

**AF&PA Chairman of the Board Jim Hannan
Remarks As Prepared for Delivery
Paper 2011 Luncheon Session
International Ballroom
Fairmont Chicago Millennium Park Hotel
Chicago, IL
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Thank you, Donna. And thank you all for being here today.

I have been a member of the American Forest & Paper Association Board of Directors since 2006, and in that time, have been impressed with a consistent passion and commitment we share for this industry.

As 2011 Chairman of the Board, I am excited about where we are as an industry and the opportunities for our industry's future. Certainly there are challenges we all face. But the quality of leadership and the drive toward progress and innovation I've witnessed indicate to me that we will be ready to meet those challenges.

Today, I am pleased to announce that AF&PA members have agreed to a new sustainability initiative that we believe will help us meet one of the challenges posed to us by customers, stakeholders and policymakers.

Many of us in the room have heard complaints for years that the industry has a good story to tell, but doesn't tell it very well. Over a year ago, our Board hosted several customers and stakeholders who encouraged us not only to try to tell our story better, but also to focus on creating a better story.

As a result, we are launching an initiative called "Better Practices, Better Planet 2020". This initiative makes us the first manufacturing industry association to commit to a comprehensive set of sustainability goals that demonstrate, through transparent biennial reporting, our continuing commitment to sustainability.

Sustainability has become a buzz word in recent years, but it is more than that for us. It is a part of who we are and how we operate our businesses as an industry that depends on renewable and recyclable natural resources to make our products.

Sustainability has three pillars:

- Economic
- Social
- Environmental

Economic sustainability is essential. If we do not create value for customers, consumers and our companies by providing products and services people need and want, we won't even have the chance to get to the other two pillars.

Our companies contribute significantly to the local, national and global economies. The forest products industry accounts for approximately 5 percent of the total U.S. manufacturing GDP. Industry companies produce about \$175 billion worth of products annually and employ more than 900,000 men and women, exceeding employment levels in the automotive, chemicals and plastics industries. The industry meets a payroll of approximately \$50 billion and is among the top 10 manufacturing sector employers in 47 states.

Our industry pays more than \$4 billion a year in state and local taxes (corporate and proprietor income taxes, payroll taxes, sales taxes, property taxes). And we are one of the nation's leading exporters, responsible for record exports of more than \$31.7 billion in 2010.

Add to this the local purchases of raw materials, supplies and support services that are the life blood of many rural communities and small businesses across the country and you have a picture of the economic importance of a sustainable forest products industry in America. Our products are a building block for the economy and many of you in the room today represent our customers or even our customers' customer. The combined reach of our supply chain is enormous and that is why our actions as an industry to promote sustainability are essential.

There is also a social aspect to sustainability. The industry shows its social commitment through family-wage jobs with good employee benefits, advancing health and safety practices, and using timber harvested from forest lands through sustainable forest management practices.

It is important to note the social contributions our products provide:

- Paper and paperboard packaging facilitates the efficient distribution of products by reducing spoilage and breakage and by keeping food products safe.
- Communication papers such as newsprint, office, book, magazine, and catalog papers facilitate the flow of information that is essential in a free society with a complex and increasingly information-intensive economy. Paper provides portability, high image quality and ease of use, which is why it is still being used in significant quantities despite competition from e-mail and the internet.
- Written communications on paper promote literacy around the globe.
- Tissue products promote hygiene and reduce the risks of communicable diseases.
- Wood-based building materials provide cost- and energy efficient housing, helping realize the goal of home ownership for millions of Americans.

Our industry provides necessary products that better the lives of people around the world, and we need to make sure that message is heard.

And finally, sustainability would not be possible without good environmental performance. Our industry has an even greater stake in environmental performance than most because we depend on a natural, renewable resource to make our products. Efficient manufacturing practices, renewable energy generation, paper recovery for recycling, sustainable forest management, and responsible use of water are all essential not only for our environmental performance, but also for our economic and social performance.

To continue the legacy of forest products as a sustainable use of the resources around us, we have set new, challenging goals for increasing paper recovery for recycling, increasing our energy efficiency, reducing our greenhouse gas emissions, and promoting sustainable forest management, while continuing to strive for the safest workplace environment possible for our employees.

Industry leadership to ensure a steady increase paper recovery and recycling is one of the best examples of how we are protecting our environment and meeting our economic and social commitments.

This industry has led the way by setting and achieving incremental recovery goals since 1990. In the 20 years since, recovery has nearly doubled.

Yesterday we announced that 63.5 percent of U.S. paper consumed in the U.S. was recovered for recycling in 2010 – keeping us above the 60 percent goal that was achieved in 2009.

To help educate students and their families about the importance of paper recycling, AF&PA partners with Scholastic, Inc. and Keep America Beautiful to deliver educational material straight to the classroom.

But rather than resting on our laurels, we think more can be done. To remain a sustainability leader, we are setting a goal to further increase our paper recovery rate to exceed 70% by 2020.

Achieving this new stretch goal will require industry leadership, and, importantly, the commitment of millions of Americans who collect paper for recycling at home, school and work every day.

AF&PA members have pursued energy efficiency for decades, and since 1990, energy use per ton of product has been reduced by 8.2 percent. During the same time, fossil fuel use was reduced by 26 percent.

We are setting a goal to continue that progress by improving our industry's energy efficiency in purchased energy use by at least 10 percent by 2020.

The pulp and paper industry has already reduced the intensity of our greenhouse gas emissions. At pulp and paper mills, the combined direct and indirect emissions intensity rate for 2008 was 14.1 percent lower than in 2000 and 1.3 percent lower than in 2006.

Our members are committed to continuing to address greenhouse gas emissions with a goal of reducing the intensity of these emissions by at least 15 percent by 2020.

AF&PA members have long supported sustainable forestry practices in the U.S. and around the world.

AF&PA members participate in the Sustainable Forestry Initiative® (SFI) program and the Forest Stewardship Council (FSC) program, and most have been independently certified to these internationally recognized standards. SFI® program participants are responsible for

planting more than 1.7 million trees each day and training loggers on forestry best management practices.

AF&PA and its members also are committed to efforts to combat illegal logging and its associated trade around the globe by working with the Forest Legality Alliance and other international partnerships.

The industry is now committing to increase the amount of fiber procured from certified forest lands or through certified fiber sourcing programs in the U.S. In addition, we will continue to work with governments, industry and other stakeholders to promote policies around the globe that reduce illegal logging.

Demonstrating sustainability leadership also means continuing our commitment to our employees and the communities in which we operate to provide a safe and healthy work environment.

- Safety programs at 84 pulp and paper mills are enrolled in the Department of Labor's OSHA worker safety Voluntary Protection Program (VPP). Sixty-seven wood products facility programs are also enrolled.
- Between 2006 and 2008, pulp and paper mill worker accident and illness total case incidence rates were lowered by 17 percent and lost work cases were reduced by 13 percent. At wood products facilities, total case incidence rates were lowered by more than 19 percent.

Because ANY serious injuries to our employees are not acceptable, we are establishing a visionary goal for the industry of zero injuries and will measure progress toward that vision by working to improve our safety incidence rate by 25 percent.

Education and implementation of safe work practices are essential, and our employees deserve nothing less.

We are proud to announce these goals and excited to get to work on achieving them. But, this process will be ongoing.

In addition to these five quantifiable goals, we are committing to collect and analyze new data on water use at our facilities to determine whether a numeric goal could enhance our current sustainability practices.

We have invested in cutting-edge technology and led recycling and conservation efforts to reduce the amount of water needed to produce a ton of product. Forest products industry facilities return 88 percent of the water they use back to the environment. Since 1995, the volume of water discharged (a surrogate for water use) has decreased by almost 21 percent from member company pulp and paper mills. While we have a strong track record on reducing our water discharges, we need different data than we currently collect in order to analyze and determine where improvements can be achieved in the future.

Economic, social and environmental performance provide the framework for a sustainable forest products industry, and our Better Practices, Better Planet 2020 initiative is a tangible demonstration of our commitment to improving the story of our industry.

This suite of goals is the result of hundreds of hours of input from our member companies, customers, stakeholders, ENGOs, and public policymakers. For those of you who took our on-line surveys or participated in meetings, we thank you for helping us understand what is needed in the marketplace to demonstrate the sustainability of our products and practices.

We've set the bar high with these sustainability goals, but we are confident in the ability of the men and women who work in our industry to make it happen. With clear goals now identified, the industry will work to achieve them -- for better practices and a better planet and to validate the trust our customers and our communities have placed in our commitment to sustainability.

Finally, we know that communicating our commitments and accomplishments is an important part of this initiative. I can tell you that all our different stakeholders encouraged us to tell our sustainability story. Today's unveiling is the beginning of what we expect to be a long and sustained conversation with our customers, our communities, our employees and other stakeholders as we seek to do our part for a better planet for the future.

Thank you.

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