Long-term commitment to Russia from a global business

Keith Townsend, President of International Paper in Russia, told BRICS Business Magazine why sustainability plays a vital role for businesses today, how one of the world’s largest pulp and paper producers views its operations and future in Russia, and what should be done to make business more sustainable.

You have been President of International Paper Russia for one year now. What key changes do you notice?

First of all, if we are talking about sustainability, I see a lot of energy in this area. In terms of systemic changes to business, it is clear that stakeholders are becoming better educated and this is incredibly important. To be successful, we must engage all stakeholders. Businesses must interact with communities and governments and play a leadership role. As we see in other parts of the world, such as the US and Latin America where I have spent most of my career, businesses play a significant role in sustainability. This is one of the key changes I am also witnessing in Russia. People expect companies to lead and operate in sustainable ways. We have to be at the forefront of this effort in Russia.

Sounds encouraging. Are you part of this process?

Absolutely. Our vision is to be among the most successful, sustainable and responsible companies in the world.

In Russia, we are driving a sustainable agenda at every level. We have federal programs – for example, we have supported SKOLKOVO Business School since 2010, with a strategic partnership under three main targets: talent development, strategic leadership, and sustainable development. We support SKOLKOVO’s educational programs and modules, including the SKOLKOVO MBA flagship program, providing education grants for those involved in the most promising business projects. We also work with major institutions such as World Wildlife Fund (WWF), Forest Stewardship Council (FSC), and different business groups on joint projects at a federal level.

But we also think that local efforts are important. In Svetogorsk, where our pulp and paper mill is located, we have implemented a number of social, educational and environmental initiatives, trying — and succeeding in— changing mindsets. We aim to demonstrate what an individual and a business can do to change communities for the better.

This ties in to what we call IP Way. We do the right things, in the right ways, for the right reasons, all of the time. And we also go beyond that - we create value for all stakeholders for generations to come.

What’s your strategy in Russia?
We follow our strategic framework, The IP Way Forward, which consists of five strategic drivers, enabling us to set goals, make decisions and prioritize our work. These drivers are Sustaining Forests, Investing in People, Improving our Planet, Creating Innovative Products, and Delivering Inspired Performance. These pillars are the same for our businesses, including our business here in Russia.

International Paper is a company with more than 100 years of history, so we are always thinking long-term. This is particularly true about our approach in Russia. Since we came to the country in 1998, we have gained extensive and unique experience in the Russian market. Our pulp and paper mill in Svetogorsk is one of the oldest enterprises in Russia – it celebrates its 130th anniversary this year – but as a result of our continuous investment, it is also one of the largest and most state-of-the-art mills in the sector.

The domestic market is the key sales market for the products we produce in Russia. And Russia will remain our primary target market in the future. We also have an important export strategy. The pulp and paper, as well as timber, industries have remained key industries in Russia for many years and, as such, the country has advantages in this area - raw materials, developed energy infrastructure, qualified personnel and our own consumer market with potential for growth.

It is a strategic and a very important market for us.

And what trends do you see in Russia?

Our main segments in Russia are office paper, also called white paper, and packaging board – particularly for liquid products. Since Russia is a developing country, these markets continue to grow. In fact, these sectors illustrate economic and social trends. For example, liquid packaging board is a consumer-driven category and largely depends on population dynamics. Since the Russian population is growing, this sector sees some fundamental support. White paper, used in business and education, is also a growth market.

Generally, as Russia is becoming a larger producer, the packaging market is growing – the products need to be packaged, right? And products need to be distributed. Packaging board is a sustainable and effective way to move many types of goods, from many sectors of the economy.

The performance of the packaging and white paper market is connected to how the economy and country are doing as a whole. Packaging is highly correlated with any kind of industrial production, particularly of non-durables.

By the way, I see you are drinking your coffee with milk.
Right.

So, the milk was probably delivered from the plant in a package, using IP’s board. So, you can see that these are essential products, and our mission is to improve people’s lives, the planet and our company’s performance by transforming renewable resources into products people daily depend on.

**One of the themes for this edition of BRICS is the environment. Trees are the key raw materials for your business, do you have any projects in this area?**

Sustainable forestry is probably one of the biggest areas of our focus in Russia. Forestry is at the very heart of sustainability. Historically, this is where the idea of sustainability came from. We have put a lot of effort and investment into developing this sector in the Leningrad Region.

Sustainable forest management means managing forests responsibly by improving forest infrastructure, ensuring proper reforestation, ensuring the certification of origin control for purchased wood raw materials and refusing to supply wood from illegal sources such as forests where the natural resources are endangered and interests of the local communities and other parties are violated.

In 2017, we continued our efforts aimed at promoting a sustainable forest management model in the Leningrad Region. We continue to improve the situation in the forest sector and forest management by actively engaging with other interested parties in sectors such as ecology, business, and society.

Every year we pay great attention to forest recovery. In Russia, International Paper plants millions of seedlings. We also demonstrate our commitment to sustainable forest management by planting new trees every year on Reforestation Day in a joint effort with the administration of the Tikhvin District, where are key forestry operations are located.

International Paper is a long-standing participant in forums and working groups aimed at developing forest-related legislation at both federal and regional levels, and recently we launched a project aimed at employing a sustainable forestry model in the Leningrad and Vologda regions together with the St Petersburg Forestry Research Institute.

We pay particular attention to the certification of our forest management activity and wood supply under Independent Certification system standards and principles. The forests used by International Paper in Russia for leasing, managing and the supply chain of raw wood materials are certified by the Forest Stewardship Council standards.

**So it seems we should not worry about the national treasure – forests, and their industrial use.**
Since Russia has one of the largest timber resources in the world, the issue of forest management is particularly important. Russia has already adopted its first National Forest Policy and Sustainable Forestry Model Road Map. However, Russian forestry is yet to address a number of items. Among the top priorities is the establishment of standards of transition to the new model of forest management with consideration for local characteristics. Other challenges include the development of forest roads and infrastructure, and the reformation of the education system both for young professionals and long-time industry experts. The Leningrad Region is already included in the list of pilot locations for the sustainable forestry model’s implementation. The next stage is the approval of new forestry rules that will update the forestry regulations and the forest plan of the Leningrad Region, after which, the region’s tenants will be able to fully transition to the new model.

We believe in a partner-to-partner relationship between government and business, because all our efforts are aimed at benefitting local communities.

**It is great to hear when a business is trying to make positive changes.**

Yes, but there are other examples in our everyday lives. Sometimes you don’t notice it, but our business really makes people’s lives better. I see that you make notes on a piece of paper. I guess, this paper is made from our Svetogorsk mill and most likely – it is a Svetocopy brand, one of the most popular and well-known paper brands in the country. Svetocopy brand celebrated 20-year anniversary last year. This is The IP Way Forward concept in action. We make people’s lives better. We make products people depend on every day.