit we can deliver. We will provide a range of product options with environmental credentials and useful product information guides, making it easier for customers to make an informed decision.

DEVELOPING OUR PEOPLE AND CULTURE

ACHIEVEMENTS 2008

- Launched the PaperlinX Values globally with support of regional management teams.
- Rolled out HealthLinX, a global health and wellbeing initiative for employees, including voluntary health checks.
- Improved safety performance by reducing our overall Medically Treated Injury Rate by 14 per cent and our overall Lost Time Injury Frequency Rate by 15.5 per cent.
- Developed a broad Diversity Awareness Programme pilot to improve workforce diversity.
- Measured engagement through a global online survey of senior managers.
- Delivered the Strategic Selling Programme in Europe.
- Piloted Phase II of the Leadership Development Programme and launched the Internal Selling Programme to customer service staff.
- Launched a New Employee Handbook worldwide to improve the induction experience.
- Conducted an enhanced organisational capability and talent review process to ensure we have the right structures, roles and skills in place to achieve our strategic imperatives.
- Broadened accessibility of the competition law compliance training programme by making it available in eight languages.
- Developed and implemented a graduate recruitment programme to support our workforce planning objectives.

GOALS 2009

- Embed the PaperlinX Values through organisational alignment and ongoing communications.
- Complete HealthLinX health checks and measure impact on absenteeism.
- Obtain a further 10 per cent reduction in Medically Treated and Lost Time Injury Rates.
- Measure the impact of implementing Vehicle and Traffic Risk Reduction Programmes and driver training at all manufacturing and warehouse sites.
- Start to implement key improvement actions from the Leadership Engagement survey over the next three years.
- Develop and implement a Project Management Methodology process with a change management focus.
- Improve workforce diversity by delivering the Diversity Awareness Programme globally, and develop a global diversity strategy to support business priorities.
- Roll out the next phase of the Leadership Development Programme.
- Extend the Graduate Programme beyond Australia to Europe and North America.
- Develop electronic knowledge-sharing tools to assist the transfer of ideas globally.
- Launch an internal education programme about the positive aspects of paper and the industry to assist sales teams and all employees.

A truly sustainable business is built upon a positive approach to the safety, health, wellbeing and capabilities of our people. The PaperlinX Values reinforce our commitment to developing a culture that allows people to work to the best of their abilities and to achieve a high point of their working life.

Culture and Values

Every one of our businesses has contributed to the wealth of history and experience that make up our worldwide organisation. We operate in a constantly changing industry across 27 countries, so it is important that we share some common beliefs to enable us to realise our goals and vision together, and to set us apart.

In the last year, we strengthened our organisational culture by launching the PaperlinX Values programme. Transcending operational and regional differences, our Values aim to connect everyone throughout the organisation and help us to achieve our business objectives. Together with our Core Operating Principles, they guide decision-making and provide a directional framework for everyone at PaperlinX. The PaperlinX Values reflect the way we do business, the way we welcome new employees, the way we review performance and the way we work together.

Our new Values underpin our efforts to act professionally, treat people with respect and act with integrity and honesty. This reflects on our reputation and the way we are regarded by colleagues, customers, suppliers and the wider community.

As part of our compliance approach to business practice, the competition law compliance programme is available to help employees understand the regulatory and legislative environment. The online training programme on Trade Practices is now available in eight languages, with a participation rate above 95 per cent. We also provide the Speak Up programme, a confidential reporting service in which employees are able to raise concerns about improper conduct via an international telephone helpline, a multilingual online website, email or fax. This encourages employees to keep their workplace safe, fair and honest.

Engaging our People

In an ever-changing environment, we must provide relevant and meaningful information for our diverse employee base. Business strategies, new initiatives and achievements are regularly communicated in a variety of ways, such as the popular *conneXions* employee magazine, published in five languages, regular face-to-face team briefings, email alerts, video messages and websites.

To encourage team work, we bring multi-country teams together to address common business issues and provide individuals with opportunities to work in different locations on assignments. In the year ahead, we will launch a new online knowledge-sharing tool to help us work together.

We are seeking more feedback from employees on all aspects of the employment cycle through the increasing use of internal surveys and employee focus groups. In Australia, New Zealand and Singapore, the 'Your Voice' survey is now used to measure employee engagement. In the UK, our largest European market, the Robert Horne Group uses the 'Have Your Say' survey to keep in touch with employees' views. In North America, we are launching the 'Bright Ideas' employee feedback and suggestion programme. We recently conducted Viewpoint, our first global survey of senior managers to gauge leadership engagement.

Strengthening our Leadership

As PaperlinX grows and responds to industry change, we need the right blend of talent to build a long-term, sustainable business. This means understanding and developing our leaders appropriately. The Viewpoint survey showed that we could make improvements in areas such as career development, leadership skills, change management, developing our culture and job satisfaction.

We have been mapping succession plans for the leadership group and, in the coming year, will establish a global talent pool for future business leaders. We also piloted the next phase of the Leadership Development Programme that will begin in 2009.

Learning and Development

The development of the people who work at PaperlinX is a priority in maximising our performance. We invest heavily in providing a variety of internally and externally led programmes. Some are coordinated globally, such as the Leadership Development Programme; others are led by the regional businesses. At a Group level, the Strategic Value Selling Programme was rolled out further in Europe during the year. We held several Internal Selling Programmes to improve the skills of customer service teams that support sales teams.

In Australia, New Zealand and Asia our businesses offer numerous training programmes. LeaderlinX 1 and 2 aim to develop the skills of new and emerging managers who are also required to complete a business project that incorporates the Values and delivers real benefit to the bottom line. The Managing for Success Programme aims to give all staff confidence for performance conversations.

In each of the operations forming Europe, many programmes assist our 5,000 employees with their professional growth. Some examples include: Financial for Non-Financial Managers (The Paper Company, UK), People First Personal Development Programme (Howard Smith, UK), Leaders Today and Diversity Matters (Robert Horne Group, UK), Presentation Skills/Public Speaking (Italy, Denmark), Strategic Thinking, Acting, Selling (Germany), and English Language training (Italy, Czech Republic).

Across businesses in North America, we are rolling out the Strategic Value Selling Programme and the Sales Leadership Development Workshop. Training is also linked to the Customer Service Charter focused on exceeding customer expectations. In addition, each business is assessing the core competencies of their key roles so that appropriate training and development plans are in place.

Improving Diversity

We implemented a Future Workforce Management Plan linked to our businesses' strategic priorities to identify the skills and capabilities for our future workforce. We developed a Diversity Awareness Programme that aims to educate our people about what diversity is in today's workplace and how different people's ideas and experiences can bring innovation and business benefits. It will also address work-life balance issues. Our graduate programme is set to expand internationally to help attract a more diverse workforce.

Seeking Continuous Improvement in Safety

Our safety performance continues to improve as we seek to reach our goal of zero accidents and injuries. This year we exceeded our target of a further 10 per cent reduction in both measures. We reduced our LTIFR by 15.5 per cent and our MTIFR by 14 per cent. In addition, 30 per cent of all our reporting companies worked the whole year with zero injury incidents.

Even with these improvements, unfortunately we report that one of our delivery drivers was killed in a road accident in Belgium. We deeply regret the loss of a valued colleague. It is a reminder that our frequency rates still represent 236 of our people being injured. This fatality challenges us to continue raising awareness about workplace risks and ensuring that our delivery drivers are equipped to deal with the multiple risks on the road where many factors are outside our control.

As we have grown by acquiring businesses, our strategy for improving occupational health and safety focuses on aligning the physical environment, the systems we use and the cultures and behaviours of our organisation. To achieve further improvements, we must now redouble our efforts to create a positive safety culture.

The 2008–2010 ES&H strategic plan has been developed to address the step change required. We plan to align all levels within the organisation with positive performance indicators (PPI) to increase understanding about how to contribute to performance improvement. PPIs are used to measure the effectiveness of workplace health and safety arrangements. In addition, we will strengthen the link between our Values and our safety performance to drive a permanent change in commitment and behaviour.

To continuously improve our performance involves a focus on training and internal auditing. In the last year, more than 95 per cent of approximately 4,000 employees directly engaged in manufacturing and warehousing/logistics received training in more than one safety subject area. As an example, in the UK alone 1,290 employees completed training in 32 different safety disciplines.

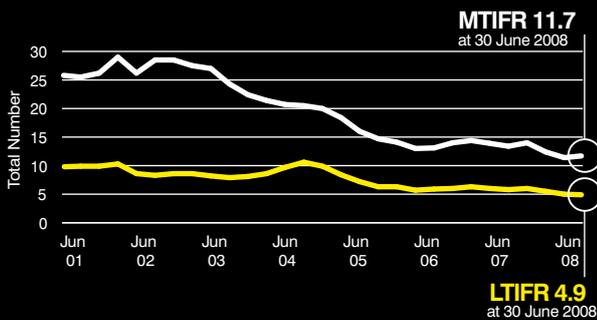
To check our performance, members of our ES&H team collected safety statistics and conducted 44 internal safety audits and assessments at our larger sites around the world, providing assurance and identifying any weaknesses. In addition, external audits were conducted at our paper mills for the certification of their various safety systems, licences and insurance status. In all cases these were confirmed.

Linking Health, Wellbeing and Work

To be a sustainable organisation, we must proactively manage the health and wellbeing challenges across all our businesses, and invest in safeguarding our employees' health. During the year, we launched HealthLinX, our first global health and wellbeing initiative available to all employees. The initiative is linked strongly to the PaperlinX Values, demonstrating commitment to our employees.

IMPROVING HEALTH AND WELLBEING

Everyone knows their health is important, but some of us just don't give it the attention it deserves. In the last year, PaperlinX introduced the HealthLinX programme to all employees at 280 sites around the world. To help shape future health initiatives, 65 per cent of employees completed an anonymous survey on attitudes to health and wellbeing, translated into thirteen languages. They could also attend a free confidential health check during work time. The checks incorporate a lifestyle questionnaire and measurements of weight, blood pressure, cholesterol and blood sugar levels. It is hoped that HealthLinX will improve wellbeing and attendance rates.



Over the past seven years, we successfully reduced our overall Lost Time Injury Frequency Rate (LTIFR) by 50 per cent, and our Medically Treated Injury Frequency Rate (MTIFR) by 55 per cent.



Attitudes to health and wellbeing vary across cultures and countries. Designing a programme to suit our global workforce was challenging. To encourage participation, it was critical to maintain employees' medical privacy and confidentiality, so we partnered with a third-party health care provider to deliver the programme. It offers our 9,500 employees a health-attitudes survey and a free, confidential on-site health check. Every site has appointed a HealthLinX contact to communicate directly with employees, and posters and flyers promote the programme in various languages to encourage participation. Other ongoing initiatives such as walking groups, gym access and the provision of healthy food are developed and organised at individual sites. (See case study above)

By next year, we intend to improve our absence measurements and data collection and will have evaluated the programme's impact on our workforce. This will help us develop further health and wellbeing initiatives.

SHARING OUR VALUES AROUND THE GLOBE

The Company launched a set of organisational values to employees to provide a common thread across the organisation and to drive business performance. These values define the qualities we expect all our employees to embrace. They were developed during an 18-month consultation period with all our operating companies to reflect a Company-wide view.

The PaperlinX Values are:

- Success through ideas and partnerships.
- Courage to lean forward.
- Trust and respect.
- Sustainability.
- Respect local and add value with global.
- Passion, success and pride.
- Leadership.

PEOPLE

OUR COMMUNITY COMMITMENT

ACHIEVEMENTS 2008

- Contributed \$0.9 million to a range of local programmes and non-profit organisations that support communities around our business sites.
- Several regional businesses developed corporate responsibility strategies and platforms, incorporating community support plans.
- New community partnerships and cause-related marketing initiatives began in a number of businesses.
- Continued to build constructive relationships with environmental groups such as World Wildlife Fund (WWF) in Australia, and Europe.
- Continued dialogue with key stakeholders near our mills through Community Consultative Forums.
- Refined the system to identify and measure community investment activities across operating companies.
- Held the first Australia-wide employee community support event, for the Breast Cancer Network Australia.
- In 2007–08, our global community investment was equivalent to 1.25 per cent of reported profits.

GOALS 2009

- Launch a pilot employee workplace giving programme in Australia and evaluate its success for implementation in other countries.
- Identify new community partnerships for PaperlinX corporate division to support.
- Recognise and support operating companies' efforts to undertake community partnerships.
- Integrate measurement of community investment activities from operating companies into the financial reporting system.
- Ensure the new sustainability position for the group incorporates community/social elements.

Through its Sustainability Charter, PaperlinX has a made a broad commitment to support communities in which it operates.

Working within Communities

As Australia's only manufacturer of printing, publishing and office paper, we are the largest single employer in the Latrobe Valley, Victoria, and one of the largest private-sector employers in Tasmania. An historic legacy links our four paper mill sites in regional areas of Victoria, New South Wales and Tasmania, and our operations provide positive economic sustainability for these rural communities. From our mills, we work with nearby communities on continuously improving our environmental performance, we host regular public tours and open days, we have open dialogue with environmental groups, and we support local community organisations.

Our many operating companies around the world provide a broad range of community support through charitable contributions of cash and paper, commercial sponsorships for industry support, cause-related marketing initiatives and employee involvement activities. All of these activities are led by local management to support local organisations.

Community Relations

We have a Community Consultative Forum at each of the Company's four Australian manufacturing mills to get feedback on our operations and to better understand community concerns. These long-standing forums involve people representing diverse organisations that have an interest in the mills' operations. These groups provide a valuable contribution to the development of an annual

Environmental Improvement Plan that forms part of a site's Environmental Management Plan, addressing issues such as air and noise emissions, and water and energy use improvements.

Over the past year, works to upgrade the pulp mill at Maryvale in Victoria's Latrobe Valley to deliver a range of safety, health and environmental benefits resulted in several short-term environmental disturbances involving odour, noise and waste that relate specifically to planned shutdowns and start-ups. We worked with the Environment Protection Authority (EPA) on these issues and advised nearby communities in advance through local media and communications.

Our businesses also hold briefings throughout the year to provide community and environmental groups with the latest information on the environmental performance of our manufacturing operations and the paper products we market.

Community Partnerships

Our key areas of support are learning and creativity, the environment, health and wellbeing. At a global level, we believe our community support is in line with the size and profitability of the PaperlinX business. Our challenge is to improve measurement and reporting of our community activities across all our operations, particularly paper donations. We also want to blend our corporate giving with an employee workplace giving programme, which would be launched next year in Australia and evaluated for a broader rollout. Many of our operating companies are strengthening their community connections by developing comprehensive corporate responsibility platforms that encompass social and environmental commitments.

COMMUNITY



For example, our Canadian operations have launched their Atmosphere platform which focuses on making a social contribution while also driving behavioural change in the workplace to measurably improve environmental performance. The Paper Company in the UK has launched its cohesive Corporate Responsibility Programme that includes ethical and workplace health initiatives.

Across our many businesses, the spirit of giving and involvement is strong with employees who assist in raising funds and volunteering for local events and good causes to support charities and communities we work in. PaperlinX supports these efforts. For example, Coast Paper in Canada works with the United Way charity campaign and supplements employee donations from fundraising activities with a corporate donation. In 2007, employees hit 157 per cent of their campaign goal.

Supporting Design and Printing Communities

Many of our businesses are actively involved in providing paper education and supporting professional development to build the talent and creativity of printing and design communities around the world. Spicers Paperpoint School in Australia and Robert Horne's Know How Academy in the UK are two such examples.

We are involved in creating industry awards to support excellence in print and design for professionals and students. Saxton Scholars, Australian Paper's annual competition for tertiary students, supports the next generation of graphic designers across Australia. In the UK, Howard Smith Paper Group held their second Graphic Design and Print Awards this year to promote the value and benefits of graphic communications. The Paper Company supports Brief Encounters, an annual awards scheme to promote commercial design to UK degree students.

We work with a number of industry groups in Europe, North America and Australia to tackle specific issues that arise.

Worldwide Community Highlights 2008

- The Robert Horne Group in the UK launched a three-year partnership with Childline after employees selected it as the single charity of choice.
- The Paper Company in the UK developed its Corporate Responsibility Strategy and supports a number of social initiatives including the Big Draw to promote creativity through drawing to children under 12 years of age, and Print IT, which informs 500 schools about the print and paper industry.
- Our Canadian operations, through their Atmosphere Corporate Responsibility Programme, supported two national charities with a one-time charitable donation and product support: The Canadian Cancer Society for breast cancer and prostate cancer and the Juvenile Diabetes Research Foundation donation for general research.
- Spicers Paper supports the Fifteen Foundation in Australia by donating A\$100 from every tonne of Stephen™ paper sold towards the training of an Australian apprentice chef. This helps Fifteen restaurants turn the dreams of underprivileged young people into reality. Spicers also provide paper for the menus and the Foundation's newsletter. Our affiliate, the Robert Horne Paper Group, will soon support a similar initiative with the Fifteen Foundation in the UK.
- For several years, PaperlinX has supported the work of Breast Cancer Network Australia (BCNA) by donating paper for its quarterly magazine. In October, our Australian Merchandising and Manufacturing sites held 'Pink Lady' morning teas to support the BCNA's fundraising and PaperlinX matched employee funds raised with a corporate donation.
- The Spicers Paper Recreate programme with Landcare Australia continues to fund the rehabilitation of ex-landfill sites across Australia through a percentage of sales of Tudor RP 100% Recycled paper.
- Australian Paper runs a safety recognition scheme that rewards good safety performance at the mill by donating to local charities. In 2007, when safety targets were met, the mill contributed funds for the purchase of vital medical equipment at the Latrobe Regional Hospital.

MANAGING OUR ENVIRONMENTAL FOOTPRINT

ACHIEVEMENTS 2008

- Formed the global Sustainability Affinity Group to integrate operational and marketing approaches to environmental and social responsibilities.
- Achieved multiple external chain-of-custody certifications for a number of our merchandising and manufacturing operations.
- Developed the first Australian-made range of carbon-neutral papers, called ENVI™, an Australian Government certified Greenhouse Friendly™ product.
- Launched yoyo™, a unique combined office paper delivery and waste collection service in the UK.
- Set up a new data collection system, Enviro Chart, to improve the Sustainability Action Plan.
- Reduced carbon emissions by 11 per cent per tonne of paper produced in Australian manufacturing business.
- Achieved a 6.7 per cent reduction in raw water used per tonne of paper produced.
- Developed a waste reduction and recycling solution diverting more than 60,000 tonnes of pulp paper waste away from Australian landfill per year.
- Completed life cycle assessments for all products made at Maryvale Mill in Victoria, Australia, to better understand environmental impacts.
- No significant breaches or non-compliance with environmental regulations; all manufacturing sites maintained ISO 14001 certification.
- Maryvale Mill's pulp mill and bleach plant upgrade progressing, with efficiencies integrated to decrease energy demand.

GOALS 2009

- Prepare Australian manufacturing operation to best comply with requirements of legislation related to the proposed Carbon Pollution Reduction Scheme in 2010.
- Manage the impact of a Carbon Pollution Reduction Scheme on our manufacturing operations.
- Continue to adapt our businesses to a carbon-constrained environment by decreasing demand for energy and our emissions.
- Operations to begin at the new bleach plant and upgraded pulp mill at Maryvale Mill.
- Start using recycled water from the Gippsland Water Factory at the Maryvale Mill.
- Better understand and quantify the impact of transport energy relating to our logistics and distribution operations globally.
- Continue to review our major paper and fibre suppliers so they comply with our sourcing standards and values.
- All operating companies to demonstrate environmental leadership by achieving multiple chain-of-custody environmental certifications in 2009.
- Raise employees' awareness of their role and contribution to reducing our own operational environmental footprint.

The Company is committed to responsible environmental management as spelled out in the PaperlinX Sustainability Charter and our global Environmental Policy. We continuously seek to improve our environmental performance in measurable ways. Today, we are driving many environmental initiatives, the most pressing of which is the management of our carbon footprint and its impact on our paper products.

Our Environmental Performance

PaperlinX owns and/or operates many sites around the world including large paper mills, light manufacturing sites (including envelope and stationery manufacture, packaging and paper conversion), warehouses and offices. In addition, the Company's logistics operations through transport and distribution efforts range from being fully owned, leased and fully and/or partly outsourced to third-party operators.

While many environmental issues affect the Company as well as its suppliers and customers, our current focus remains on these critical areas:

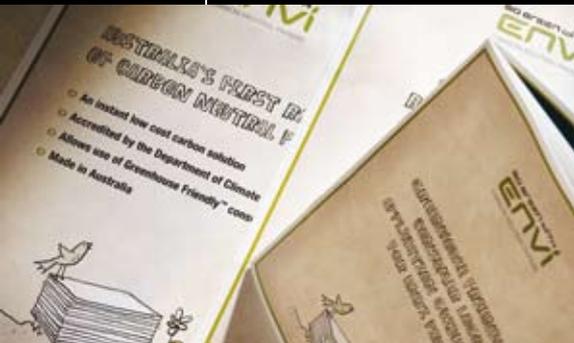
- Our carbon footprint (greenhouse gas emissions) as it relates to energy use, transport and waste management.
- The use of natural resources, such as water and fibre.
- Meeting the expectations of our customers and the community.

In the past year, we established the Sustainability Affinity Group to integrate operational and marketing approaches to sustainability issues on a global basis. Representatives from each region are responsible for developing a cohesive standard for key environmental and social responsibilities for all operating companies worldwide, as well as implementing regional sustainability strategies.

This approach extends to our employees, whom we encourage to come up with new initiatives as well as make a difference with such everyday measures as recycling office paper, turning off computers, whiteboards and lights when not in use.

ENVI™ – AUSTRALIA'S FIRST CARBON-NEUTRAL PAPER

The impact of rising pollution on the environment means that we must understand and manage paper's carbon footprint if we are to help our customers to reduce the impact of their paper consumption. So we developed ENVI, the first range of Australian-made carbon-neutral paper. Through external assessments, ENVI's carbon impact has been defined and all greenhouse gases associated with the paper range are offset by carbon credits purchased from a government approved provider. This innovative range of papers, used mainly for printing catalogues, books and publications, is accredited by the Department of Climate Change with Greenhouse Friendly™ status.



CO₂ emissions
↓11%
in Australia
last year

PAPER IS GOOD, WASTE IS BAD

Our UK companies, the Howard Smith Paper Group, Robert Horne Group and The Paper Company, recently introduced yoyo™, a unique service that sources, delivers, takes away and recycles office paper for businesses. It guarantees customers that their paper waste is recycled into office paper. UK businesses use more than one million reams of office paper every working day. With over half of this going to landfill, yoyo™ is clearly an important initiative. We combine paper delivery and waste collection in the same delivery vehicle to reduce the customer's carbon footprint and we are introducing zero-emission electric delivery vehicles in urban areas. The yoyo™ service will be launched soon in the Netherlands and internationally. www.yoyopaper.com



ENVIRONMENT

Chart 1. Greenhouse Gas Emissions – Paper Manufacturing

Year	Gross Paper Production (tonnes)	Total CO ₂ emissions from purchased electricity and fuel oil* (tonnes)	Greenhouse Gas Emissions (CO ₂ -e)/tonne of paper
2000–2001	918,143	1,140,767	1.24
2001–2002	992,062	1,159,205	1.17
2002–2003	1,006,968	1,139,109	1.13
2003–2004	1,007,589	1,137,166	1.13
2004–2005	1,035,499	1,162,532	1.12
2005–2006	1,003,308	1,134,900	1.13
2006–2007	992,241	1,063,714	1.07
2007–2008	960,529	908,046	0.95

* Electricity, gas, fuel oil and coal are our major imported fossil fuel energy inputs and thus a major source of GGE. In addition, GGEs are generated by transport energy and methane production from waste.

Chart 2. Paper Manufacturing Raw Water Use

Year	Gross Production (tonnes)	Raw Water Use m ³	Raw Water Use m ³ /tonne
2000–2001	918,143	39,297,530	42.8
2001–2002	992,062	38,096,430	38.4
2002–2003	1,006,968	37,513,401	37.2
2003–2004	1,007,589	40,046,000	39.7
2004–2005	1,035,499	41,643,128	40.2
2005–2006	1,003,308	40,266,768	40.1
2006–2007	992,241	40,578,722	40.9
2007–2008	960,529	37,862,334	39.4

Figure 1. Approximate source of CO₂ emissions from paper manufacturing

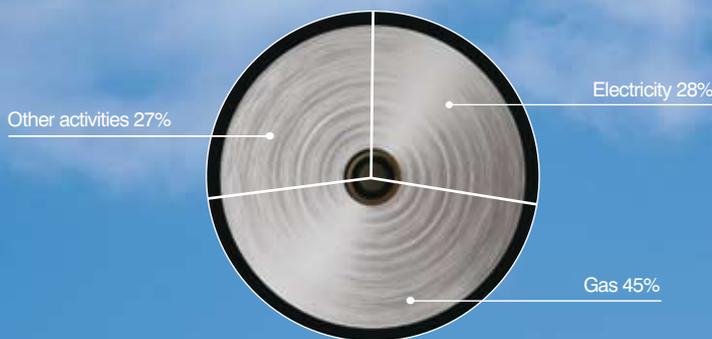


Figure 2. Greenhouse Gas Emissions per Tonne of Paper Manufactured



Figure 3. Paper Manufacturing Raw Water Use (Maryvale Mill) per Tonne of Paper

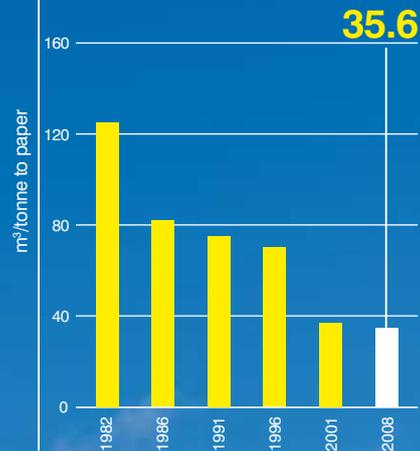
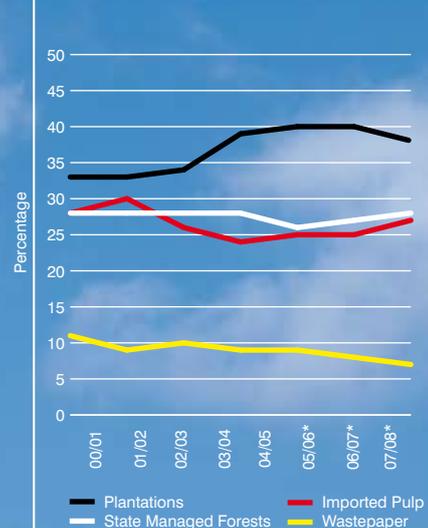


Figure 4. Sustainable Fibre Sources (total for all mills)



*Overall reduction in wastepaper sourced is largely due to the closure of Shoalhaven 1 Paper Machine.

MANAGING OUR ENVIRONMENTAL FOOTPRINT

Our Carbon Footprint

Manufacturing is an energy intensive business. The transportation and storage of paper also uses energy. Our Sustainability Action Plan enables us to quantify our energy use and its environmental impact so that we can develop goals and strategies to improve performance.

Measuring our Performance

With many different businesses in various countries, the challenge is to obtain and to analyse comprehensive and comparable annual data. We are now using a new data collection tool that will improve this worldwide dataset.

Making comparisons is complicated by the different types of energy used across our global business infrastructure (excluding transport and logistics). They include electricity, gas (natural, processed and LPG), coal, fuel oil and diesel. In different countries, the electricity is generated from a number of sources (gas, coal, wind, hydro and nuclear) with varying environmental impacts.

However, with defined parameters we can quantify our primary energy uses for power and steam production, lighting, heating and cooling across our total global operations in Merchanting and Manufacturing, as set out here (see Figures 5 and 6). We can determine that last year our purchased electricity use in our manufacturing business was reduced by 7.4 per cent and our natural gas use increased by 12 per cent due to upgrading of coal-fired boilers to natural-gas-fired boilers. Our Merchanting business overall showed a similar pattern, but on a much smaller scale.

PaperlinX is Australia's largest paper manufacturer, producing some 1,000 grades and weights of paper used every day in Australian homes and businesses. Our four manufacturing plants in three states in Australia are major energy consumers and provide both the focus and the opportunity for environmental improvements. On this scale, our Australian Paper Manufacturing operations use approximately 92 per cent of our global electricity consumption and 98 per cent of our global gas consumption. Consequently, we use the comprehensive Australian greenhouse gas emissions (GGE) data obtained from our four Manufacturing sites to evaluate our carbon impact and performance.

Every year, the manufacture of paper at our four Australian mills requires more than 10.5 petajoules of energy (equivalent to the energy used by 220,000 households) and produces around 950,000 tonnes of carbon dioxide emissions from within the mill gates.

Using the measure of tonnes of carbon dioxide per gross tonne of paper produced, over the last seven years our overall GGEs from Australian manufacturing have reduced by 23 per cent through energy efficiency opportunities and upgrading our assets (see Chart 1 and Figure 2).

Our Strategy to Reduce our Impact

Climate change and the production of greenhouse gases and pollution from many sources, particularly the generation and use of energy, are causing much concern around the globe.

In our Australian Manufacturing operations, fossil fuels and landfill are major sources of greenhouse gases. Our multi-pronged strategy to manage our environmental impact includes finding new opportunities for direct energy reduction, reduced reliance on fossil fuels, and putting less waste into landfill.

Figure 5. Purchased Electricity (MWh)

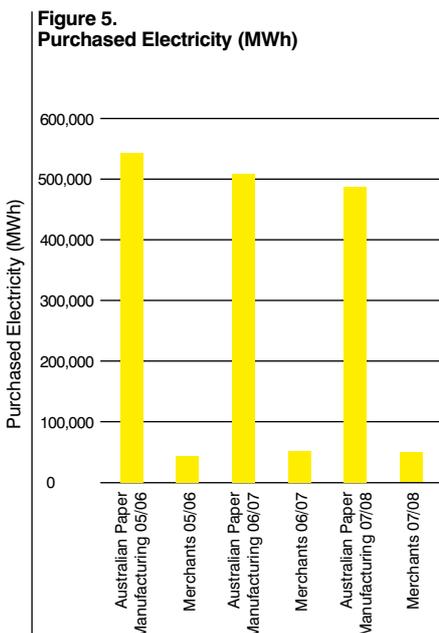
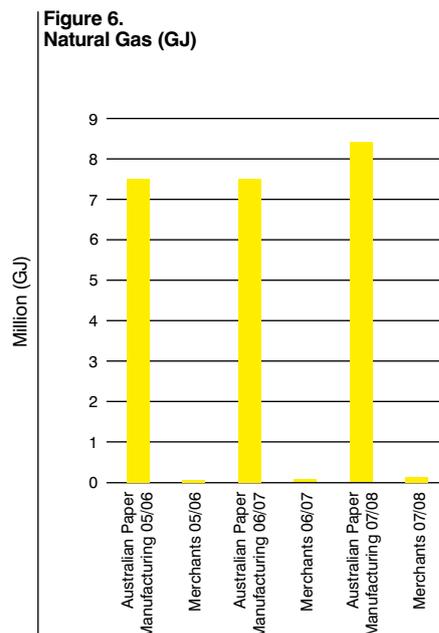


Figure 6. Natural Gas (GJ)



While the Company is working to reduce these quantities in credible and quantifiable ways, we have actually made continuous progress over the last few decades. For example, we have reduced energy use from fossil fuels per tonne of paper produced at Maryvale (our largest energy consumer) by 64 per cent over the last 20 years and we are maximising such renewable energy sources as biomass, hydroelectric and wind power.

Thus, the Australian Government's commitment to a Carbon Pollution Reduction Scheme based on emissions trading for 2010 has implications for our business. In the last year, we have consulted with State and Federal governments and with our industry body, A3P, to understand the potential impact so that we can make the appropriate decisions on our carbon output and related costs, and play a role in the final design of the scheme. The Company supports such a scheme if the international competitiveness of carbon-intensive, trade-exposed industries such as ours can be maintained.

We continued to leverage renewable energy sources in our energy supply mix to reduce our reliance on fossil fuels. Renewable energy is derived from sources that cannot be depleted or can be replaced, and don't produce greenhouse pollution. In Australia, around 43 per cent of the total energy used across all mills is sourced from purchased renewables, wood waste, black liquor and poppy seed waste.

Workshops were held at the Maryvale and Wesley Vale mills to identify further energy improvements as part of our Environment and Resource Efficiency Plan.

We are improving our assets to reduce our emissions. In the last year, we upgraded boiler operations at Wesley Vale and Shoalhaven from coal-fired and oil-fired to gas-fired installations, reducing GGEs by some 25,000 tonnes. Demands for water were reduced, and nitrous oxide and particulate emissions were cut.

Looking ahead, Australian Paper's major upgrade of pulping operations and the construction of a new woodyard at Maryvale Mill will lead to environmental benefits, including:

- Improved energy recovery from wood waste and increased output from steam boilers (further reducing reliance on fossil fuels).
- Planned reductions in daily raw water use, also associated with the purchase of recycled waste water from the new Gippsland Water Factory.
- Greater efficiency in the use of the sustainable local wood supply that underpins the mill's operations.
- Removal of chlorine bleaching and chlorine gas from the site.

Part of our commitment involves driving continuous improvement and meeting various obligations and legislative requirements in Australia that relate to our manufacturing operations, including:

- National Greenhouse and Energy Reporting requirements.
- National Energy Efficiency Opportunities Programme.
- Energy and Resource Efficiency Plans (EREP) Programme (VIC).
- NSW Greenhouse Gas Abatement Scheme.
- Energy Savings Plan (NSW).

Each of these requires an independent assessment of the Company's environmental achievements. We are also involved in voluntary initiatives such as the Greenhouse Challenge Plus.

Transport Energy and Impacts

We are yet to quantify accurately the energy use of distribution and logistics operations in transporting fibre, pulp and paper products. This is because we use a mix of fully owned and operated delivery fleets (particularly in our UK and Dutch businesses) and third-party contracts throughout our international operations.

We are exploring ways to reduce our fleets or run them more efficiently, and some initiatives are already underway. In the UK, integrating the delivery operations of our three paper Merchanting businesses into the Delivery Co has reduced the size and improved the efficiency of the transport fleet through scheduling changes and the use of double-deck trailers and delivery vans. In some urban locations, we are trialling alternative fuel-sourced transport such as electric delivery vans that have zero operational emissions (see the case study on p 11). This year, we estimate that CO₂ emissions were reduced by 600 tonnes of CO₂ after mileage was reduced by 1 million kilometres. By late 2009, the more efficient use of the fleet is expected to bring a reduction of 25 per cent in carbon dioxide emissions.

In Australia, the current upgrade of the Maryvale pulp mill capacity will reduce our requirements of imported pulp (25 per cent currently – eucalypt and pine), reducing the indirect carbon emissions associated with transporting the pulp to the Victorian site.

Waste reduction and recycling

Waste disposal in landfill sites decomposes and produces methane gas, more potent in its greenhouse effect than carbon dioxide.

Through the Sustainability Action Plan and our new data collection tool, we are trying to improve the measurement of the waste produced at our merchanting and manufacturing sites, identify reduction targets, and find new ways to reuse and recycle waste. This varies significantly from business to business because of the different wastes produced, for example paper, plastic, timber and wood by-products, chemicals, steel, inks. The availability of recycling opportunities and providers also differs in each of the countries in which we operate, making it difficult to measure our performance on a global basis.

Individually, our merchanting warehouses are increasing the recycling of wooden pallets, paper offcut waste and the plastic stretch wrap that protects paper products. For example, in Robert Horne's distribution centres in the UK, over 2,000 tonnes of waste are created every year. Their recycling rate is now around 60 per cent. Across the Howard Smith business in the UK, 100 per cent of all wood and paper and 50 per cent of all plastic is recycled and in our New Zealand business, 65 per cent of all waste streams are recycled.

Recycling in our manufacturing operations includes reel cores, non-hazardous waste products, ferrous metals, hydrocarbons and raw material containers. At Maryvale Mill, the waste bark from sawlogs is supplied to a third party to produce garden mulch, and saltcake is reprocessed into a raw ingredient for detergents for the Australian market.

In the last year, a new solution was developed to handle the growing landfill disposal of waste fibre at the Maryvale Mill. The new joint venture project, which will divert over 60,000 tonnes of waste (65 per cent of all waste fibre at the mill) away from landfill, is outlined to the right.

A WASTEFUL PROBLEM SOLVED

A joint venture between Australian Paper and Pinegro Products has developed a waste management solution to a growing landfill problem at our Maryvale Mill in Victoria, Australia. We will divert more than 60,000 tonnes of paper pulp waste annually from landfill (or 65 per cent of the mill's solid waste) by directing it to a new processing site at the mill that will produce commercial soil additive products. Thus, we are not only reducing our landfill and the associated greenhouse gas emissions, but also recycling our waste. Work has begun to prepare the new composting facility, which will start in September 2008.

raw water use at Maryvale Mill
↓ 70%
 over 26 years



Managing our use of Natural Resources

Apart from energy, the two other major components required to manufacture paper are water and fibre.

Water Management and Recycling

Raw untreated water is essential for making paper and is used in a number of areas, including the transport of fibres through a paper machine and as a process coolant. Because a long-term reliable source of water is necessary for our production of paper, we have developed a far-reaching strategy to efficiently manage water usage at our mills in regional areas, where river flows and storages are under pressure.

Our Three Rs water principle – recycle, reuse and return – means we are doing all we can to reduce the amount of raw water used in making paper, including recycling every litre at least 5–6 times before cleaning it and discharging it from the mills. Each of our mills is located close to coastal waters and river systems. In accordance with our licence requirements, discharged water is treated and returned into the natural environment. In the last 12 months, our raw water used per tonne of production across all our mills dropped by 6.6 per cent through continuous recycling and efficiency innovations in manufacturing processes (see Chart 2 and Figure 3).

At our largest mill, the Maryvale Mill in Victoria, we implemented a new Water Action Plan to drive improvements through the pulp mill upgrade and other projects. And we intend to do more in the coming year by using recycled industrial and household waste water supplied by the nearby Gippsland Water Factory. These efforts will enable the recycling of approximately

8 ML of water each day at the mill. Over the next five years the mill is striving to achieve a further 10 per cent reduction in water use per tonne of pulp and paper.

Sustainable Fibre Sources

We are committed to producing paper products in a sustainable manner. One of the key issues for our Australian Manufacturing operation is that the wood fibre used in our paper products comes from sustainably managed sources.

This fibre is sourced from sustainably managed hardwood and softwood plantations, sustainably managed hardwood forests, and imported pulp and waste paper (see Figure 4). We do not own any forests. In each case, PaperlinX seeks evidence from suppliers that these sources are managed for long-term sustainability and that at no time is any of the fibre sourced from old-growth forests. For Australian Paper's office papers, approximately one-third comes from local eucalypt plantations and the remainder is sourced from Victorian State Forests that are sustainably managed, comply with a variety of forestry standards, and are EPA-audited.

This year, the percentage mix of fibre supplies from plantations, waste and state-managed forests has been relatively stable with minor variations as a result of reduced production, shuts related to the pulp mill upgrade and the increased supply of fire salvaged wood from VicForests.

As plantation timber becomes increasingly available within Australia, we plan to significantly reduce the amount of fibre we source elsewhere. The pulp operations at Maryvale are being upgraded to make the site self-sufficient in pulp supply, thus eliminating the importation of bleached pulp, and increasing the pulp bleaching capacity.

This upgrade means that we will move to phase out the use of fibre from state-managed forests for communication papers by 2017.

Our paper manufacturing business, Australian Paper, is leading the way in providing certified Australian paper products to customers after it received dual chain-of-custody certifications by expanding its certifications under the Programme for Endorsement of Forest Certification schemes (PEFC) to all four Australian sites and maintaining its Forest Stewardship Council (FSC) chain-of-custody certification at all mainland sites.

Chain-of-custody is the path taken by raw materials from forest to consumer, including all successive stages of processing, transformation, manufacturing and distribution.

Our Products and the Environment

Through our Sustainability Charter, we are committed to providing our customers with product options that have strong environmental credentials. Each of our businesses works closely with customers to communicate the high environmental standards of our products. Our businesses conduct surveys and focus groups with printers and other customers to keep abreast of paper requirements and customer satisfaction.

Supply Chain Assurance

Our paper merchants are a most important link in the chain, taking products from mills to commercial printers, envelope converters, stationers and resellers, corporate printers, publishers and end users.

We believe that it is important to be able to demonstrate assurance that the wood fibre used in the paper sold by our merchants is sourced from sustainably managed forests. We support many internationally recognised, independent environmental certification systems, such as the Forest Stewardship Council (FSC) accreditation process, the Programme for Endorsement of Forest Certification (PEFC) and the Sustainable Forestry Initiative (SFI), because they provide assurance to customers. When we receive a chain-of-custody certification, it confirms our ability to trace paper through each link in the fibre-handling chain, right back to its sustainable forest or plantation of origin.

In the last year, we have been working hard to ensure that our mills and merchants in Australia, New Zealand and Asia, Europe and North America are in the process of securing multiple certifications. By 2009, every operating company will be expected to have multiple chain-of-custody certifications.

Working with our Major Paper Suppliers

With a business that spans many countries and provides hundreds of paper products, no single certification system will fit all products. To ensure that we can provide certainty to customers, PaperlinX has documented environmental, health and safety requirements with which our major strategic paper suppliers must conform. Paper suppliers are required to report annually to PaperlinX on the following areas:

- Compliance with all regulatory requirements in the countries in which the supplier operates.
- Established environmental management systems (EMS) and independent third-party certification of these systems.

- Independent third-party certification of appropriate sustainable forest management standards.

Products with Environmental Credentials

With community support for recycling and natural products, there is growing demand for recycled and environmentally certified paper stocks. While it is commonly thought that the major benefit from paper recycling is forest preservation, recycling efforts contribute to reducing landfill waste and, consequently, greenhouse gas emissions.

Worldwide, our businesses are well positioned to meet our customers' environmental requirements. This year we launched two new products with the environment in mind. We developed the first Australian-made range of carbon-neutral papers, called ENVI™ (see p 11) and launched a unique combined office paper delivery and waste collection service in the UK, called yoyo™ (see p 11).

Many of our businesses sell papers bearing a range of environmental certifications from external organisations such as the FSC, PEFC and SFI, which confirms that certified wood is used in their production.

In the UK, the Robert Horne Group (a PaperlinX operating company) became the first member of the WWF-UK Forest and Trade Network in 2005. This year, Australian Paper qualified as a member of the World Wildlife Fund's Australian Forest and Trade Network. This initiative promotes responsible forest management and credible forest certification and enables companies to identify and move towards products from credibly certified forests.

We produce 'green paper guides' and fact sheets to help customers all over the world choose the most appropriate environmentally certified paper grades for their paper needs. Many of our businesses also support information events to raise awareness of environmental certifications in the design and printing industry.

When it comes to manufacturing recycled paper in Australia, we use more than 46,000 tonnes of waste packaging and papers annually to produce the largest range of fine papers with recycled content in the Asia-Pacific region. Our recycled content ranges between 10 per cent and 100 per cent, depending on the intended use of the paper. For example, the well-known Reflex paper range (Australia's number one office paper) was expanded to include Reflex 100, a 100% recycled office paper, launched in November 2007. In the last year, recycled content products represented 25 per cent of total product sales, up from 12 per cent in 2005–2006.

Encouraging recycling and reuse of our products is another way we manage our environmental impact. As a founding member of Paper Round, the Australian Print and Paper Industries' Product Stewardship initiative, we are actively involved in contributing data, educating consumers, identifying ways to improve office paper waste recovery, and informing public debate. As a packaging manufacturer, we are also a signatory to the Australian Government's National Packaging Covenant and have voluntarily developed an annual action plan to minimise the environmental impacts of packaging waste.

GLOSSARY

CO₂

Carbon dioxide is the main greenhouse gas that results from the burning of petrol, coal, oil and natural gas.

Carbon offset

The act of counterbalancing ('offsetting') greenhouse gas emissions produced by undertaking emission reduction projects. Common examples are renewable energy, energy efficiency and forestry projects.

Coated paper

Paper with a uniform application of a coating to provide maximum smoothness and ink holdout in the printing process. The coating (a mix of clay or carbonates and latex) is applied in separate coaters or in the paper machine.

Corporate sustainability

A business approach that creates long-term shareholder value by embracing opportunities and managing risks arising out of economic, environmental and social developments, and maintaining global competitiveness and brand reputation.

Emissions trading

An administrative approach used to control or reduce (carbon) pollution by providing economic incentives for achieving reductions in the emissions of pollutants. It is sometimes called cap and trade.

Environmental footprint

In an industrial setting, this is a company's environmental impact determined by the amount of depletable raw materials and non-renewable resources it consumes in making its products, and the quantity of wastes and emissions generated in the process.

Fibre

The raw material for the manufacture of paper is cellulose fibre, which can be obtained from trees and recovered paper.

Fine paper

Both coated and uncoated woodfree (white) papers used for writing, printing and other graphic purposes.

Forest Stewardship Council (FSC)

An international organisation promoting responsible forest management. The FSC has developed principles for forest management that may be used for certifying the management of forest holdings, and a system of tracing, verifying and labelling timber and wood products that originate from FSC-certified forests.

Furnish

The specific mixture of raw materials, including pulp and chemicals, used to manufacture a particular grade of paper.

FTSE4Good

Created by the independent financial index company FTSE Group, FTSE4Good is a financial index series that identifies and facilitates investment in companies that meet globally recognised corporate responsibility standards and that manage their social, ethical and environmental impacts.

Global Reporting Initiative (GRI)

The GRI is an independent institution that has produced voluntary guidelines for use by organisations for reporting on the economic, environmental and social dimensions of their activities, products and services.

Greenhouse Gas Emissions

Emissions into the atmosphere of gases that affect the temperature and climate of the Earth's surface. Some greenhouse gases occur naturally in the atmosphere, while others result from human activities such as the burning of fossil fuels. They include water vapour, carbon dioxide, methane, nitrous oxide and ozone.

ISO 14001

A voluntary, independently certified international standard for environmental management systems used, developed and maintained by the International Organisation for Standardisation.

Kraft linerboard

Used in the manufacture of cardboard boxes and engineered to withstand varying atmospheric conditions such as extreme heat, humidity or the freezing temperatures of a coolroom.

Landfill

A disposal point for society's waste. They may be old excavations such as quarries or newly constructed sites.

Old-growth forest

Forest that is ecologically mature and has been subjected to very little, if any, unnatural disturbance such as timber harvesting, road construction and clearing, or natural disturbance such as bush fire.

Operating company

A business owned by PaperlinX.

Paper merchant

A distributor of paper that buys large quantities of paper, board and stock from different mills around the world and stores them until required by customers. The stock is then broken down into smaller quantities to meet customer needs.

PEFC

The PEFC Council (Programme for the Endorsement of Forest Certification schemes) is an independent, non-profit, non-governmental organisation, founded in 1999 which promotes sustainably managed forests through independent third party certification.

Plantation

A forest stand established by the planting of either native or exotic trees, selected for their wood producing properties and managed intensely for timber production.

Pulp

The raw material used for paper production. It can be softwood or hardwood and, depending on the process used, may be chemical, mechanical and bleached or unbleached.

Recycled fibre

Paper and board that has been collected for reuse as raw fibre material in paper and board manufacture.

Sack kraft paper

A high-strength paper used in the manufacture of multiwall paper sacks to hold products such as cement, minerals, flour, milk powder and potatoes.

Sawmilling residue

Reject logs or cuttings from the harvesting of timber for use by sawmills.

SFI

The Sustainable Forestry Initiative program promotes responsible forest management in North America, and responsible procurement globally.

Sustainable development

Development that meets the needs of the present without compromising the ability of future generations to meet their needs.

Woodfree paper

Paper manufactured entirely from chemically pulped wood (for example, kraft pulps), as distinct from papers incorporating mechanically pulped wood or groundwood. Usually applied to fine papers.

SUSTAINABILITY REPORT 2008

The high-quality recycled paper used in this Report is distributed exclusively by PaperlinX and its Merchanting businesses.

The cover stock is Impress Gloss 300gsm, made from elemental chlorine-free bleached pulp that is sourced from well-managed forests.

The text of this publication is printed on ENVI™ Silk Carbon-Neutral Paper 130 gsm. ENVI™ Silk is manufactured in Australia by Australian Paper and is certified Greenhouse Friendly™ by the Australian Government under the Department of Climate Change Greenhouse Friendly™ Initiative.

ENVI™ pulp fibre is sourced via a recognised chain-of-custody certified scheme.



When you have finished with this publication, PaperlinX urges you to recycle it to avoid landfill.

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