Growth drivers

An interview of Keith Townsend, President of International Paper Russia
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Pulp and paper production is considered to be one of the oldest areas of the domestic timber industry. For most items today, local products compete successfully with imported items. Of course, the industry is not without problems, and perhaps the most urgent problem of all is the deterioration of the pulp and paper equipment and the use of obsolete technologies. In the last decade and a half, only a few new enterprises have been commissioned in Russia, and very few have undergone a profound modernization. One enterprise that has seen such a transformation is Svetogorsk PPM, whose history has been linked to the large international company, International Paper, since 1998.

The main areas of the company’s activities in Russia include the production of office and offset paper, liquid packaging board and bleached chemical thermo-mechanical pulp. Guest of our editorial board and the President of International Paper Russia, Keith Townsend, explains how they continue to achieve high results.

- Mr. Townsend, how successful, in your opinion, was the integration of foreign capital in the Russian production?

The pulp and paper and timber industries have remained key industries in Russia for many years and, as such, the country has advantages in this area – vast renewable forest resources, developed energy infrastructure, qualified personnel and a robust consumer market with significant potential for further growth.

While the rise of digital technologies, among other factors, is affecting demand for paper in developed markets, demand in emerging markets such as Russia continues to grow. In particular, in 2016 overall paper production in Russia increased by 2.5% year-on-year and amounted to 5.2 million tons, while cardboard production in 2016 grew 7.0% year-on-year to 3.3 million tons, according to the Federal State Statistics Service. With Russia expected to return to growth in 2017, the outlook for our own sector is also picking up.

The domestic market is the key sales market for the products we produce in Russia, and this will continue to be the case, with our most well-known brands of office paper being SvetoCopy and Ballet. We were pleased last year to celebrate SvetoCopy’s 20-year
anniversary. We also produce liquid packaging board and cooperate with one of our key partners in this segment – Tetra Pak.

International Paper is a company with more than 100 years of history, which is why long-term thinking runs through our DNA. This long-term view applies very much to our business in Russia, a market which we entered back in 1998. Our pulp and paper mill in Svetogorsk is in fact one of the oldest enterprises in Russia, and celebrates its 130th anniversary this year. However, thanks to the investments we have made, the mill has also become one of the largest and most state-of-the-art in the sector. We have been continuously improving operational efficiency, cutting energy consumption and waste generation, and improving environmental protection.

- **What are the priorities of the company?**

We participate in both domestic and export pulp and paper markets and the domestic market is our primary focus for our products from Svetogorsk.

Generally speaking, 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 all of our businesses around the world.

Sustainable Forest Management is an important topic on our agenda that we are working together with the government at the federal and regional level as well as other key stakeholders. We see a lot of opportunities in shaping the common approach to sustainable forestry among all stakeholders in order to actively promote and implement the concept and norms of sustainable forestry in Russia. We believe that our joint effort will result in healthier forest and greater wood availability which supports sustainable development of the industry and benefits all stakeholders involved.

In terms of the mill’s operations, safety has always been a key priority for us. We have more than 1,600 employees in Russia and since we started operations in Svetogorsk, we have been committed to ensuring their well-being by providing safe working conditions and extensive health and safety training, by promoting accountability and responsibility for ourselves and our colleagues, and maintaining an active safety mindset both at work and at home. As of March 16, 2017, we had operated the mill for 365 days, with a total of more than 2.8 million safe work-hours, and these numbers have increased since then. We are very proud of our safety culture.

- **Do you see any relevance of re-equipment and re-equipment after the large-scale modernization in 2007?**

Since 1998, International Paper has invested more than $740 million in the upgrade and modernization of Svetogorsk mill to ensure its long-term competitiveness. Also, we annually conduct outages at our facilities in 24 countries, including in Russia, when we carry out key maintenance operations, which enable continuous operations of the mills. This year in Svetogorsk we will implement capital projects in the areas of Fiber, Energy, Paper as well as world class safety and environmental technologies. We were recently
recognized by Rosprirodnadzor in terms of environmental investments “for modernization of our emission / pollutant control equipment”.

- What is the role of ZAO International Paper in terms of economy of the Leningrad Region?

ZAO International Paper is a major taxpayer in the Leningrad Region and the largest employer in Svetogorsk, and has always seen support of the local community as an important strategic priority. In total, since the acquisition of Svetogorsk mill, the company has carried out large-scale investments totaling over $9.5 million in various social programs aimed at improving the infrastructure in Svetogorsk and creating a positive impact on the communities as a whole. We have carried out large scale transformations including the repair and purchase of equipment for educational, childcare, and social institutions in the city. We make sustainable investments to protect and improve the lives of our employees and mobilize our people, products and resources to address critical needs in the communities where our employees live and work.

The Leningrad Region is a pilot region for the implementation of a new sustainable forestry model and changing the approach to sustainable forestry is an important goal for the forest sector in the region and a high priority for us as a company. Changes to the forest plan of the region and forest districts’ regulations, prioritization of resources and funding as well as establishing the rules and norms for the forest management is critical. Effective sustainable forest management is enabled by the development of road infrastructure. Road construction is the responsibility of federal and regional authorities for primary and secondary roads, and forestry operators for harvesting roads. In addition, efforts should also take place in education, as we need employees and workers who will be able to complete tasks in accordance with the principles of sustainable forestry. To successfully implement all aspects, we need to maintain effective engagement with all stakeholders, including the government, academic community, NGO’s and members of business community.

- What are IP’s plans in Svetogorsk in the near-future?

Our mission is to improve people’s lives, the planet and our company’s performance by transforming renewable resources into products people depend on every day.

Since we intend to maintain a long-term presence in the Leningrad Region, we will continue working in line with our five strategic drivers: ensuring the reliability of our equipment in line with our driver Creating Innovative Products, to improve operational efficiency in line with our driver Delivering inspired Performance, to continue implementing sustainable forestry in line with our driver Sustaining Forests, to implement environmental initiatives in line with our driver Improving our Planet, and to carry out social projects in our community in line with our driver Investing in People.