

grupo Portucel Soporcel

the sustainability  
of our  
**PAPER**

Portucel  
Soporcel  
Sustentabilidade

Grupo Portucel Soporcel  
Mitrena - Apartado 55  
2901-861 Setúbal - Portugal  
[www.portucelsoporcel.com](http://www.portucelsoporcel.com)

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Corporate Image and Communication Department

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Lidergraf

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# executive summary 08/09

sustainability report 08/09

Portugal's forests have historically been a source of wealth for the nation.

There are some 400,000 forest owners in Portugal, who contribute to the three forestry sectors – Pine, Cork Oak and Eucalyptus. Not just of fundamental importance to a balanced environment, these forests form the basis of a forestry products industry which today accounts for close to 10% of the country's exports and some 3% of the GDP.

We have the land available in our country, we have tree species ideally suited to industry, we have expertise and we have markets for our forestry products.

For all these reasons, we believe that the sustainable use of our forests is an objective of national importance.



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# ABOUT THIS REPORT



The 2008/2009 Sustainability Report of the Portucel Soporcel group is divided into two parts.

The first is this abstract, offering a brief overview of the main sustainability issues faced over the two-year period, in non-technical language for all our stakeholders.

The second part is a technical report, which complies with the requirements of the Global Reporting Initiative (GRI), and also includes the verification report from our external auditors.

**The Portucel Soporcel group is therefore delighted to present to its stakeholders its Sustainability Report 2008/2009 attesting to its achievements in creating value through operations conducted on a demonstrably sustainable basis.**



- ▶ The European paper industry is based on a sustainable production cycle, using a renewable resource – the European forest.
- ▶ The Portucel Soporcel group uses as its main raw material the wood from plantations managed on a sustainable basis, and created specifically for this purpose, thereby contributing to the expansion of Portugal's forest.
- ▶ The sustainable practices of the Portucel Soporcel group guarantee that by printing on its paper you are contributing to the sustainability of Portugal's forest.
- ▶ The fibres used in manufacturing paper can be recycled, but the paper quality declines with each recycling, therefore it is essential to incorporate new fibres to ensure the renewal and sustainability of the overall paper and board production system.
- ▶ The paper produced by the Portucel Soporcel group, when recycled, makes an excellent contribution to the renewal and sustainability of the overall paper production system.



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# ABOUT PORTUCEL SOPORCEL GROUP

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Today, the Portucel Soporcel group is one of Portugal's leading players on the international stage, making a significant contribution to the country's economy. It is the European leader and one of the world's largest producers of printing and writing uncoated woodfree paper (UWF).

It is also Europe's leading producer of bleached Eucalyptus kraft pulp (BEKP).

The Company's structure is based on industrial plants in Cacia, Figueira da Foz and Setúbal, which are international benchmarks for quality, due to their scale and sophisticated technology.

## Cacia Mill

The Cacia Mill is located in the largest area of Eucalyptus forest in the country. It has production capacity for 285 thousand tons/year of bleached Eucalyptus pulp for special uses, enabling it to enjoy a strong position in market segments such as decorative paper, coated papers and also high quality tissue paper.



## Figueira da Foz Industrial Complex

The Lavos Industrial Complex, in Figueira da Foz, is one of the largest and most efficient pulp and paper mills in Europe, producing a total of 560,000 tons of pulp a year, all of it integrated into paper, with a final output of approximately 790,000 tons/year of UWF paper.



## Setúbal Industrial Complex

The Setúbal Industrial Complex, located in Mitrena, includes two industrial units operating on an integrated basis. The pulp mill has capacity for 530,000 tons per annum of bleached Eucalyptus pulp, and since the third quarter of 2009, has been integrated into UWF paper, with a final total production capacity of 795,000 tons/year.



The sustainability strategy followed by the Portucel Soporcel group is centred on the following areas:

#### ► Forest

The Portucel Soporcel group is responsible for the management of 120,000 hectares of forest land and is the leading player in the Eucalyptus sector. It has pioneered forestry certification in Portugal, having obtained certification from the FSC – Forest Stewardship Council (awarded December 2007) and under the PEFC – Programme for the Endorsement of Forest Certification schemes (awarded July 2009).

#### ► Biodiversity

The Group has adopted a responsible stance in actively managing the biodiversity of its forests and in the work carried on in partnership with the WWF – World Wildlife Fund for Nature. This has led to recognition that a large part of the certified forests under the Group's management meets the standards needed for classification as Areas of High Conservation Value, due to its biodiversity and cultural interest. In this field, the Group also plays an extremely important role in protecting and defending the country's forests against wildfires.

#### ► Research and Development

The Group has a majority holding in RAIZ, an institute devoted to forestry and paper research, which has carried out important work in producing improved Eucalyptus plants, assuring excellent raw materials for top quality paper, as well as improving forestry and industrial management practices.

#### ► Energy

Over the years, the Portucel Soporcel group has invested widely in optimizing production processes. It has become a leader in sustainability and energy efficiency, using forest biomass as its main energy source. At the same time, it has implemented a structured project to replace fossil fuels with renewables, allowing it to increase

its power generation from this source, both for internal consumption, and for sale to the national grid.

#### ► Social Responsibility

The Portucel Soporcel group supports projects designed to enhance the well-being of its local communities and to preserve the natural, social and cultural heritage of the regions around its industrial units and forests.

#### ► Environment

All its industrial units operate to high standards of environmental protection, complying with the strictest international requirements and investing in continuous improvements in terms of their impacts.

#### ► Added Value

The Group's annual turnover, in excess of 1,100 million euros, represents 3% of Portuguese exports, with a large component of national added value, consistently more than 900 million euros, a value that is over 80% its sales.

#### ► People

The Portucel Soporcel group relies on the dedication, expertise and motivation of its Employees. This is a key factor that contributes to the successful implementation and maintenance of the Strategy on Sustainable Development of the Portucel Soporcel group.

With annual production capacity of 1.6 million tons of paper and 1.4 million tons of pulp, we can now look at other highlights of the Group's performance at year-end 2009 ...



#### ... IN PORTUGAL

- ▶ We manage 120,000 ha of forest;
- ▶ We manage 49% of Portuguese certified forests by the FSC and 59% of those certified under the PEFC;
- ▶ We are the country's largest producer of energy from biomass;
- ▶ The Group's operations represent approximately 2% of industrial GDP, and its sales correspond to 0.7% of GDP;
- ▶ Our sales in foreign markets account for 3% of Portuguese exports of goods;
- ▶ We represent 10% of the total export cargo handled at Portuguese ports, containerized and conventional;
- ▶ We generated an annual turnover of 1 100 million euros;
- ▶ We produced 1.1 million tons of paper;
- ▶ We manufactured 1.3 million tons of pulp;
- ▶ We generated 1,148 GWh of electricity;
- ▶ We employed 2,297 people;
- ▶ We sold exports worth 928 million euros.

#### ... IN EUROPE

- ▶ We are Europe's leading producer of uncoated woodfree (UWF) paper;
- ▶ We are Europe's leading producer of bleached Eucalyptus pulp (BEKP).

#### ... IN THE WORLD

- ▶ Approximately 94% of our sales are to 100 countries, 27% of which outside the European Community;
- ▶ We are the world's 4<sup>th</sup> largest producer of BEKP.

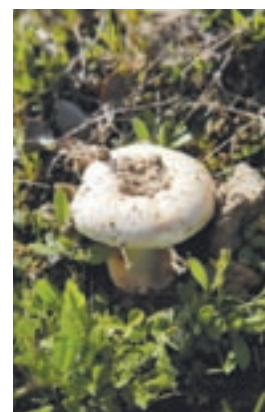




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# 2008/2009 HIGHLIGHTS

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The official opening and the start of production at the new paper mill at the Setúbal Industrial Complex in 2009 was a landmark in the Group's history. With this new mill, which features unique and technologically innovative solutions, the Portucel Soporcel group is able to integrate all the pulp produced at the Setúbal industrial complex and to improve its position as Europe's leading producer of UWF (uncoated woodfree) printing and writing paper. Investment in the new paper mill totalled approximately 550 million euros, creating 350 direct, highly skilled jobs, as well as some 1,500 indirect jobs, making a valuable contribution to the local and national economy.

The first meeting of the Environmental Committee of the Portucel Soporcel group was held on 21 May 2008 at the Figueira da Foz Industrial Complex. This new Committee is defined in the Articles of the Company and reports to the Board of Directors. It consists of five leading academics in the field of science and environmental protection, appointed by the Directors for a period of time parallel to their own. In accordance with the Articles of the Company, the Environmental Committee is responsible for monitoring environmental issues within the Company's business activities and issues reports and recommendations, when requested by the Directors, on the environmental impact of the Group's main projects, with a particular view to compliance with legal requirements, licensing terms and the Group's policies in this field.

Energy was at the forefront of the Group's concerns during 2008 and 2009. In addition to the combined cycle cogeneration plant, fuelled by natural gas, which has been built to support the new paper mill, two new biomass power plants were planned, designed and constructed in Cacia and Setúbal. These plants were started up in December 2009, feeding power into the national grid. Each of these plants, with a capacity of 12.5 MW, will contribute a further 167 GWh/year in additional power sales by the Group, improving its position in power generation from biomass. These new plants were one of the key components in the Group's investment programme in the energy sector, with a total capital expenditure of 200 million euros.

Attention was also focussed during this period on improving production efficiency, in a project encompassing all Group plants, concluded in December 2009. Gains in excess of 10 million euros have been recorded as a result of the OOE Project - Overall Operational Efficiency

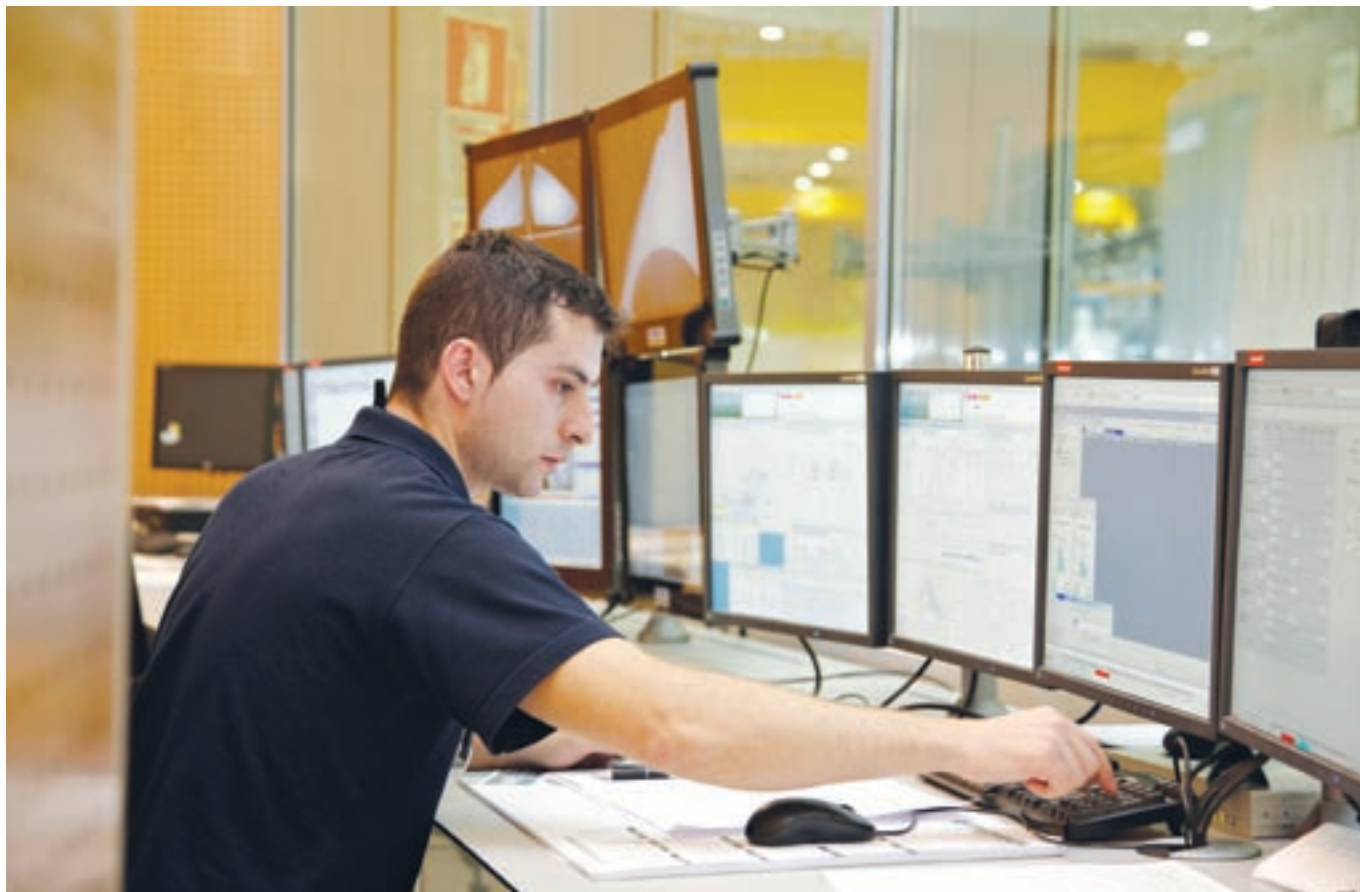


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# SUSTAINABILITY IN THE REPORTING PERIOD





**PEOPLE**  
Workforce of 2,297

- ▶ Average of 90 training hours per person per year.
- ▶ Annual performance review of Group's Employees, with impact on pay and career progression.
- ▶ Large number of permanent contracts.
- ▶ Low turnover of personnel.
- ▶ Low absenteeism.
- ▶ Accident rates which reflect a serious concern for the health and safety of the workforce.

**FOREST**  
120,000 hectares  
of forest

- ▶ Annual investment of 3 million euros in wildfire prevention and support to combat.
- ▶ Technology showcases to disseminate best practice in forest management.
- ▶ Incentives for certification of privately owned forest, which supply more than 80% of the raw materials of the Group's mills.

**COMMUNITY**  
Welfare initiatives

- ▶ Investment in excess of 1,000,000 euros/bi-annual in donations and sponsorship.
- ▶ An active policy in the field of social responsibility, supporting and participating in a significant number of projects and voluntary initiatives geared to preserving natural heritage and the quality of life of local communities.

**PRODUCTS**  
Top quality  
brands

- ▶ The highest percentage of *Premium* product sales in the industry.
- ▶ The Navigator brand is the world best seller in *Premium* office paper.
- ▶ European leader in mill brands of office and offset paper.
- ▶ Inaset catalogue won 2009 Award from the Portuguese Association for Corporate Communication.
- ▶ Navigator Hybrid wins *Silver Trophy* in the 2008 Product of the Year category.

**20% reduction** in total direct emissions of greenhouse gases covered by the EU Carbon Trading Scheme.

**Water consumption cut by 45%** from 2000 to 2009.

**80% of waste** produced is reused or recycled.

Total consumption of fossil fuels **down by 60%** from 2000 to 2009.

**About 80%** of energy produced is from biomass.



- ▶ Since 2005, more than 54 million euros has been invested in the environment;
- ▶ The Group sells products to some 100 countries;
- ▶ The Company is Portugal's leading producer of "green energy" from biomass, accounting in 2009 for approximately 53% of all the power produced from this renewable resource in Portugal;
- ▶ Over the last decade, the Group has cut road haulage by 11%;
- ▶ The forest managed by the Group represents an important carbon sink and contributes daily to reducing the CO<sub>2</sub> concentration in the atmosphere, absorbing each year more than double the fossil CO<sub>2</sub> produced by all the Group pulp and paper mills;
- ▶ Over the period 2008/2009, the Navigator, Pioneer, Inacopia and Discovery brands obtained performance certification from the Buyers Laboratory INC (BLI) – the leading independent laboratory in the US testing office equipment and materials;

#### COMMITMENTS 2010/2011

- ▶ To increase total paper output by 25%.
- ▶ To increase total energy output by 50%.
- ▶ To cut total energy consumption by 2%.
- ▶ To reduce total consumption of chemicals by 5%.
- ▶ To increase total recovery of fibres by 2%.
- ▶ To obtain the "ecolabel" for some of the Group's paper products.
- ▶ To finalize the project for implementation of the SAP – Human Resources system.
- ▶ To integrate sustainability indicators into the performance assessment and management process for Employees.
- ▶ To raise awareness of the fact that using paper is not harmful to the environment.





#### TOP ISSUES 2008/2009

- ▶ Atmospheric emissions and climate change.
  - ▶ Optimization of production processes.
  - ▶ Sustainable forest management.
  - ▶ Improved relations with external stakeholders.
  - ▶ Commitment to renewable energy and energy efficiency measures.
  - ▶ Forest certification and issues existing in the Portuguese forestry sector.
  - ▶ Importance of workforce in implementing sustainability strategy.
  - ▶ Preserving biodiversity.
  - ▶ Construction of new paper mill.
  - ▶ Measures to encourage ethical conduct and to combat fraud and corruption.
  - ▶ Initiatives for innovation.
  - ▶ Ongoing improvement of product and service quality.
  - ▶ Importance of virgin fibre in sustainable management of the paper production cycle.
- ▶ In 2009, 78% of the power produced at Group mills was obtained from biomass;
  - ▶ The Group took part in an organized a series of conferences and seminars designed to raise awareness of the issues of forest certification, sustainable forests management and biodiversity;
  - ▶ The Setúbal mill's new cogeneration plant not only meets its own steam and power needs, but also supplies electricity to the national grid;
  - ▶ The Group is responsible for the largest number of trees planted in Portugal;
  - ▶ The Group is a major producer of Pine, Cork and other non-timber forest products;
  - ▶ The Portucel Soporcel group was the first company in Portugal to offer a cash premium for each cubic metre of certified timber purchased on the open market, placing itself amongst the pioneers of this approach worldwide;
  - ▶ The Portucel Soporcel group has approved a Code of Ethics which will apply across the board to all Employees.



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“DID YOU KNOW THAT...”

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## Did you know that...

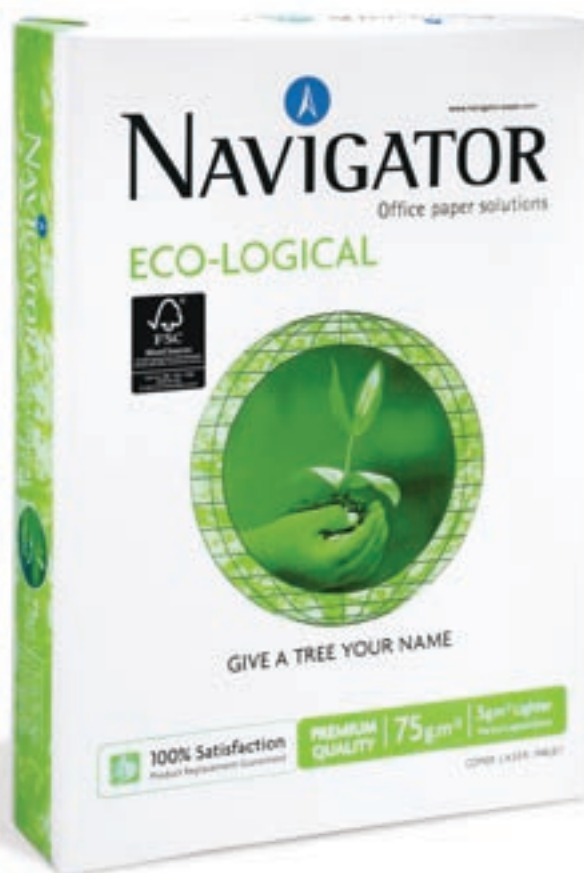
In France, the French association of stationery wholesalers awarded Navigator Hybrid the Silvery Trophy for Product of the Year 2008, at their Annual General Meeting?

And that... also in France in 2008, the Company won the Silver Ribbon in the category for best marketing, for its media campaigns for the Navigator brand, at the award ceremony organized by its French client *Majuscule*?

## Did you know that...

At the end of 2009, the accrued quantity of carbon dioxide retained by the forests managed by the Group was equivalent to the CO<sub>2</sub> emissions generated by approximately 1.7 million cars per year?





## Did you know that...

The Pioneer brand was specially designed for the female market, and has consolidated its support for LAÇO (a charity working for early diagnosis of breast cancer), through a promotional campaign aimed at end consumers, in tune with the brand's socially responsible positioning?

And that... Currently sold in more than 40 countries, Pioneer has developed excellent brand awareness in several European countries, and offers superb results in terms of printing performance and quality?

## Did you know that...

The new Setúbal mill is centred around the world's largest and most sophisticated paper machine, allowing the Company to increase its output of high quality printing and writing paper to 1.6 million tons a year?

## Did you know that...

In 2009 the Cacia and Setúbal plants celebrated 20 years of certified Quality Management?

And that they hold Portuguese certificates nos. 1 and 2?



### Did you know that...

The Group's internal newsletter, INFO, is sent to the home address of all its Employees, containing articles on the internal life of the Group and its relations with local communities?

### Did you know that...

The Portucel Soporcel group accounted in 2009 for 3.5% of all electricity produced in Portugal, and is an important supplier to the national grid?

### Did you know that...

The forest managed by the Group are spread across 157 municipalities, including areas covered by the Natura 2000 Network and the National Network of Protected Areas (NNPA)?

### Did you know that...

Of the 120 thousand hectares of forest managed by the Portucel Soporcel group, 73% are Eucalyptus plantations, and the remaining 27% other types of planting, such as Cork Oak, Pine, areas of varied deciduous and coniferous species, as well as areas of natural and semi-natural habitats which are representative of the different regions of the country, in addition to farmland and pasture?

# Contacts

## Head Office

Mitrena - Apartado 55  
2901-861 Setúbal - Portugal  
Phone: +351 265 709 000  
Fax: +351 265 709 165

## Offices and Mills

### Portucel

Fábrica de Cacia  
Rua Bombeiros da Celulose  
3800-536 Cacia - Portugal  
Phone: +351 234 910 600  
Fax: +351 234 910 619

Complexo Industrial de Setúbal  
Mitrena - Apartado 55  
2901-861 Setúbal - Portugal  
Phone: +351 265 709 000  
Fax: +351 265 709 165

### Soporcel

Complexo Industrial da Figueira da Foz  
Lavos - Apartado 5  
3081-851 Figueira da Foz - Portugal  
Phone: +351 233 900 100 / 200  
Fax: +351 233 940 502

## Commercial Subsidiaries

### Austria / Switzerland / Eastern Europe

Portucel Soporcel Austria, GmbH  
Fleischgasse 32  
1130 Wien - Austria  
Phone: +43 1 879 68 78  
Fax: +43 1 879 67 97  
e-mail: sales-au@portucelsoporcel.com

Portucel Soporcel Poland Sp. Z O.O.  
Warsaw  
Poland  
e-mail: sales-au@portucelsoporcel.com

### Belgium / Luxembourg

Portucel Soporcel Sales & Marketing nv  
Lambroekstraat, 5A  
B - 1831 Diegem - Belgium  
Phone: +32 27 190 380  
Fax: +32 27 190 389  
e-mail: sales-be@portucelsoporcel.com

### France

Portucel Soporcel France, EURL  
20, Rue Jacques Daguerre  
92500 Rueil Malmaison - France  
Phone: +33 155 479 200  
Fax: +33 155 479 209  
e-mail: sales-fr@portucelsoporcel.com

## Germany

Portucel Soporcel Deutschland, GmbH  
Gertrudenstrasse, 9  
50667 Köln - Germany  
Phone: +49 221 270 59 70  
Fax: +49 221 270 59 729  
e-mail: sales-de@portucelsoporcel.com

Portucel International Trading, GmbH  
Gertrudenstrasse, 9  
50667 Köln - Germany  
Phone: +49 221 920 10 50  
Fax: +49 221 920 10 59  
e-mail: pitkoeln@portucelsoporcel.com

## Holland / Nordic Countries / Baltic States

Portucel Soporcel International, Bv  
Industrieweg 16  
2102LH Heemstede - Holland  
Phone: +31 23 547 20 21  
Fax: +31 23 547 18 79  
e-mail: sales-nl@portucelsoporcel.com

## Italy / San Marino

Portucel Soporcel Italia, SRL  
Piazza del Grano, 20  
37012 Bussolengo (VR) - Italy  
Phone: +39 045 71 56 938  
Fax: +39 045 71 51 039  
e-mail: sales-it@portucelsoporcel.com

## Portugal / Portuguese Language African Countries /

### Morocco / Tunisia

Soporcel 2000  
Lavos - Apartado 5  
3081-851 Figueira da Foz - Portugal  
Phone: +351 233 900 176  
Fax: +351 233 940 097

Mitrena - Apartado 55  
2901-861 Setúbal - Portugal  
Phone: +351 265 700 523  
Fax: +351 265 729 481  
e-mail: sales-po@portucelsoporcel.com

Portucel Soporcel Afrique du Nord  
Zémith Dillénium  
immeuble 1-4ème étage  
Lotissement Attaoufik-sidi  
Maarouf  
20190 Casablanca / Maroc  
Phone: +21 252 287 9475  
Fax: +21 252 287 9494  
e-mail: sales-po@portucelsoporcel.com

## Other Markets Overseas / Greece

Soporcel S.A.  
Apartado 5 - Lavos  
3081-851 Figueira da Foz - Portugal  
Phone: +351 233 900 175  
Fax: +351 233 900 479

## Spain

Portucel Soporcel España, S.A.  
C / Caleruega, 102-104 Bajo izda  
Edificio Ofipinar - 28033 Madrid - Spain  
Phone: +34 91 383 79 31  
Fax: +34 91 383 79 54  
e-mail: sales-es@portucelsoporcel.com

## United Kingdom / Ireland

Portucel Soporcel UK, Ltd  
Oaks House, Suite 4A  
16 / 22 West Street  
Epsom  
Surrey KT18 7RG - United Kingdom  
Phone: +441 372 728 282  
Fax: +441 372 729 944  
e-mail: sales-uk@portucelsoporcel.com

## United States of America

Soporcel North America  
40, Richards Avenue  
Norwalk, Connecticut 06854 - USA  
Phone: +1 203 831 8169  
Fax: +1 203 838 5193  
e-mail: soporcel@suporcelna.com



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