



Temple-Inland 2004 sustainability report

With its 2004 report, Temple-Inland begins its transition from environmental to sustainability communication. But it has a long way to go

After a gap of four years, Temple-Inland, the US box and paper maker and financial services provider, has followed up its 2000 environmental report with a 2004 sustainability report. The publication echoes the company's strong environmental roots, with the bulk of commentary and indicators geared towards the environmental aspects of its forestry operations. Yet by focusing almost exclusively on corrugated packaging and forest products, the report gives short shrift to the company's financial services arm.

The packaging and forest products operations make up 75% of Temple-Inland's 2004 revenues but only 24% of operating profit. The financial services unit, with more than 140 banking centres in California and Texas, brings in the lion's share of profit and should have received considerably more coverage in the report.

Indeed, the report's main downfall is a lack of balance. Beyond the too-limited discussion of the financial services division, gaps in coverage include missing social and economic indicators and limited stakeholder input.

Easy to find – and perhaps too easy on the eyes

The Temple-Inland report is available both as a printed version, which clocks in at an accessible 40-odd pages, and as a web-based PDF that is refreshingly easy to find. The company's website is very well organised and allows readers quickly to locate additional sustainability-related materials, such as Temple-Inland's code of ethics, governance principles and environmental policy. The appendix in the print report further rounds out the narratives, listing information on awards, certifications, forestry principles, and environmental health and safety policies.

Temple-Inland's choice of photographs raises some red flags. Lovely forest imagery – unspoiled waterfalls, flowers and seedlings – may make for soothing reading, but the absence of balancing images, including harvested forest stands, tree felling and timber processing, fails the visual credibility test. The company should take care to provide a more realistic representation of its operations in its sustainability publications.

GRI sourced, internally verified

Temple-Inland outlines its reporting history and, in a report profile section, dutifully invokes the GRI guidelines as the basis of this year's effort. The cleanly designed GRI-content index, however, is notable in the number of indicators marked "NR", indicating that they are not reported, not relevant, or not publicly released. Temple-Inland's decision to lump all these categories of missing information into an undifferentiated group obscures the reasons for omitting this data and leads one to wonder whether "NR" could mean "never to be reported".

Temple-Inland's use of GRI indicator abbreviations in the content index may also be confusing for readers who have not yet memorised the full indicator list. A prominently featured link to the guidelines' website would have been helpful here.

Temple-Inland states that it verified report data through an internal audit process examining company databases, interviews, surveys and reports. The company did not, however, obtain third-party report assurance.

Stakeholders – don't ask, don't tell, don't bother

Temple-Inland makes nary a mention of direct stakeholder input, though it does list memberships and participation in organisations such as the Global Environmental Management Initiative, the US Business Council for Sustainable Development and The Nature Conservancy. This approach creates the unfortunate perception that Temple-Inland refrains from soliciting stakeholder feedback in any but the most general way. Although



Where did that come from?

contact names are listed in the report, there are no corresponding phone numbers or email addresses. Readers are instead directed to call the investor relations department.

The chairman's letter is lukewarm with regards to outside input, offering access only to the company's website and a generic "info@" email address. This lack of personalisation shows through in the letter's overload of tired phrases and platitudes. Rather than outlining a bold and specific vision for the future, the letter threatens to dull any possible excitement at engaging with Temple-Inland.

Leading ... what?

Temple-Inland touts its inclusion in the Dow Jones Sustainability Index as the packaging sector leader for the fourth year running. This is true as far as it goes. A closer examination of the DJSI listing, however, reveals that there are only two companies in the containers and packaging sector subset, and that Temple-Inland's social rating hovers slightly above "poor". Although the "best" rating in environmental performance and the "above average" economic rating lifts Temple-Inland above its limited competition, there is certainly much room for improvement.

The report's dearth of social data stands out. With the exception of employee health and safety, the table of contents lumps social issues into a generic "corporate citizenship" category. The GRI content index either features blank spaces, especially in the human rights and labour categories, or redirects readers to Temple-Inland's website. As Temple-Inland continues its transition to full sustainability reporting, the further development of social indicators and information should top the list of hot issues to address.

Managing forests, battling acronyms

Temple-Inland owns and manages more than two million acres of forest that is certified to ISO 14001 and Sustainable Forestry Initiative (SFI) standards by Bureau Veritas Quality International. The company's manufacturing sites have also achieved various certifications under the SFI, Forest Stewardship Council (FSC), Green Cross, and OSHA VPP (occupational safety and health) programmes.

Given the controversy surrounding SFI vs FSC certification, Temple-Inland should have included a short discussion of its decision to follow SFI standards in forest management. SFI is a programme administered by the American Forest & Paper Association, an industry trade group whose members are major forestry, logging, and timber distribution companies in the US and Canada. The SFI standards are touted as a "comprehensive system of principles, objectives and performance measures ... that combines the perpetual growing and harvesting of trees with the long-term protection of wildlife, plants, soil and water quality". Yet, readers will search the SFI website in vain for any details of this "comprehensive system". Even assuming that the standards are up to par, the perception of foxes guarding the henhouse may be insurmountable in this case.

The FSC, in contrast, is an independent organisation composed of timber users, traders and representatives from environmental and human-rights organisations. FSC is seen by many observers as more independent and credible than the SFI. In September 2004, several high-profile environmental groups banded together to decry SFI as a "phoney certification system" and "deceptive marketing scheme", and called on the SFI to modify policies that allow conversion of natural forests to plantations, logging of endangered-species habitats, and certain clear-cutting practices.

Forestry practices – conservation and harvesting

Acronym wars aside, the report does convey Temple-Inland's commitment to sustainable forestry. Unique sites are identified by company foresters and set aside for preservation based on their biological, geological, archaeological or historical characteristics. In addition to overseeing 17 special sites, the company

engages in conservation easement programmes, partnering with the Nature Conservancy to manage reserved land.

Yet Temple-Inland could do a better job of presenting land-use statistics. The variety of conservation programmes is somewhat confusing, and it is difficult to get an accurate perspective on the percentage of total land holdings that Temple-Inland has set aside.

More details on harvesting would be useful, too; although Temple-Inland discloses that 6% of forestland is harvested each year, it is unclear how frequently the same plot is cut and whether the harvests are clearcuts or feature alternative logging strategies. A statement on replanting – that Temple-Inland manages 20-30% of its forests as "natural regrowth" areas – raises more questions than it answers.

Genetic mystery

Temple-Inland has adopted a policy of "accelerated fibre growth" in the aim of producing enough raw fibre to satisfy the company's mill requirements. Temple-Inland anticipates dramatic increases in production rates by 2013, basing the projection on improvements in "silviculture and tree genetics".

The company, however, keeps silent on whether "tree genetics" implies selection through cross-breeding or direct manipulation via genetic engineering. Glossing over this distinction is a disingenuous way of avoiding controversy. Temple-Inland should at a minimum clarify ongoing operational practices and formally state its policy on genetic engineering.

Environmental focus

Temple-Inland's environmental discussion centres on standard indicators, supported by charts showing years of environmental data. The report, however, includes performance goals for only a handful of these indicators. Temple-Inland states that its manufacturing facilities and forest operations have developed site-specific goals, but these are available neither in the report nor on the company's website.

Temple-Inland's board of directors oversees progress towards meeting environmental goals, and Temple-Inland has implemented an extensive programme of third-party and internal audits of EHS management systems and performance. Overall, it seems that the company has a decent handle on its

