World Conference for the Pulp and Paper Sector

PULP AND PAPER WORKERS UNITE!

Budapest, Hungary

29-30 November 2017

Global Overview

Tom Grinter, Industry and Research Officer

Power in unity!

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- **Sub-sectors:**
  - Pulp
  - Paper and Board
  - Packaging
- **Changes and Future Trends**

Industry Overview

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On average everyone uses two paper products per hour

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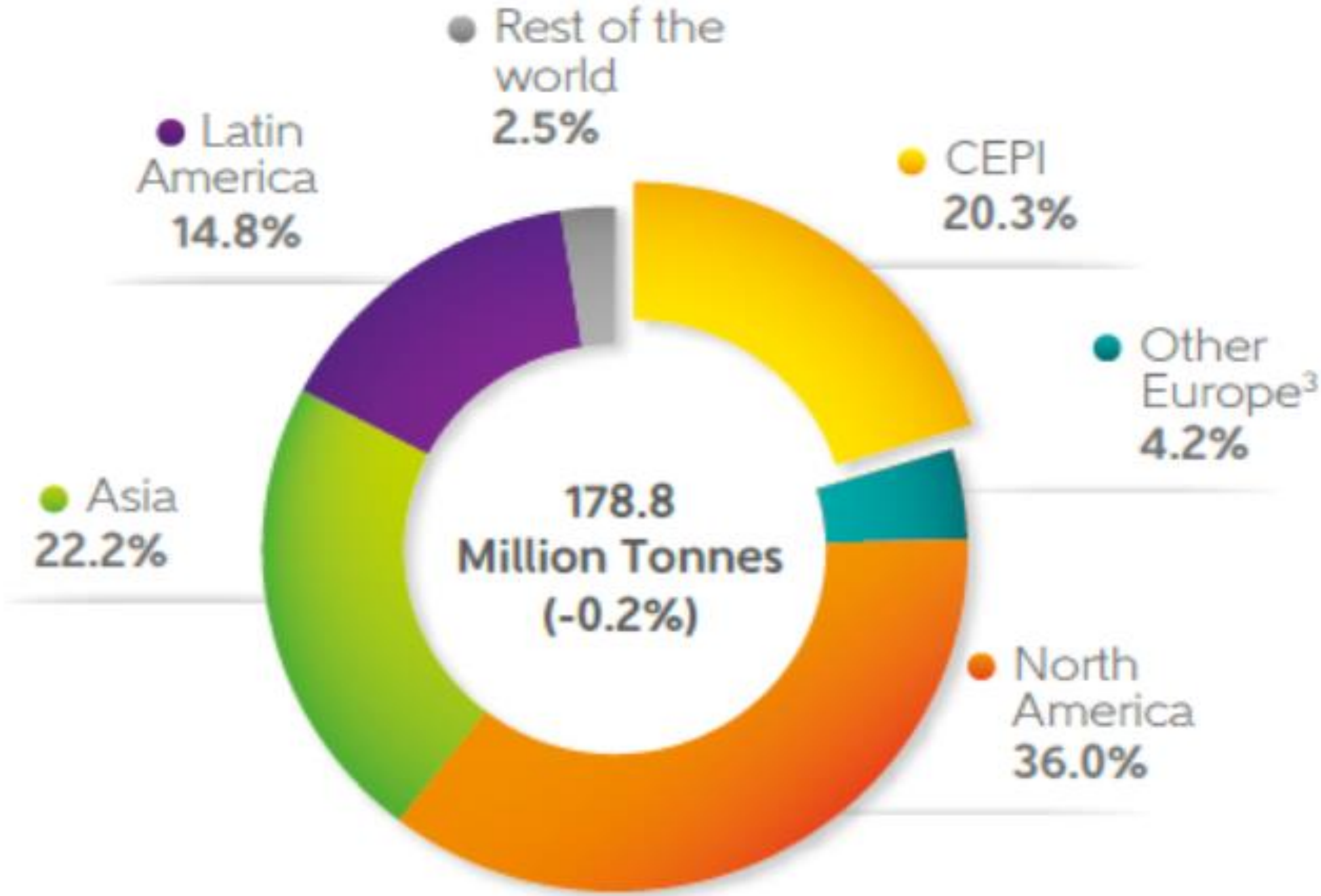
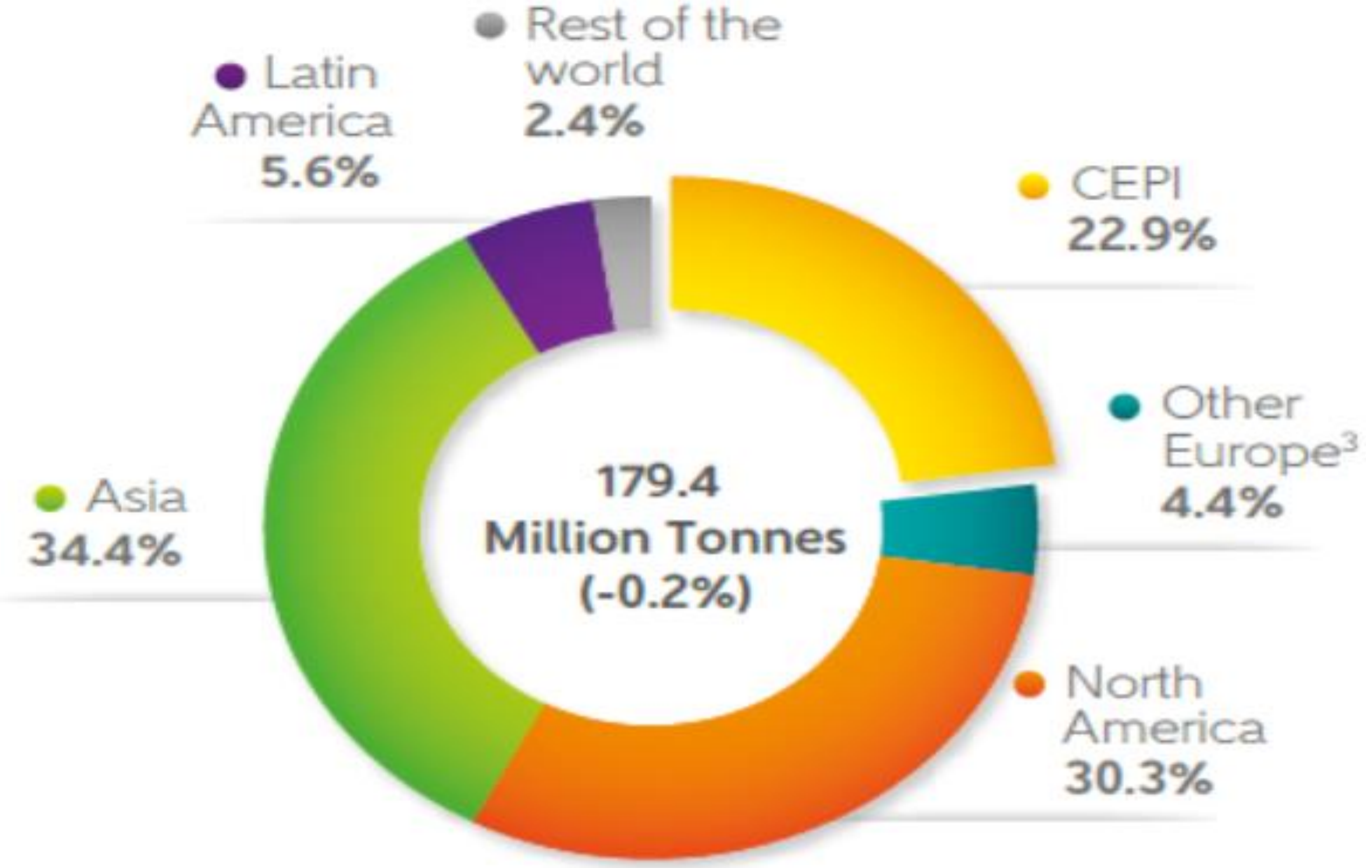


Pulp: Production by Region in 2015



Pulp: Consumption by Region in 2015

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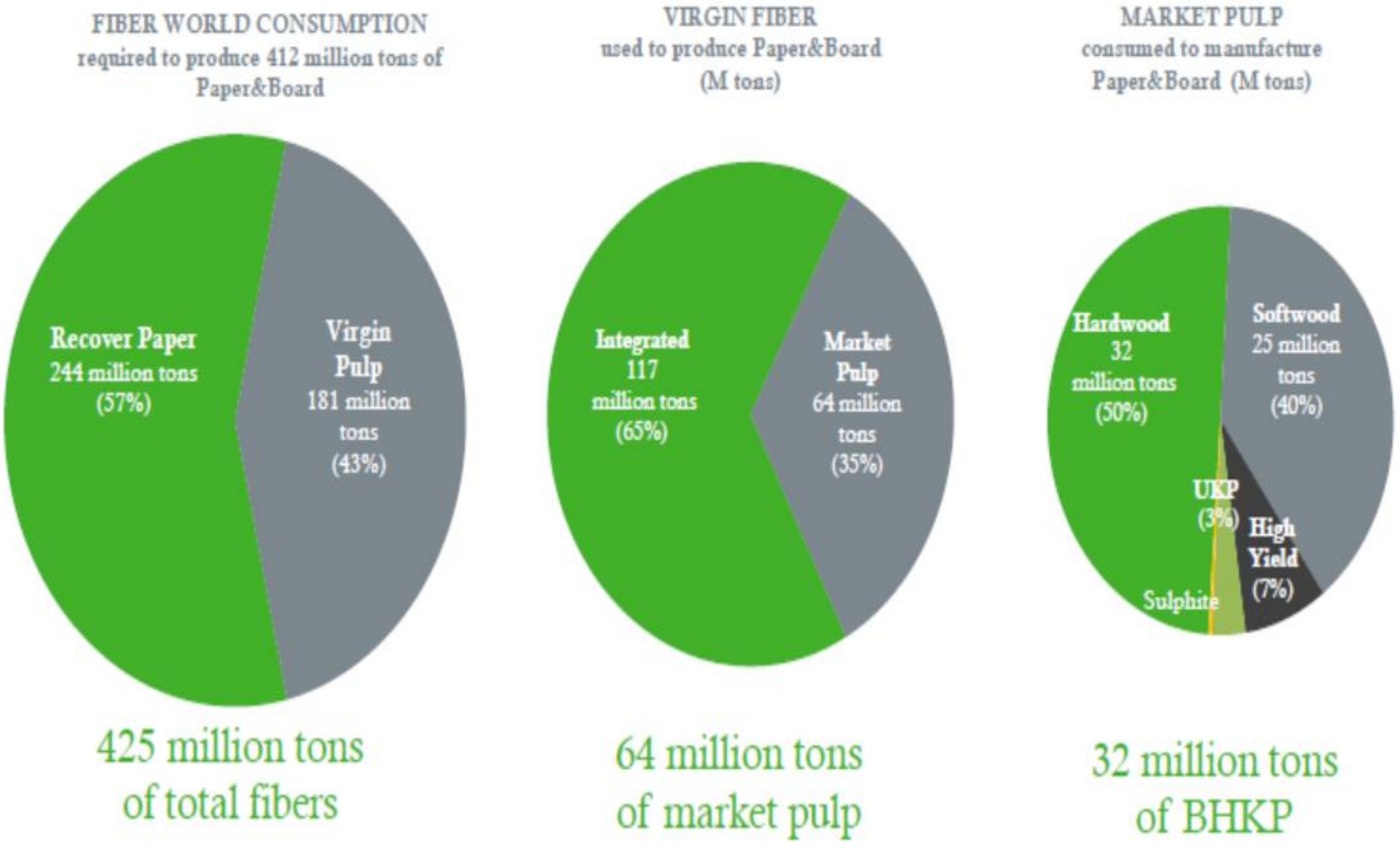
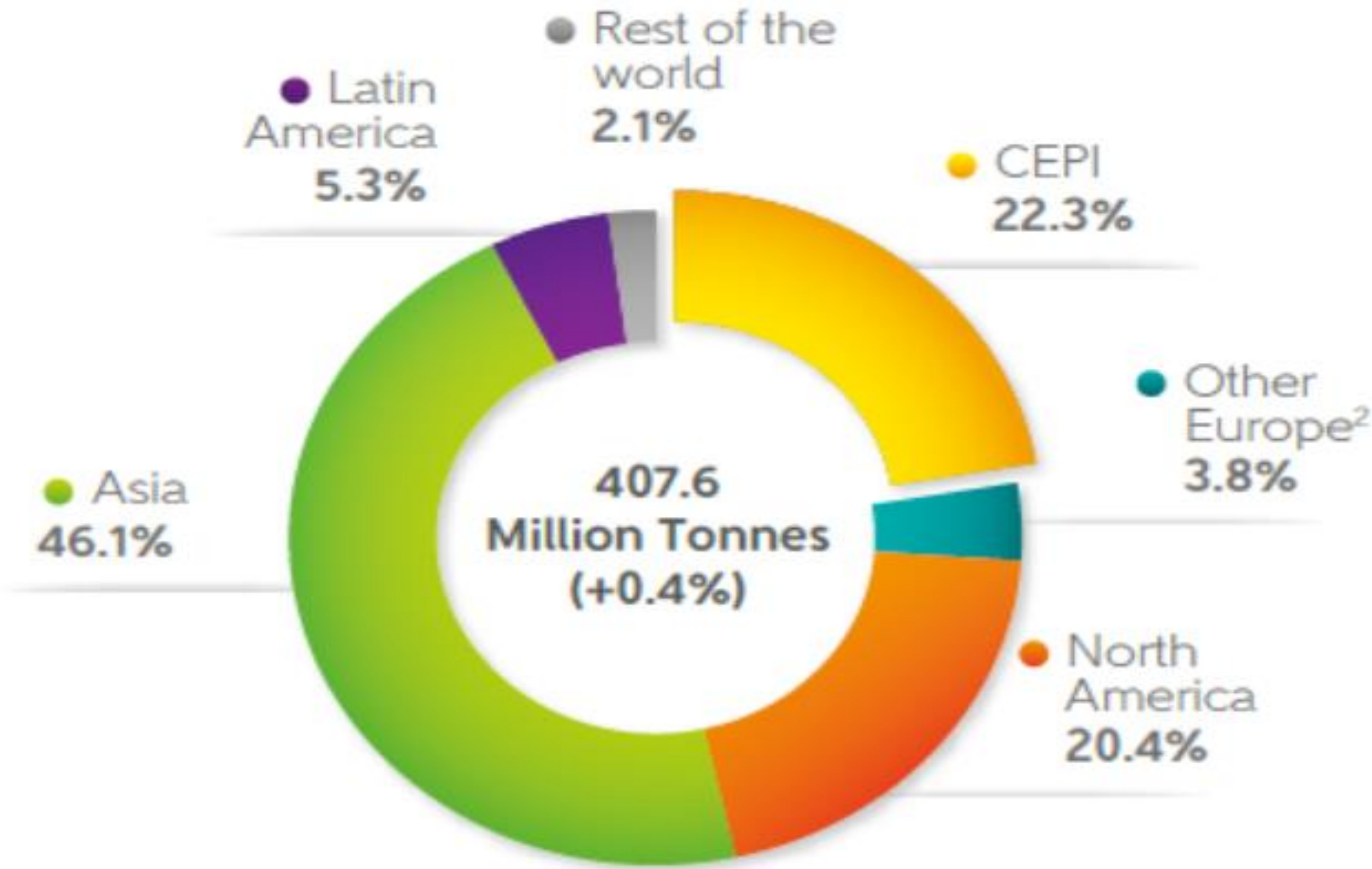
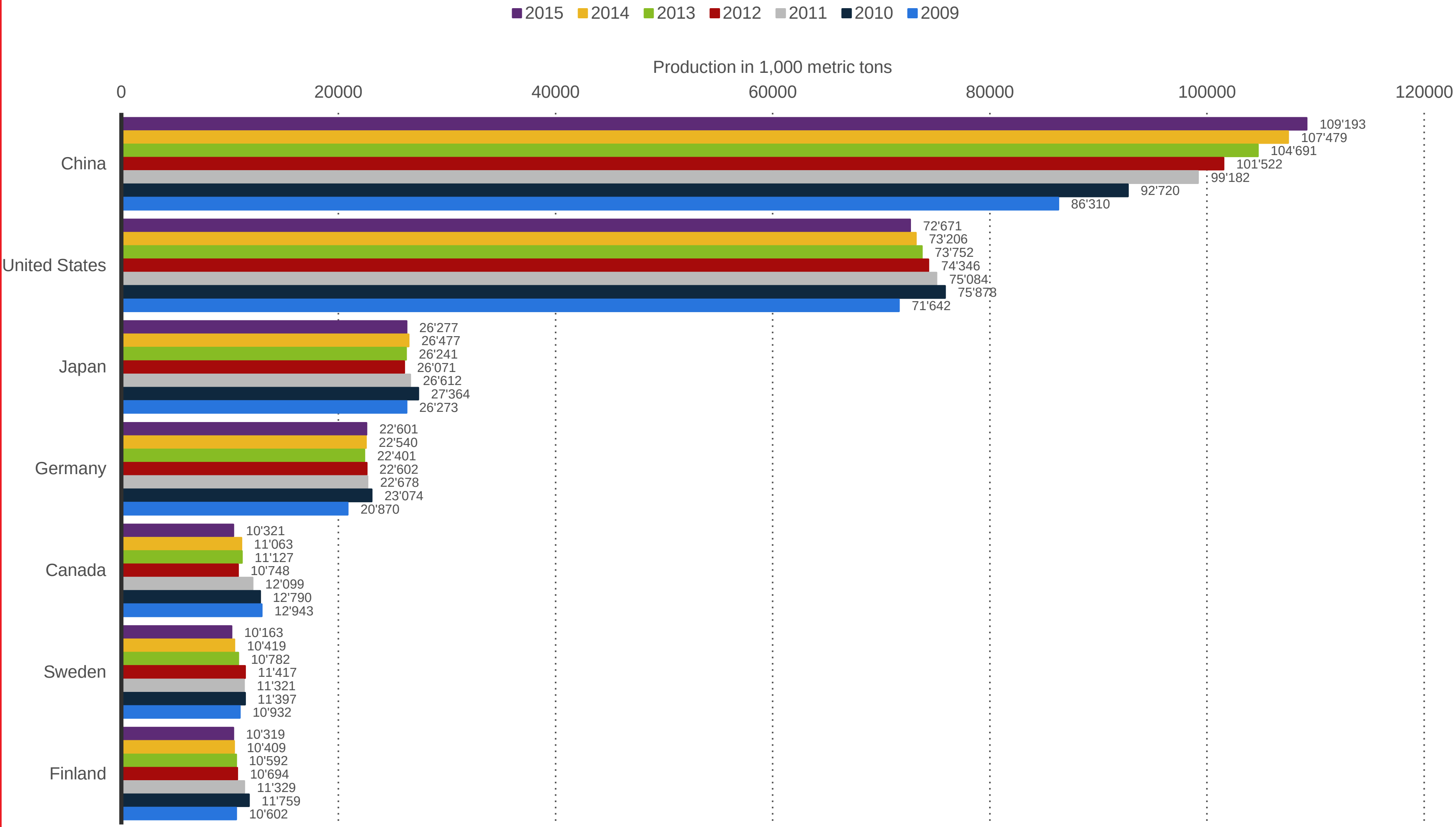


Dynamics of the Pulp Market

Market Pulp Demand Growth



Paper and Board: Production by Region in 2015



Paper production by country

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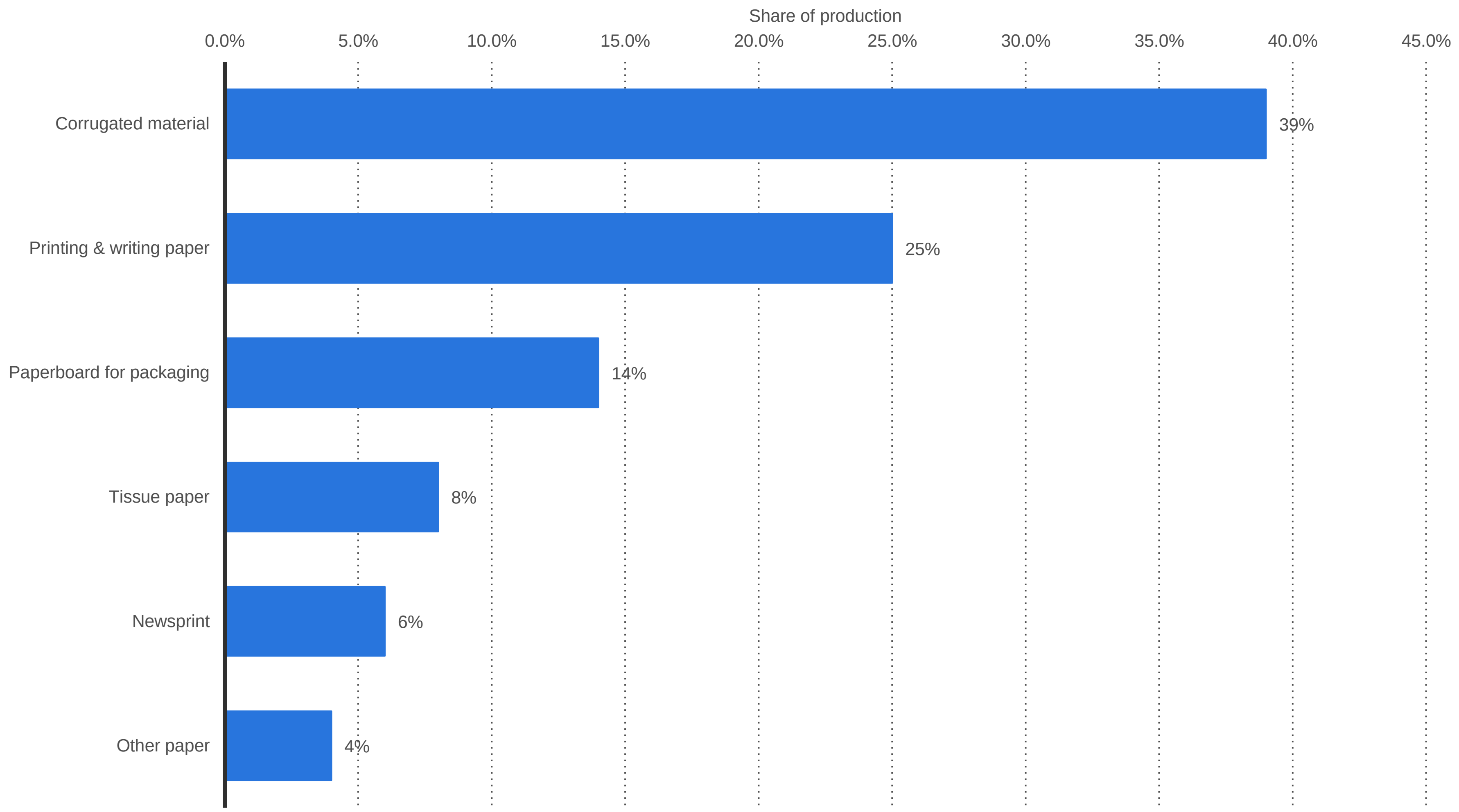

Paper production by grade

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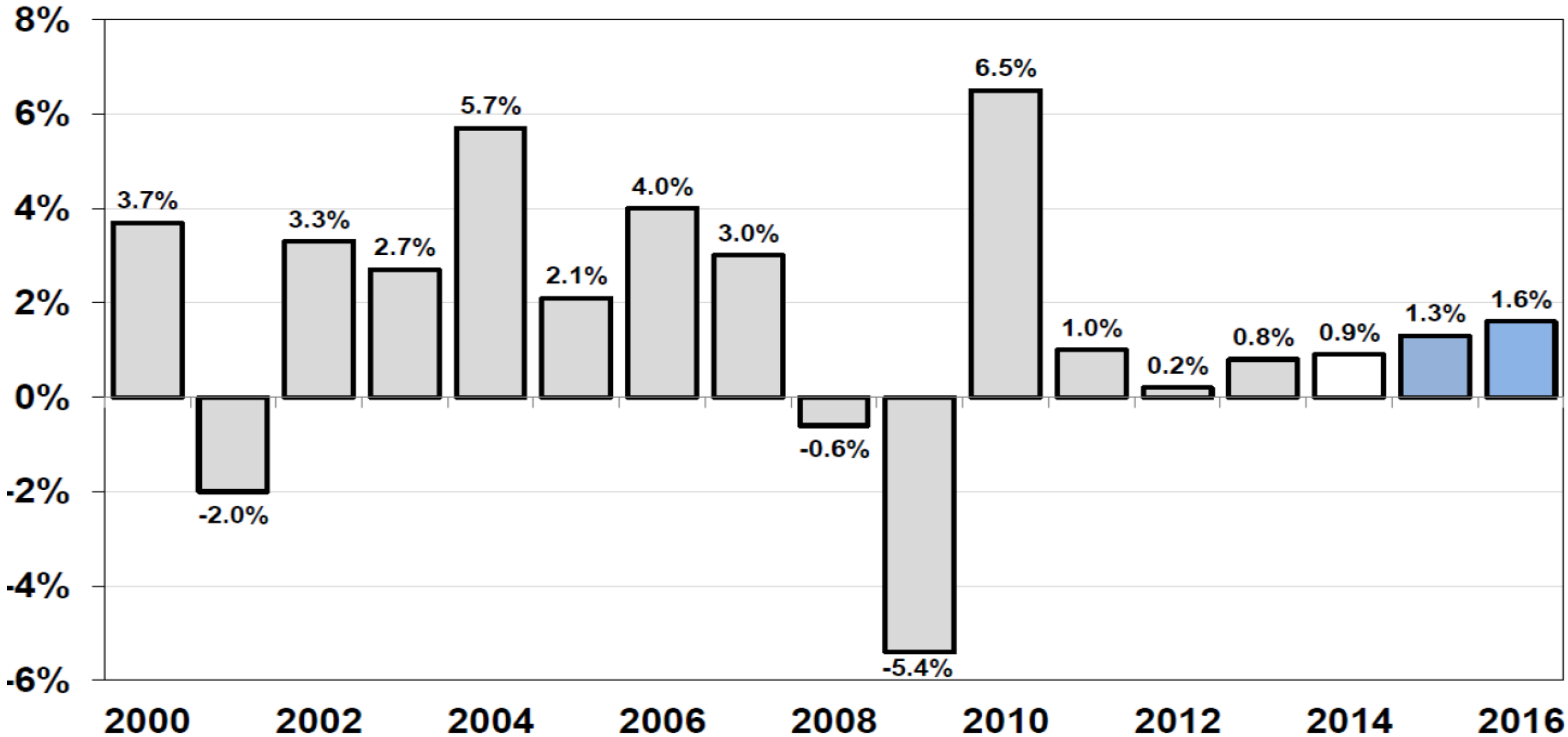
World Production of Paper and Board: Accelerating Slowly

Graphic, Packaging and Specialty and Tissue; Percent Change



Slow and steady growth overall

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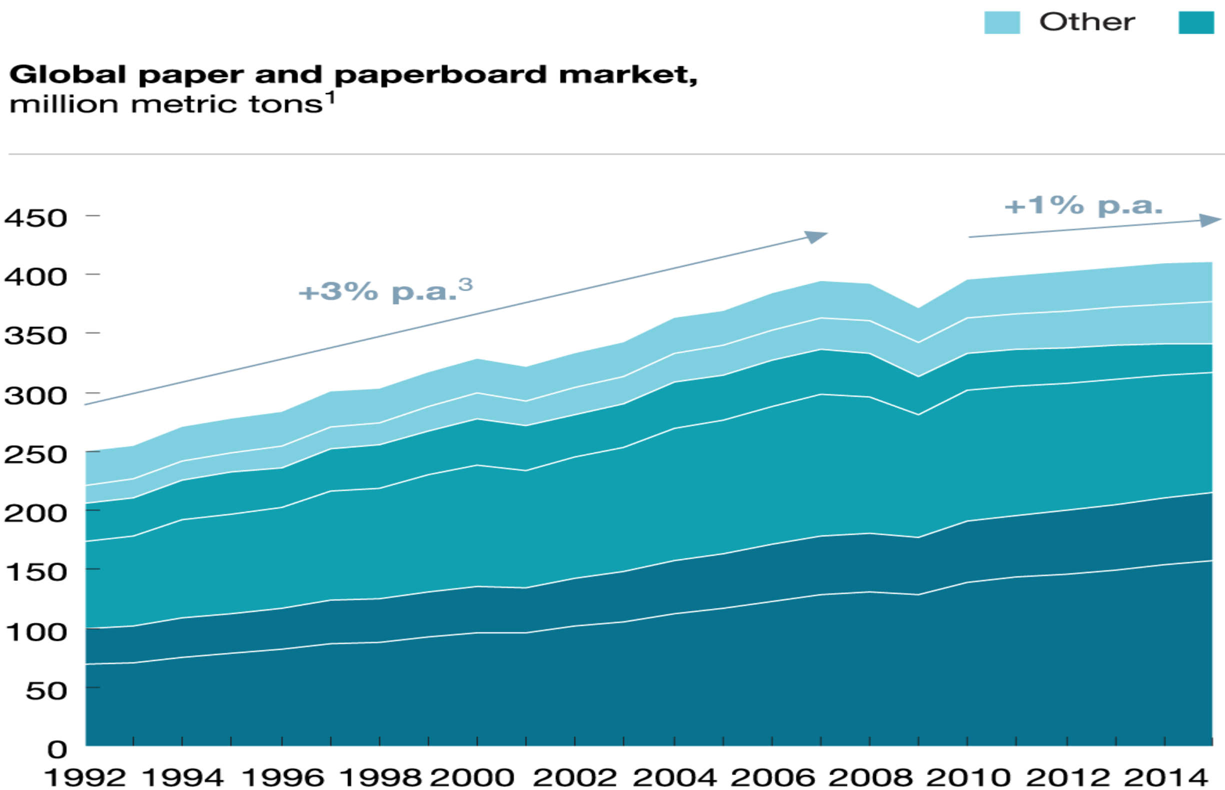
The global paper and paperboard industry continues to grow despite decline in the graphic-paper segment.

Global paper and paperboard market, million metric tons[1]



	CAGR,[2] 1992–2007, %	CAGR, 2010–15, %
Others	0.6	1.2
Tissue	3.9	3.5
Newsprint	1.1	–5.6
Printing & writing	3.2	–1.5
Carton-board	3.3	2.2
Container-board	4.3	2.5

[1]Metric tons: 1 metric ton = 2,205 pounds.
[2]Compound annual growth rate.
[3]Per annum.

McKinsey&Company | Source: RISI

Growth in the industry

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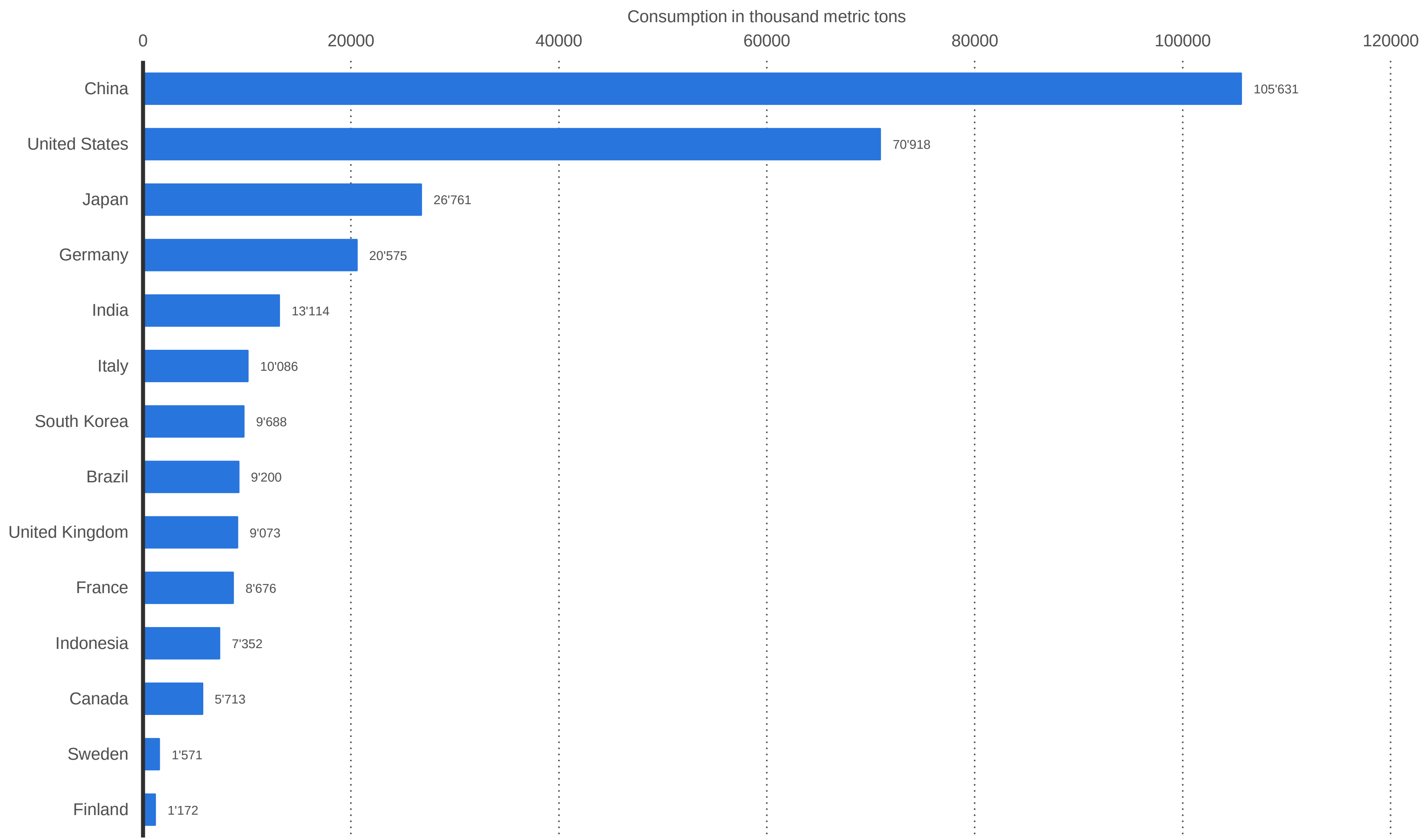
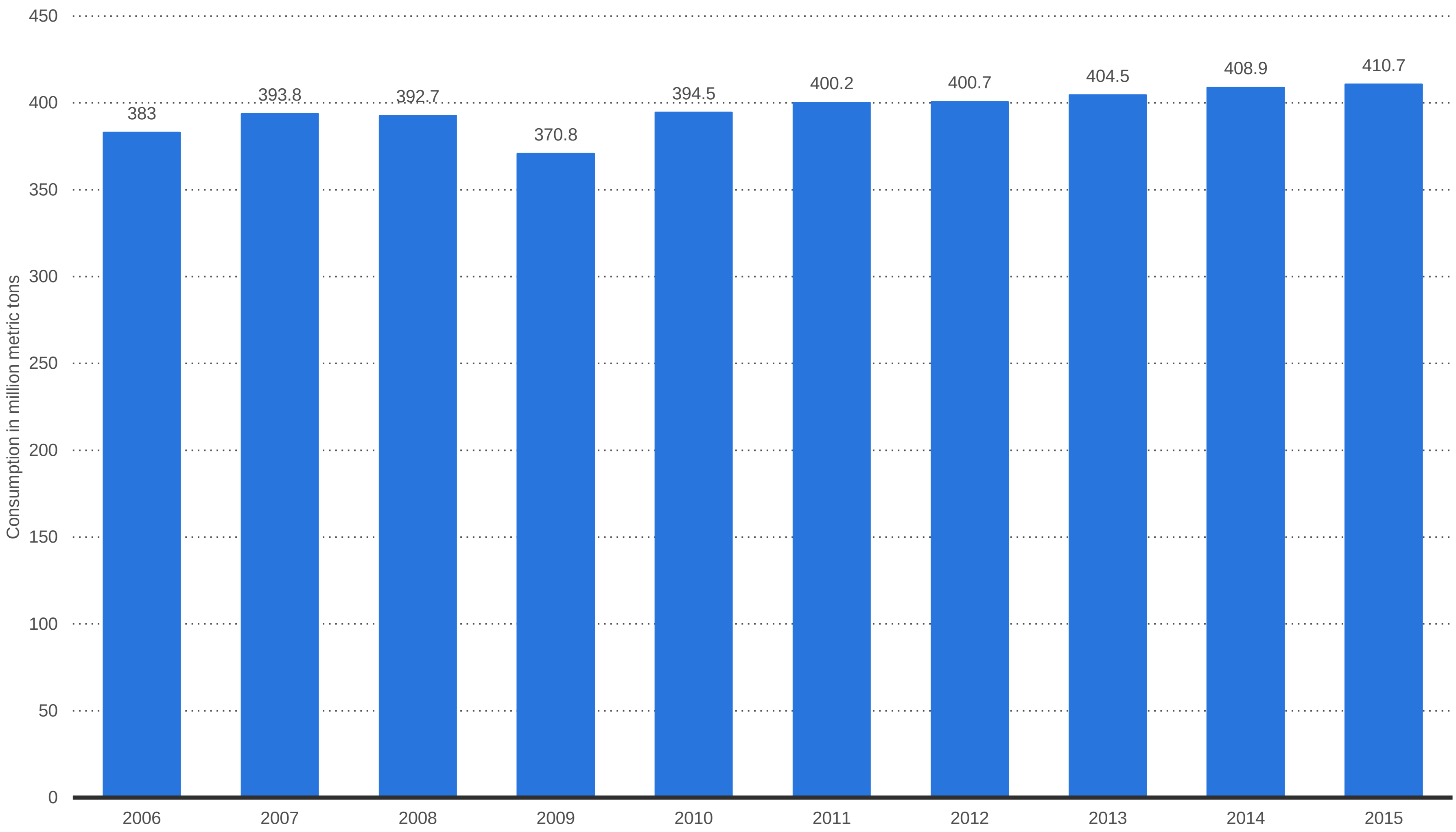
Paper and Board: Consumption by Region in 2015



Consumption by country



Global consumption of paper and cardboard

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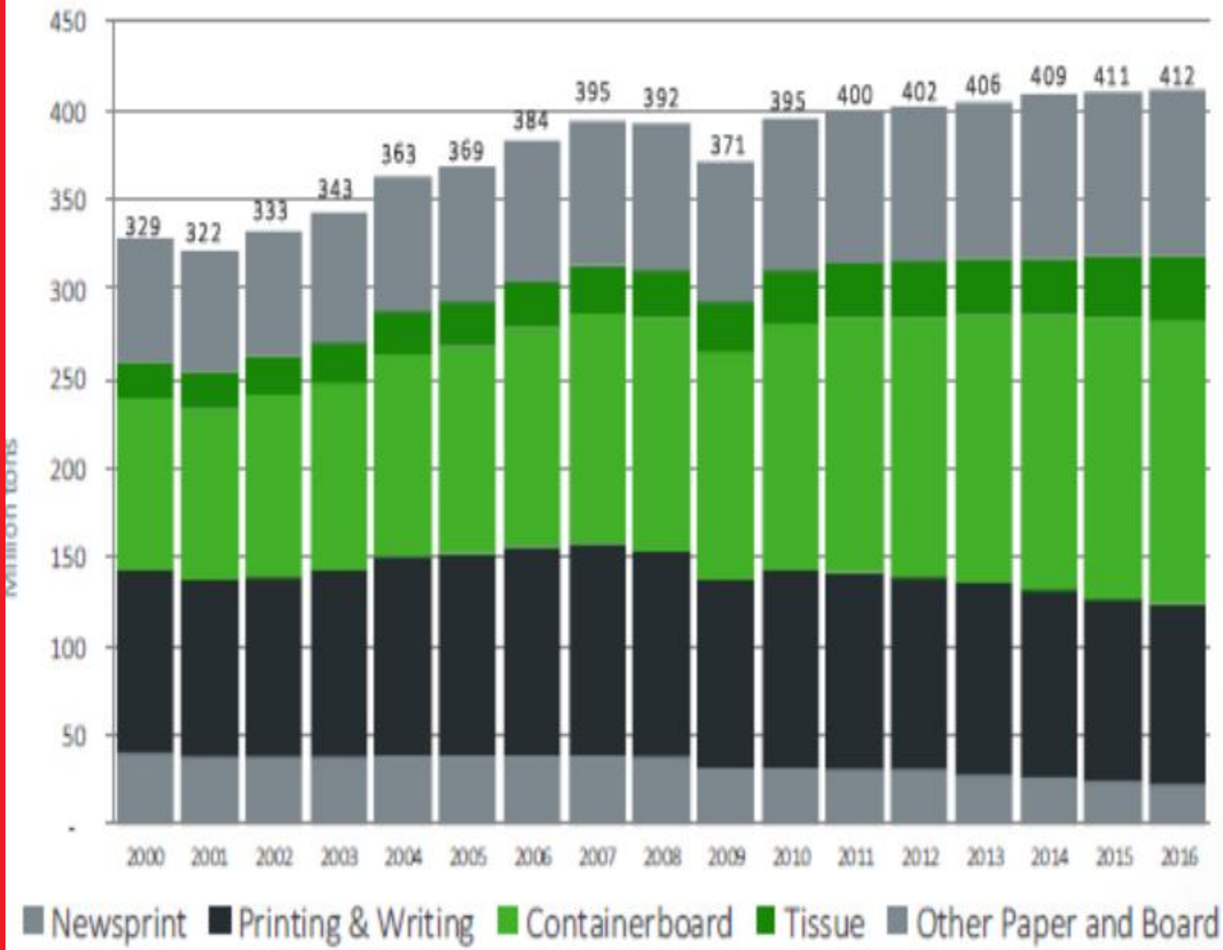

Global Paper Demand

412 million tons

Average Growth Rate

+1.5% / year

Per Capita Consumption 2015

	USA	LATAM	China	World
Paper and Board	221	45	77	56
Newsprint	9	2	2	3
Printing & Writing	54	9	17	14
Containerboard	87	20	33	21
Tissue	25	6	5	5
Other Paper& Board	45	8	20	13

Pulp & Paper Global Paper Demand Evolution

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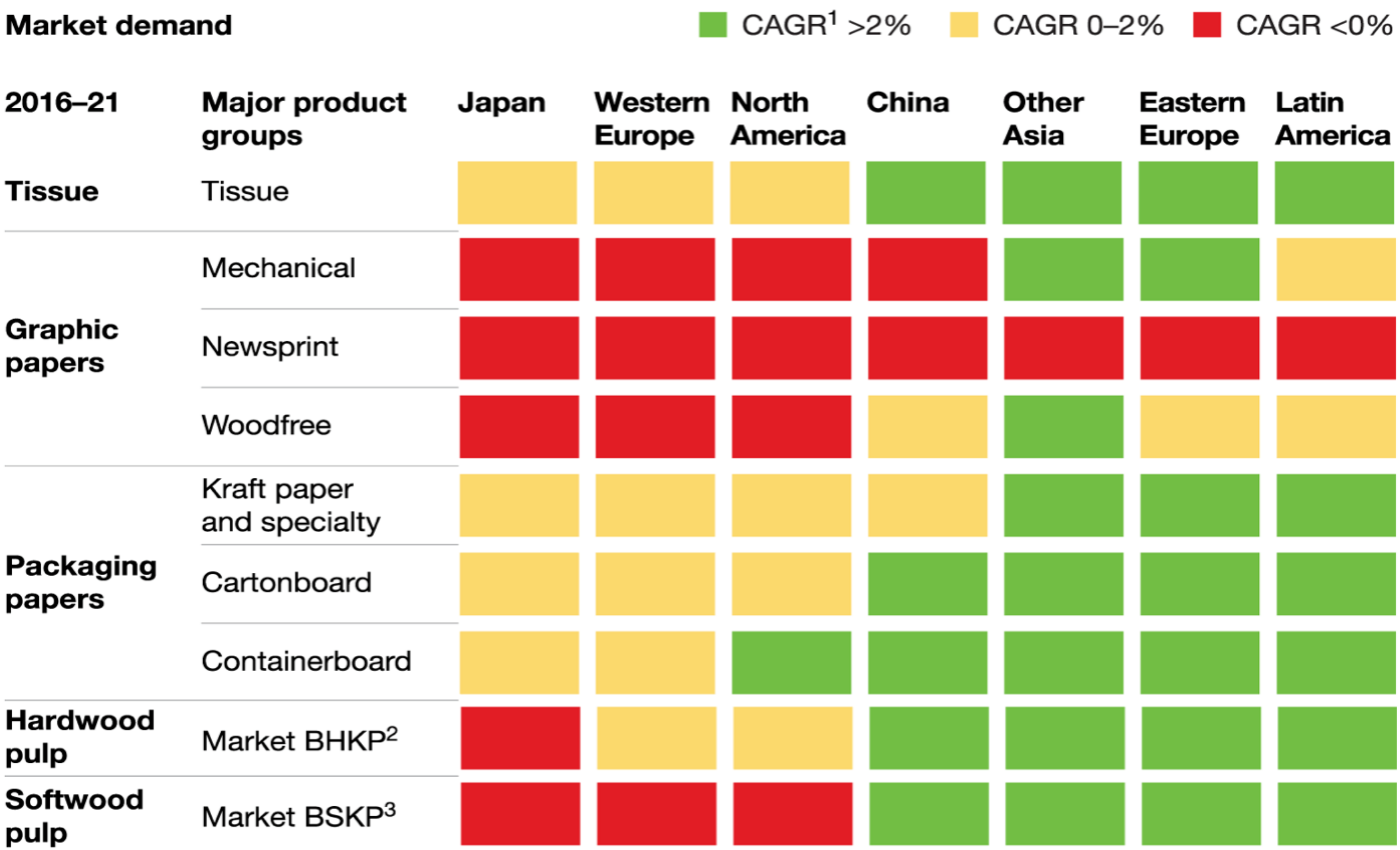
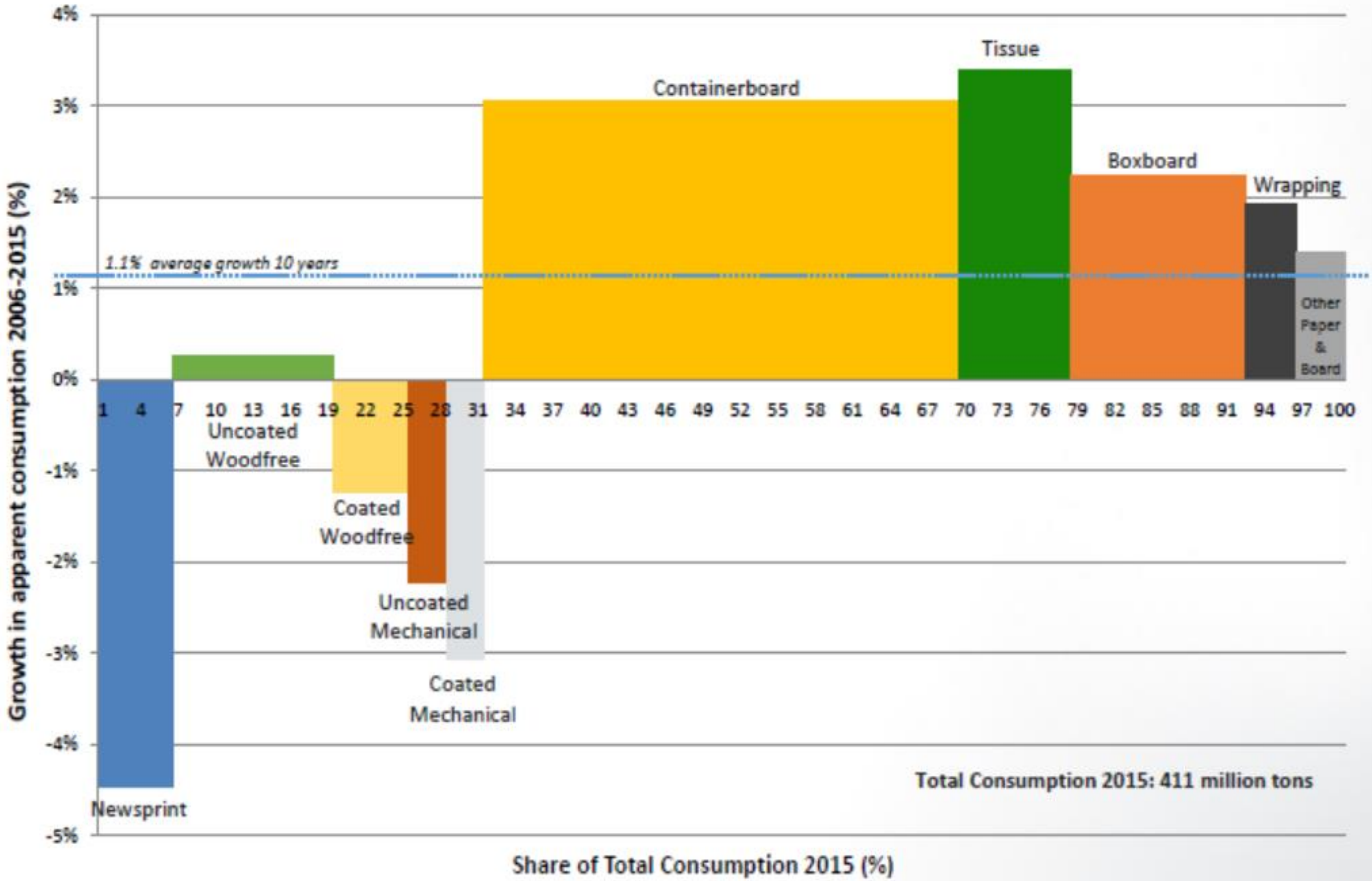
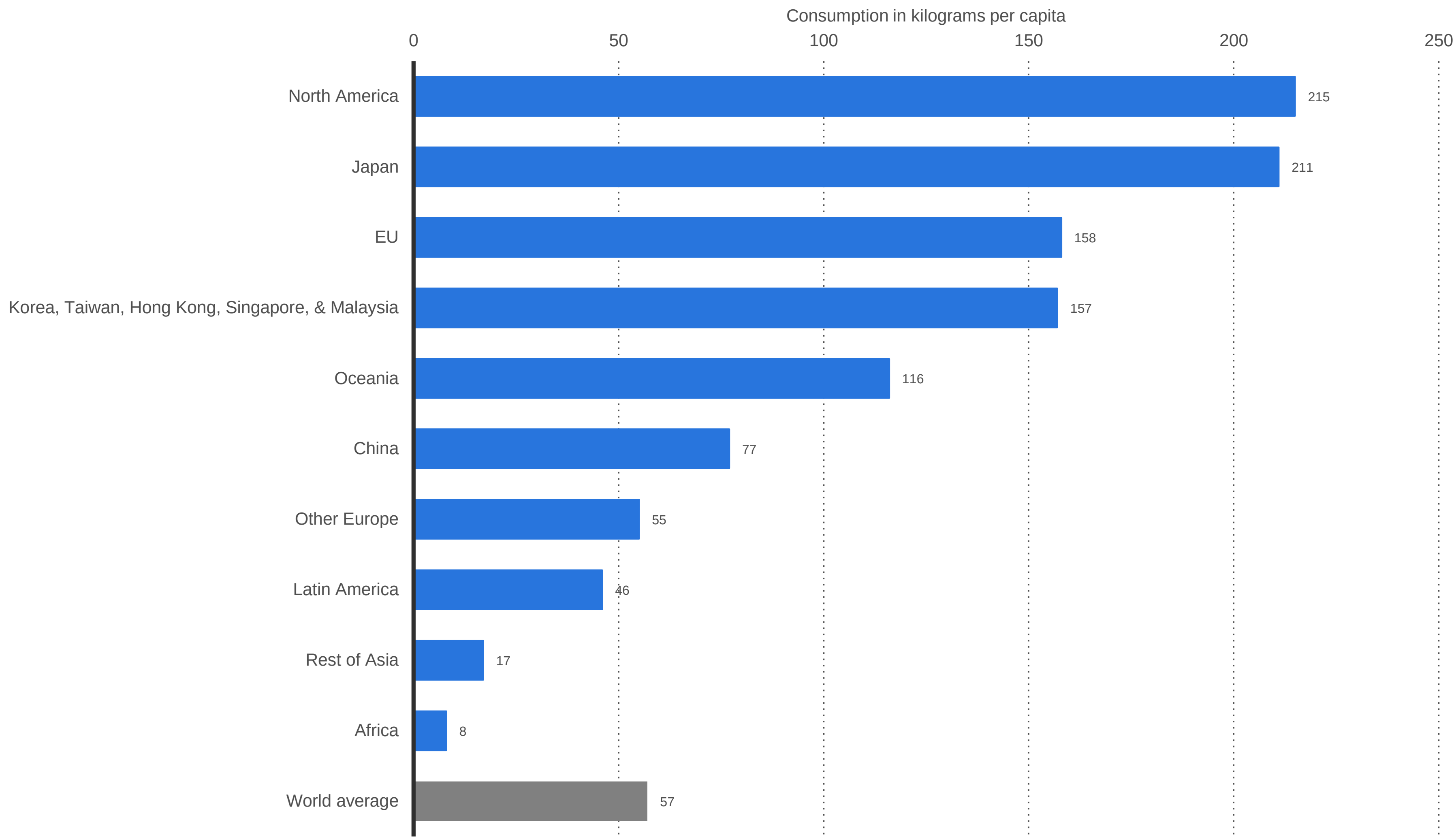


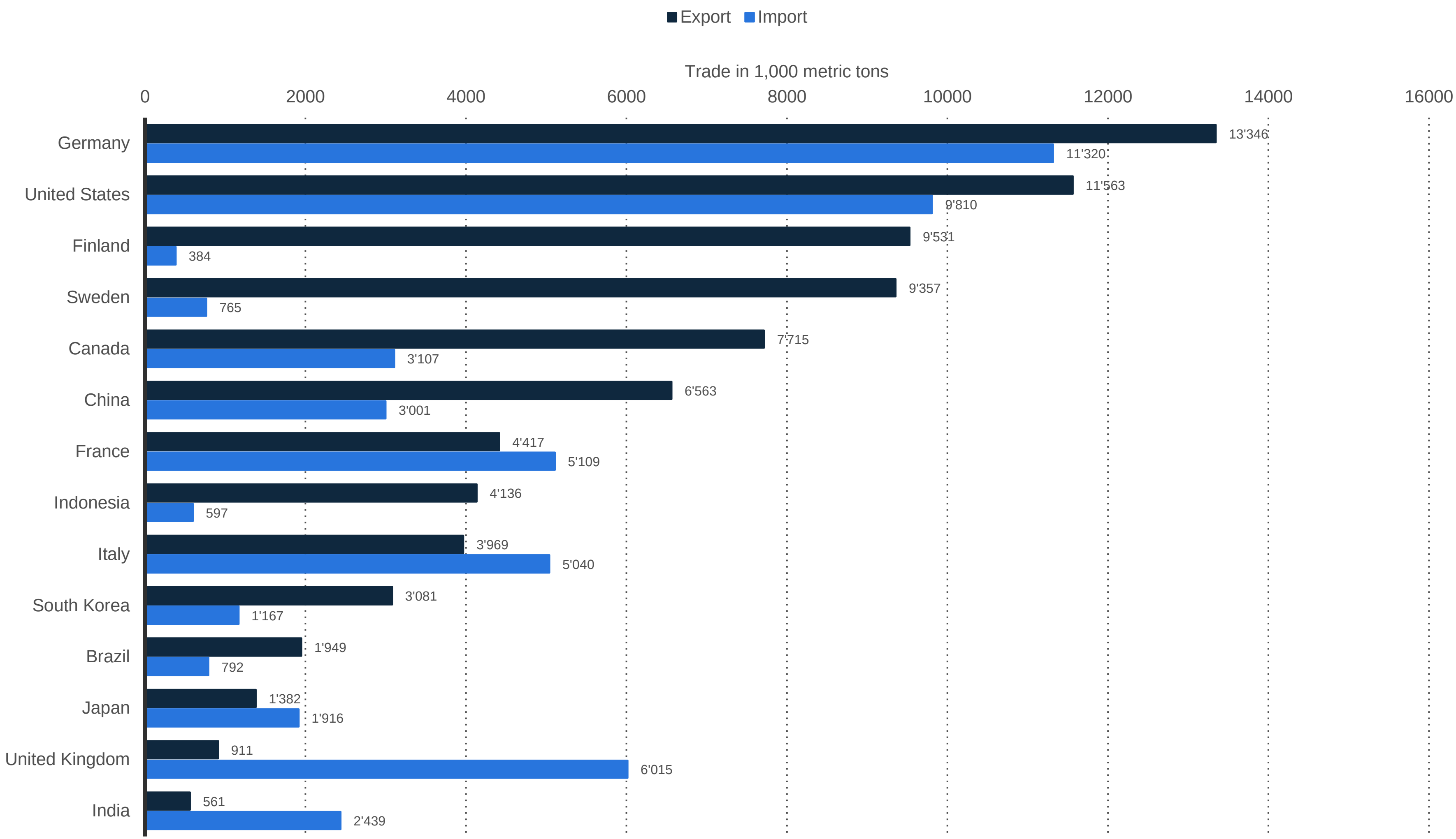
Market Demand



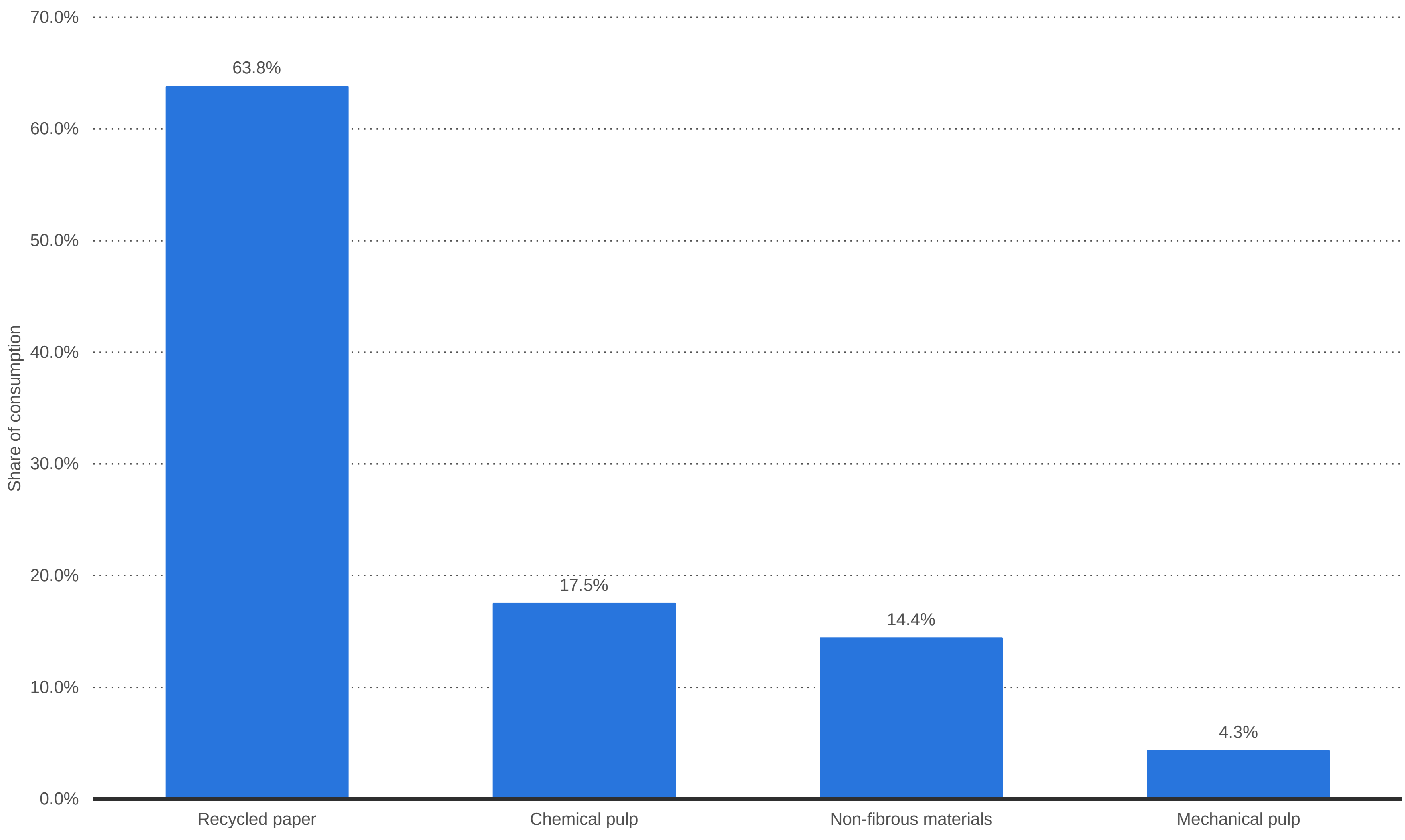
Pulp & Paper Consumption growth by category



Consumption per capita



Imports and exports by country



Raw materials used in production of paper and card

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While global pulp and paper output increases 1.5% this year, there are major shifts in the industry:

Geographical shift: slow decline in global North (M&A, downsizing and shutdowns), fast growth in Indonesia, China

Product shift: from newsprint and printing papers to corrugated paper, board and tissue

Major Shifts

- **Mass retail and growing e-commerce packaging drives production.**
- **High demand in Asia – 45% of total paper and board demand.**
- **Slow demand in Western Europe and Latin America.**

Tissue is higher added-value, higher profits

Tissue and wrapping papers here to stay

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Rank 2016	Rank 2015	2016 Net Sales PPCM ($ Million)	% Change, 2015 to 2016	Company Name	Headquarters Location
1	1	21,079.0	-5.8%	International Paper	Memphis, Tennessee, US
2	2	18,283.0	-9.7%	Procter & Gamble	Cincinnati, Ohio, US
3	4	14,052.0	26.8%	WestRock	Norcross, Georgia, US
4	3	13,237.9	0.4%	Oji Holdings Corporation	Tokyo, Japan
5	5	10,779.3	-1.6%	UPM	Helsinki, Finland
6	6	9,829.9	3.9%	Svenska Cellulosa Aktiebolaget (SCA)	Stockholm, Sweden
7	7	9,117.0	-3.1%	Kimberly Clark	Dallas, Texas, US
8	9	9,026.8	0.6%	Smurfit Kappa Group	Dublin, Ireland
9	10	8,958.6	3.8%	Marubeni	Tokyo, Japan
10	8	8,858.7	-4.3%	Stora Enso	Helsinki, Finland
11	12	7,370.6	-2.3%	Mondi	Addlestone, UK; Johannesburg, South Africa
12	13	6,016.4	17.7%	DS Smith	Maidenhead, Berkshire, UK
13	14	5,779.0	0.6%	Packaging Corporation of America	Lake Forest, Illinois, US
14	11	5,594.3	-4.5%	Nippon Paper	Tokyo, Japan
15	15	5,141.0	-4.6%	Sappi	Johannesburg, South Africa
16	16	5,098.0	-3.2%	Domtar	Montreal, QC, Canada
17	18	4,831.2	4.5%	Nine Dragons Paper Holdings	Dongguan, Guangdong, China
18	20	4,725.7	2.6%	Rengo	Osaka, Japan
19	22	4,342.0	11.6%	Empresas CMPC	Santiago, Chile
20	19	4,298.1	3.3%	Graphic Packaging	Marietta, Georgia, US

Top 20 Companies

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21	23	3,736.6	-3.0%	Sonoco Products	Hartsville, South Carolina, US
22	30	3,448.4	26.7%	Shandong Chenming Paper Holdings	Shouguang, Shandong, China
23	17	3,399.9	-3.6%	Metsä Group	Espoo, Finland
24	24	3,291.4	-9.8%	Sequana	Paris, France
25	31	3,077.0	10.3%	KapStone Paper & Packaging	Northbrook, Illinois, US
26	29	3,018.6	3.6%	Cascades	Kingsey Falls, QC, Canada
27	26	2,949.0	-5.1%	Resolute Forest Products	Montreal, QC, Canada
28	102	2,861.2	NA	Orora	Hawthorn, Victoria, Australia
29	27	2,832.1	-3.3%	Suzano Papel e Celulose	São Paulo, SP, Brazil
30	21	2,757.8	-36.7%	Daio Paper	Tokyo, Japan
31	28	2,755.6	-4.6%	Fibria Celulose	São Paulo, SP, Brazil
32	25	2,600.0	-16.7%	Verso Paper	Memphis, Tennessee, US
33	32	2,529.9	-0.7%	BillerudKorsnäs AB	Solna, Sweden
34	33	2,514.4	4.2%	Mayr-Melnhof Karton	Vienna, Austria
35	45	2,351.2	44.2%	Klabin	São Paulo, SP, Brazil
36	36	2,343.4	10.0%	Lenzing Group	Lenzing, Austria
37	40	2,341.9	6.8%	Hokuetsu Kishu Paper	Tokyo, Japan
38	34	2,281.5	0.5%	Lee & Man Paper Manufacturing	Hong Kong, China
39	48	2,176.1	46.1%	Shandong Sun Paper Industry	Yanzhou, Shandong, China
40	37	2,112.4	5.1%	Siam Cement Public Company	Bangkok, Thailand
41	35	2,041.1	-9.0%	Arauco	Santiago, Chile
42	38	2,038.4	1.8%	Sofidel	Rome, Italy

Top 21-42 Companies

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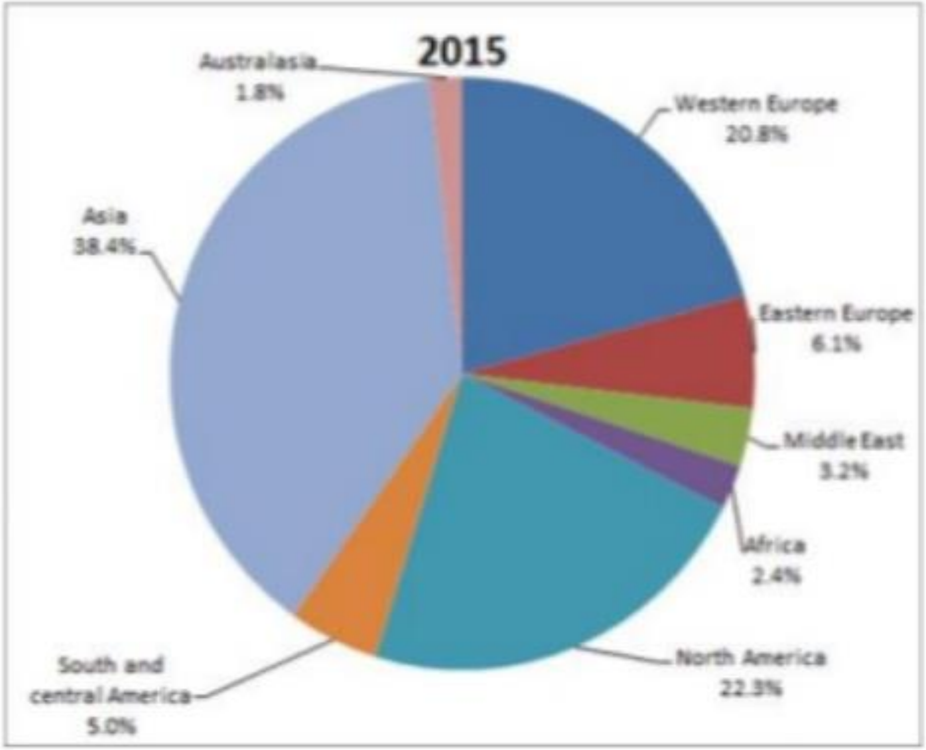
Packaging Industry: Growing Trend

Packaging Market Overview

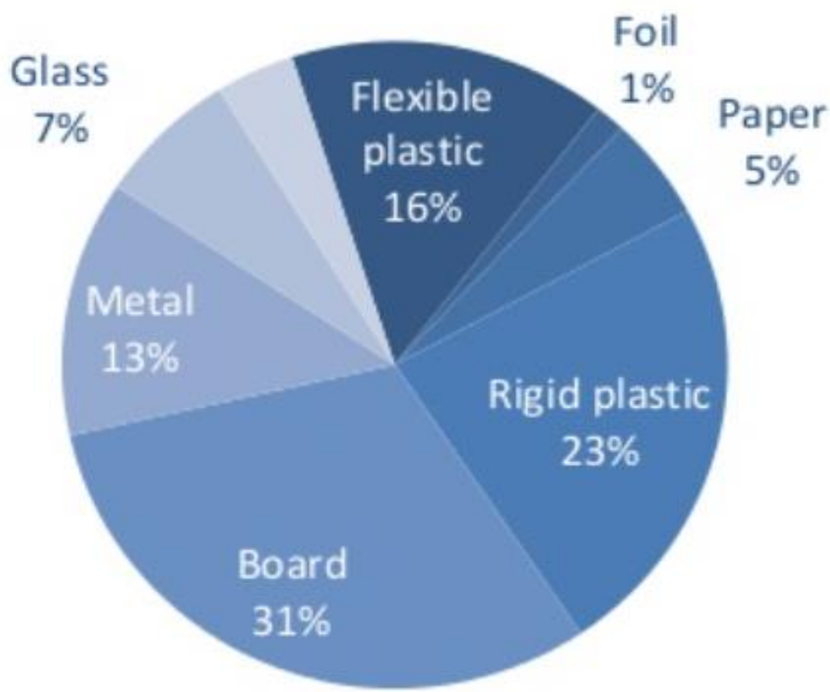
- Asia is the largest market at 38.4% followed by North America 22.3% and West Europe 20.8%
- Asia's share of the market has increased from 33.6% to 38.4% since 2010
- By way of contrast shares of North America and Western Europe have dropped from 23.0% and 24.0% since 2010

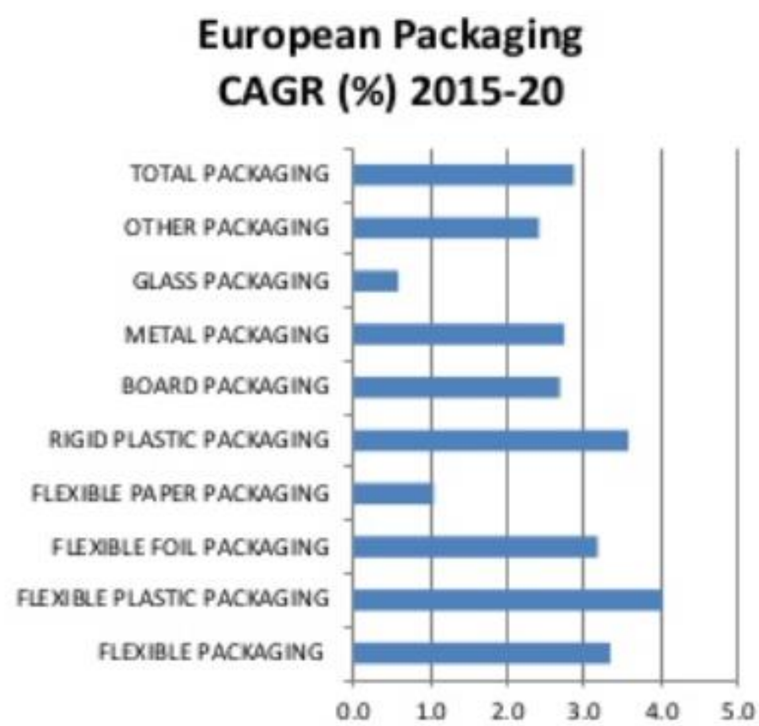


Source: Smithers Pira

Packaging Industry: Market Overview

Packaging Split by Substrate

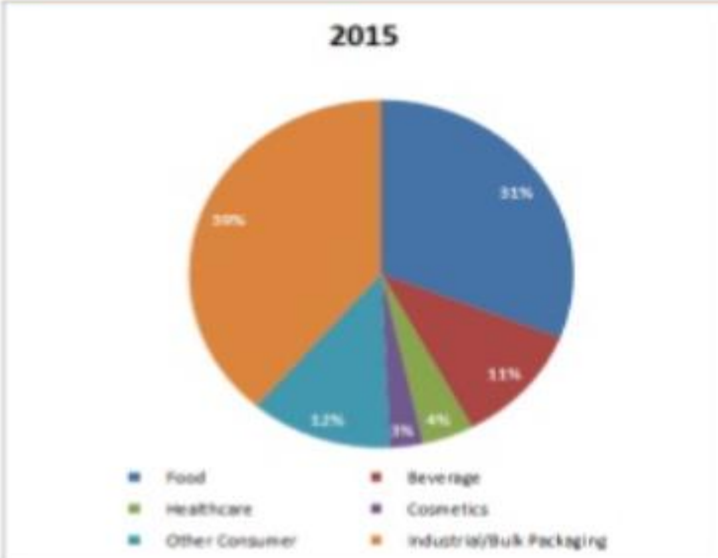


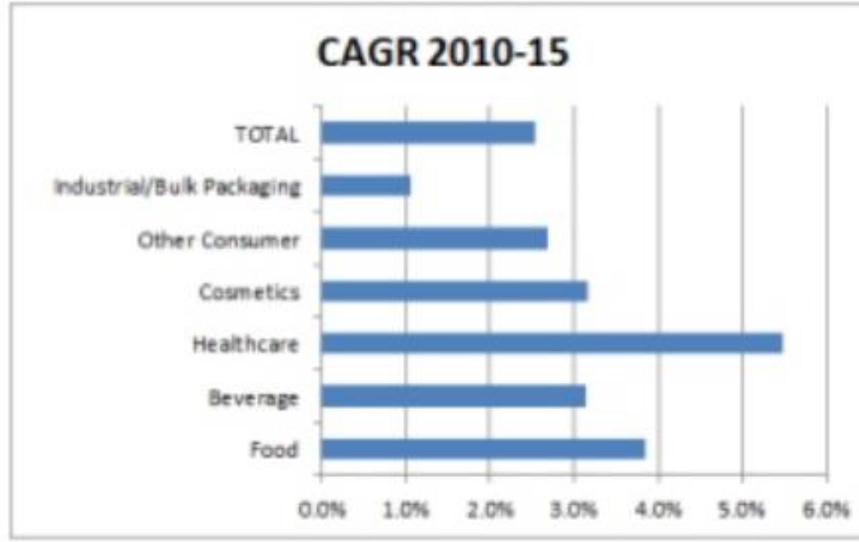


Source: Smithers Pira

Packaging Industry: Sub-segments

Packaging Split by End-use





Source: Smithers Pira

- Industrial / Bulk packaging is the largest overall end-use (39%)
- Food and Beverage dominate consumer packaging – two thirds of total
- Strongest growth is in the Healthcare and Cosmetics sectors
- But food, beverage and other FMCG also show growth

Packaging Industry: End-user sectors

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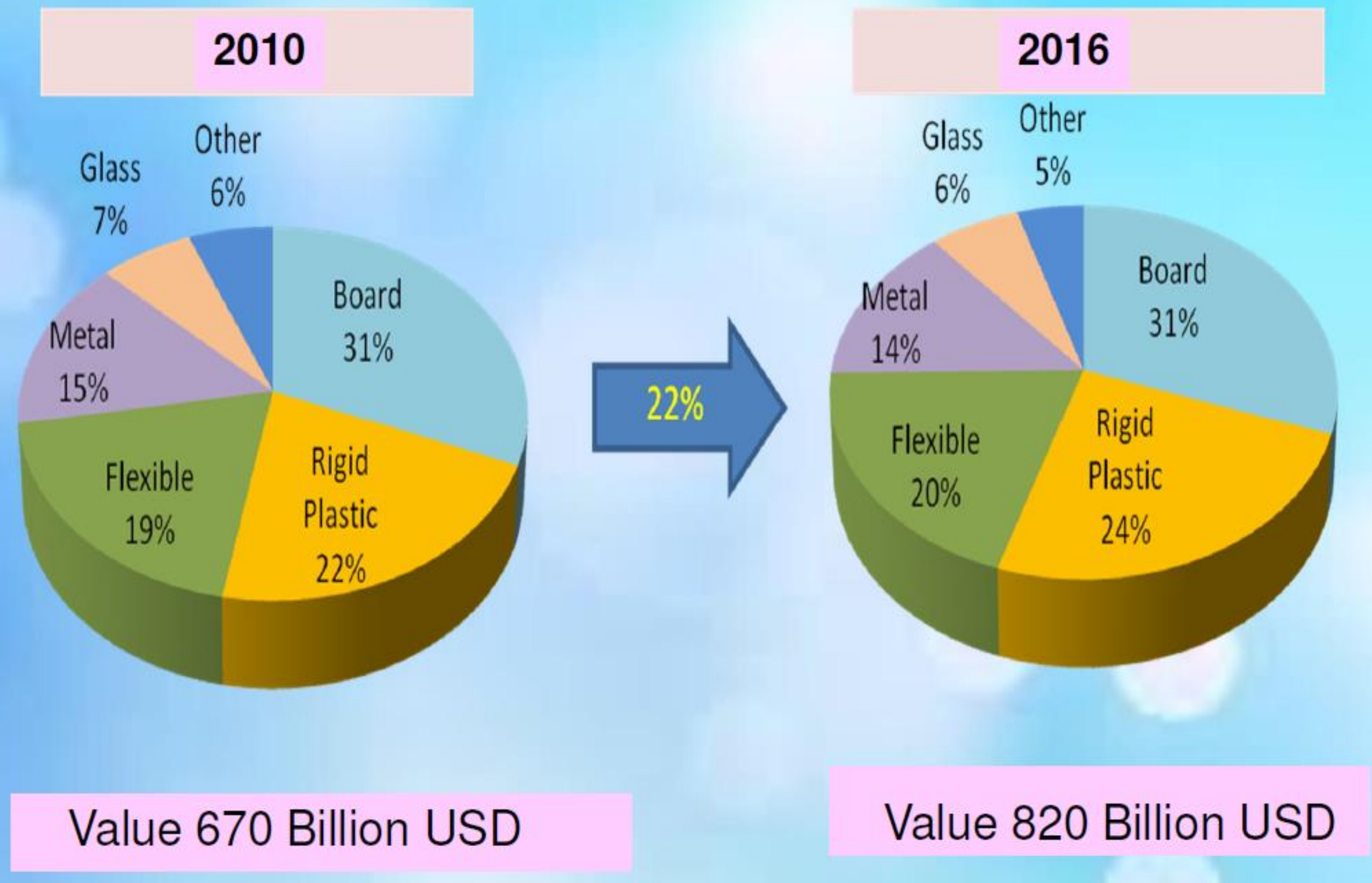
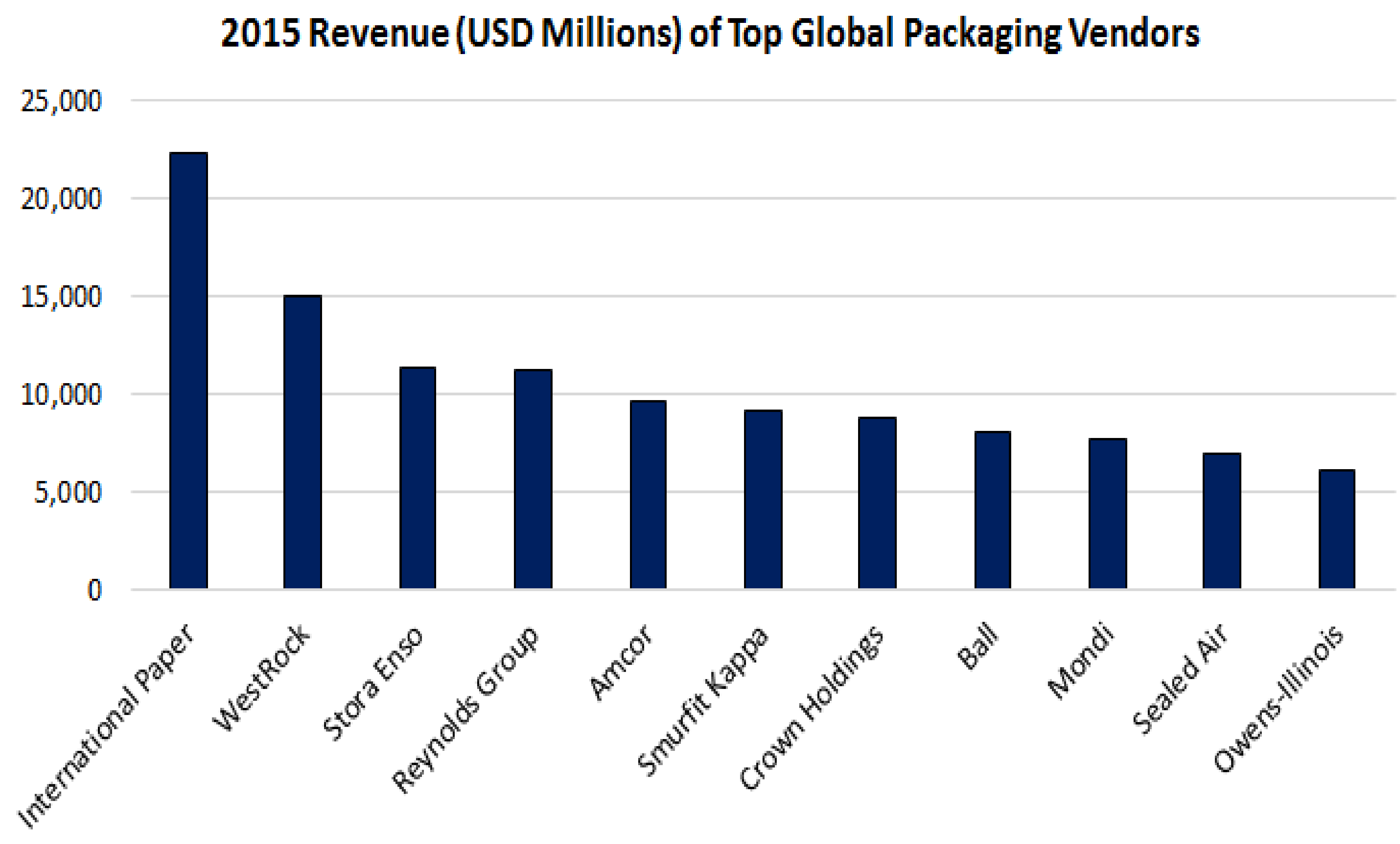


Packaging Industry: Rapid Value Increase



Packaging Industry: Leading companies

- International Paper: annual revenue US$ 20 billion. Over 55,000 employees
- WestRock: over 45,000 employees.
- Stora Enso: renewable solutions in packaging, biomaterials, wooden construction and paper. Around 25,000 employees.
- Reynolds Group: consumer beverage and food packaging. Over 30,000 employees.
- Amcor: rigid & flexible packaging products in food, beverage, healthcare, home and personal care and tobacco.
- Smurfit Kappa: paper-based packaging products. US$ 9.3 billion revenue in 2016. 45,000 employees.
- Crown: metal packaging. Specializes in aerosol cans, beverage packaging, closure & capping, food cans. Over 24,000 employees.
- Ball: metal packaging for beverages, foods and household products, and of aerospace and other technologies. Employs 15,000 people worldwide.
- Mondi: packaging and paper, employing around 25,000 people. Integrated value chain – from managing forests and producing pulp, paper, and compound plastic.
- Owens-Illinois: glass container manufacturers for food and beverage brands.

Packaging Industry: Leading companies

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- Packaging that incorporates advanced technologies to provide enhanced functionality. Two categories: active packaging, that provides functionality such as moisture and oxygen control, and intelligent packaging, that can communicate product changes and other information.
- Smart packaging involves a combination of specialized materials, science and technology, and has the power to reduce food waste, increase the shelf life of products, reduce loss, damage, waste, and cost in supply chain.
- Global smart packaging market was valued at $10.8 billion in 2015 and is expected to reach $26.7 billion by 2024.
- Printed electronics and the Internet of Things are still being developed.

Packaging Industry: Smart packaging – future trend

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- Trade Policies
- China Factor
- Digitalization – Industry 4.0
- Climate Change - Sustainability

Challenges in the industry

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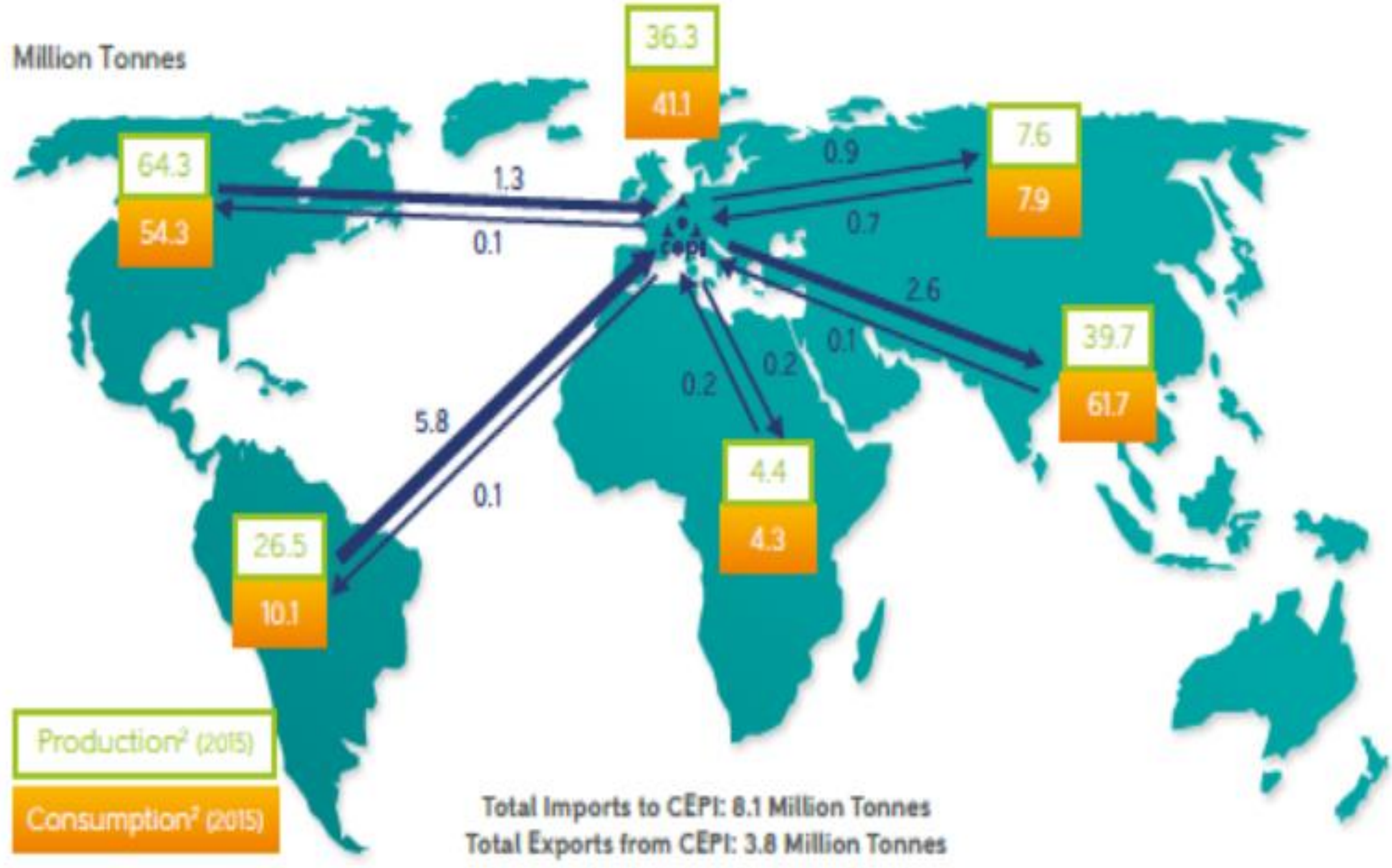
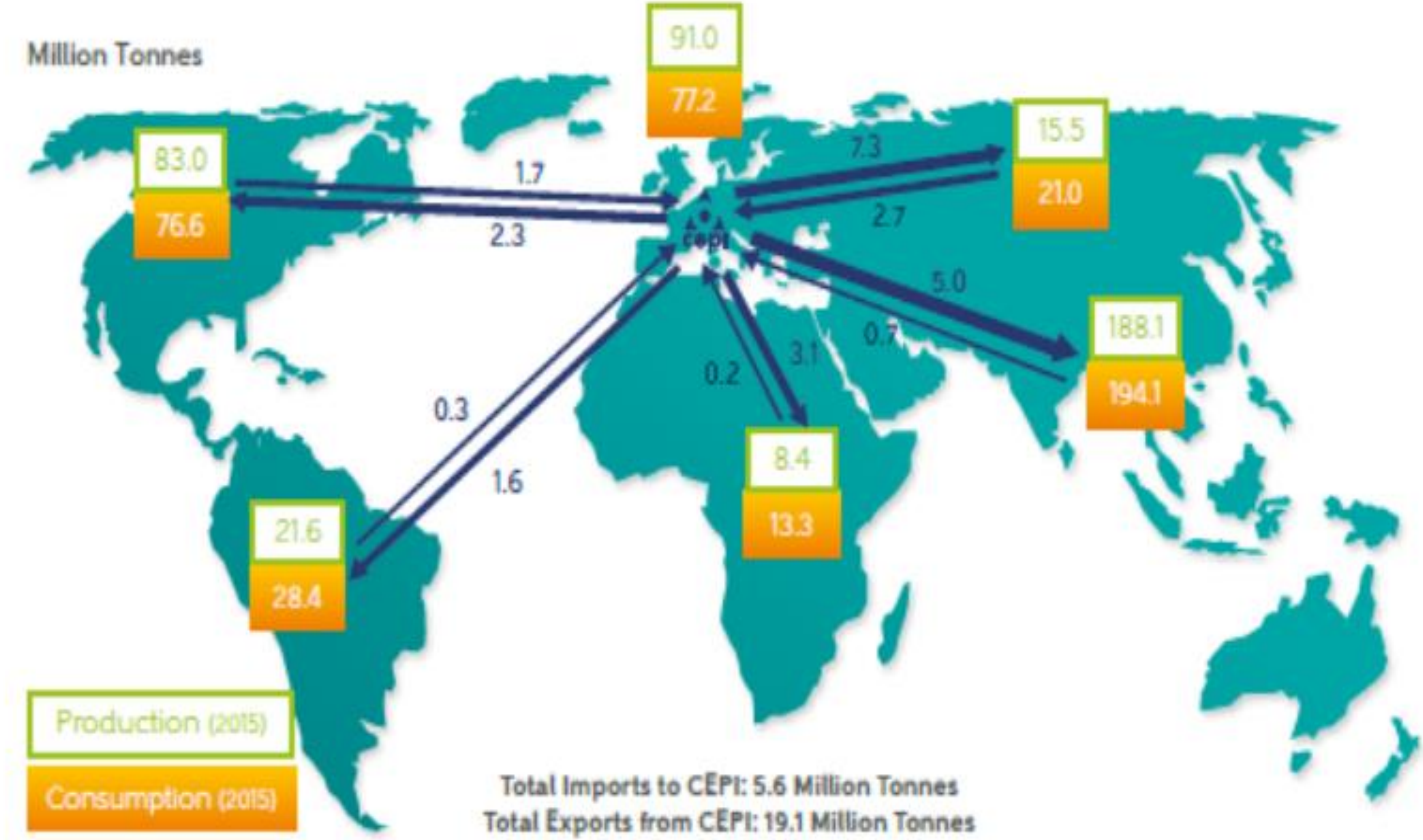
Trade Policies impact the industry



Trade Flows of Market Pulp in 2016



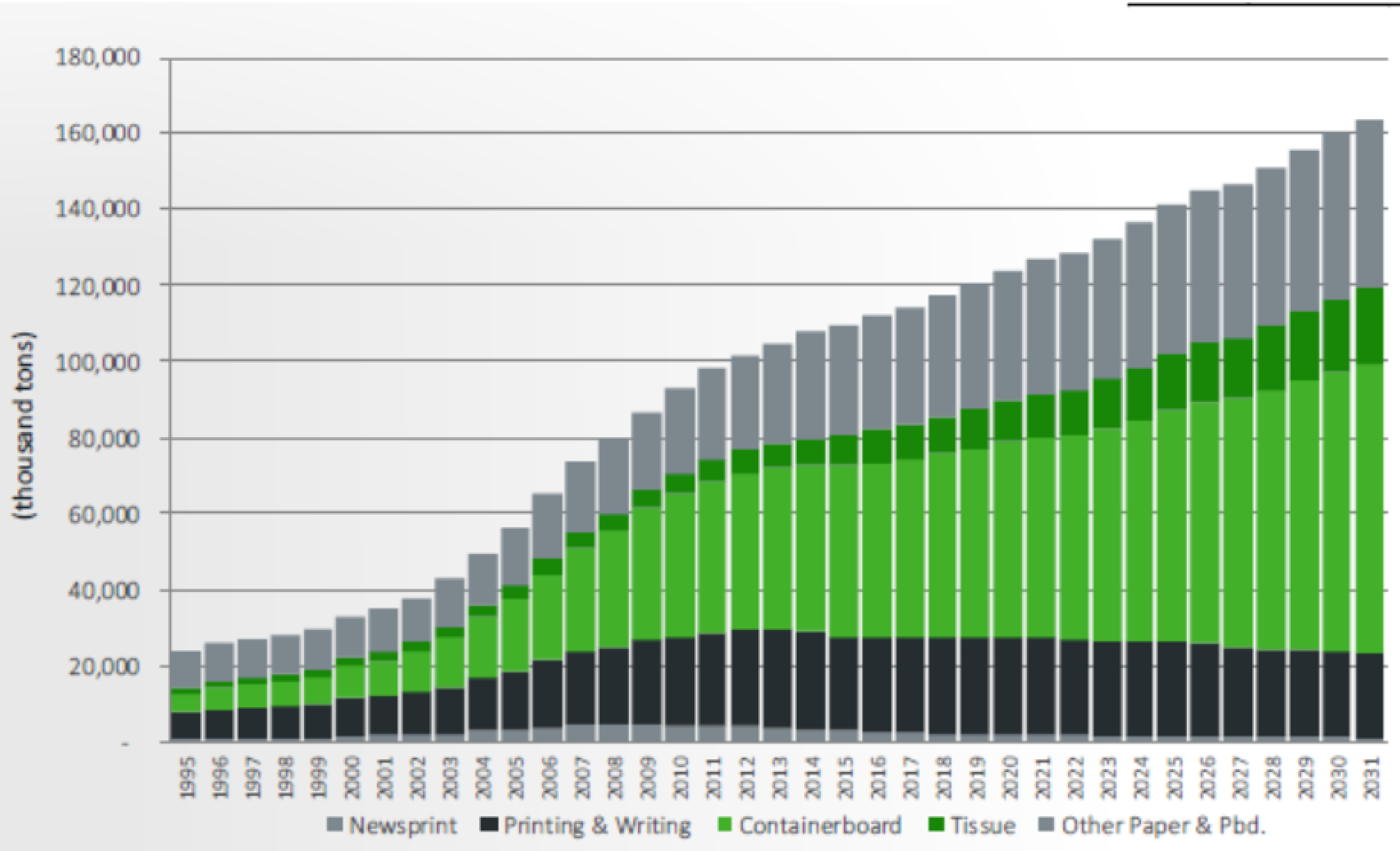
Trade Flows of Paper & Board in 2016

USW paperworkers in the USA have welcomed the anti-dumping trade tariffs on Chinese and Indonesian paper imports. Photo: Facebook/USW

Trade tariff victory for USW paper workers

09.12.2016 Anti-dumping tariffs on paper products from China and Indonesia were extended by US authorities on 6 December. The decision by the US International Trade Commission (ITC) follows strong lobbying by the world's largest paper workers union, USW, who were joined by US manufacturers in calling for the measures.

Trade Defense Instruments



China: Paper and Board Production

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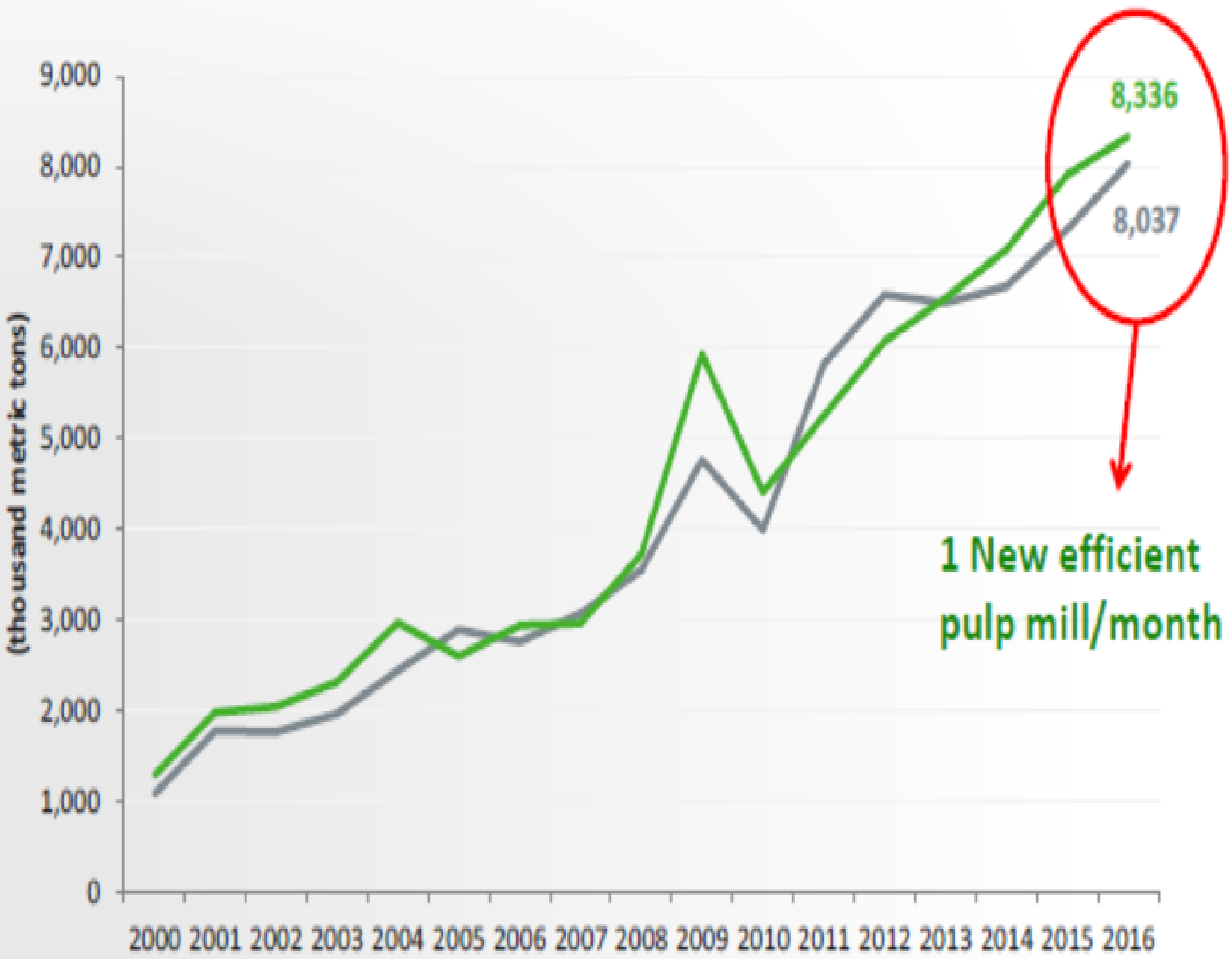
	1995-2007	2008-2016	2017-2031
Paper and Board	10.1%	4.8%	2.6%
Newsprint	15.9%	-6.1%	-5.5%
Printing & Writing	9.2%	3.0%	-0.9%
Containerboard	15.5%	6.1%	3.4%
Tissue	10.2%	8.5%	5.9%
Other Paper & Pbd.	5.9%	5.5%	2.7%

China: Paper and Board Production



Average Growth Rate 2000-2016

BSKP: +14.8% / year

BHKP: +14.2% / year

Growth 2016 vs. 2015 equivalent to +1.2 million tons/ year

China: Pulp Imports

- Largest ever infrastructure project connecting countries around the world
- Pipelines, power plants and ports in Pakistan and Sri Lanka, bridges in Bangladesh, railways to Russia and Indonesia
- Sea route linking South China coast to Africa and Mediterranean
- Over land corridors linking China with Europe via Central Asia and Middle East
- Aims to kickstart a new era of globalisation, as USA and UK perhaps pull back from globalisation
- New markets for Chinese goods, technology, and excess cement and steel
- Power and influence

China's $900bn Belt and Road Project

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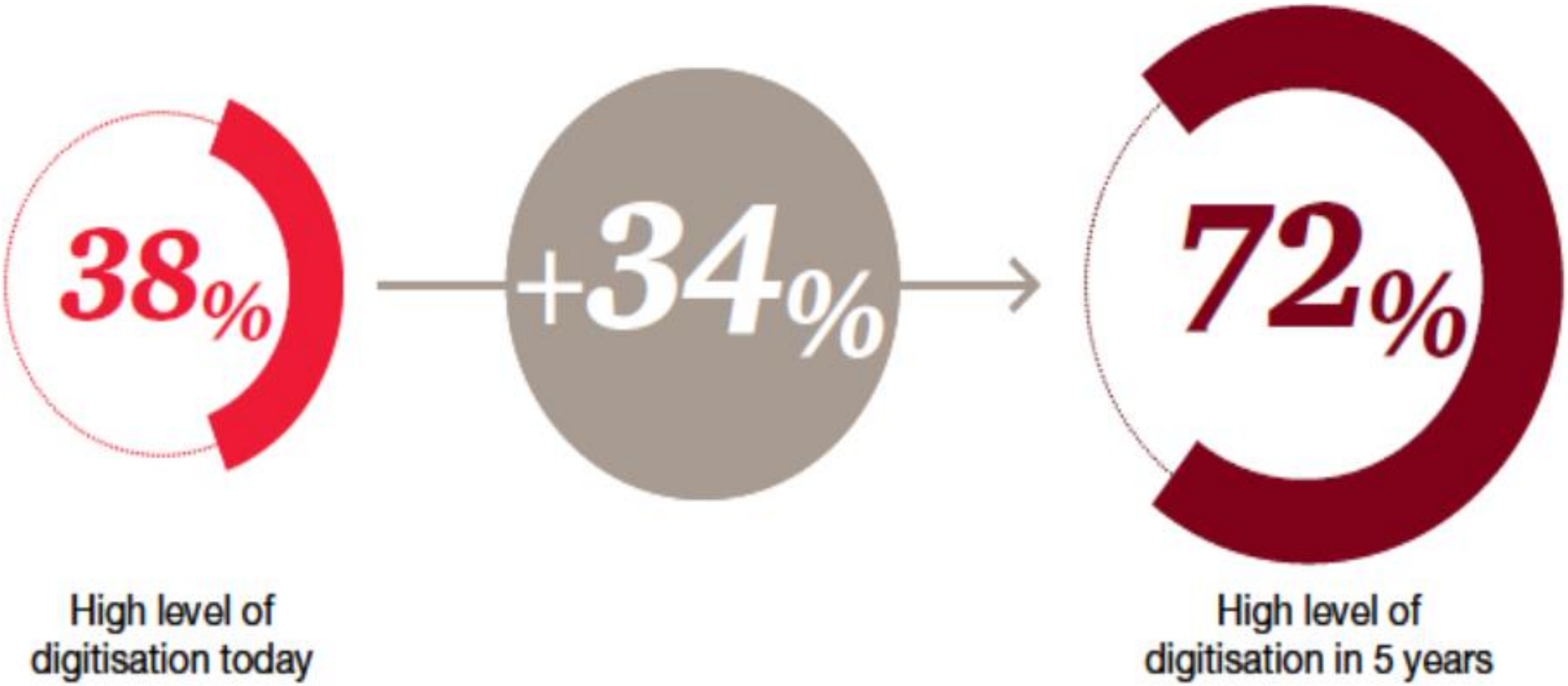
Industry 4.0 is beyond the hype – it has arrived at the strategic and operational core of many forest, paper and packaging companies



Digitalization – Industry 4.0: A reality

Growing digitalization damages writing papers and newsprint

Digitalization – Industry 4.0: Impacts

- Paper recycling
- Print, paper and packaging – waste
- Environmental concerns
- Paper production - global greenhouse gas emissions
- Deforestation

Sustainability – Climate Change

- Supply Chain Strategy
- Global Framework Agreements (GFAs)
- Trade Union Networks (TUNs)
- Campaigns
- Organizing
- Women Workers
- Precarious Work

Building Union Power

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IndustriALL Global Union Action Plan

2016-2020

IndustriALL works to achieve its purpose through five key goals:

- Defend workers' rights
- Build union power
- Confront global capital
- Fight precarious work
- Promote sustainable industrial policy.

Building Union Power: Fighting Forward Agenda

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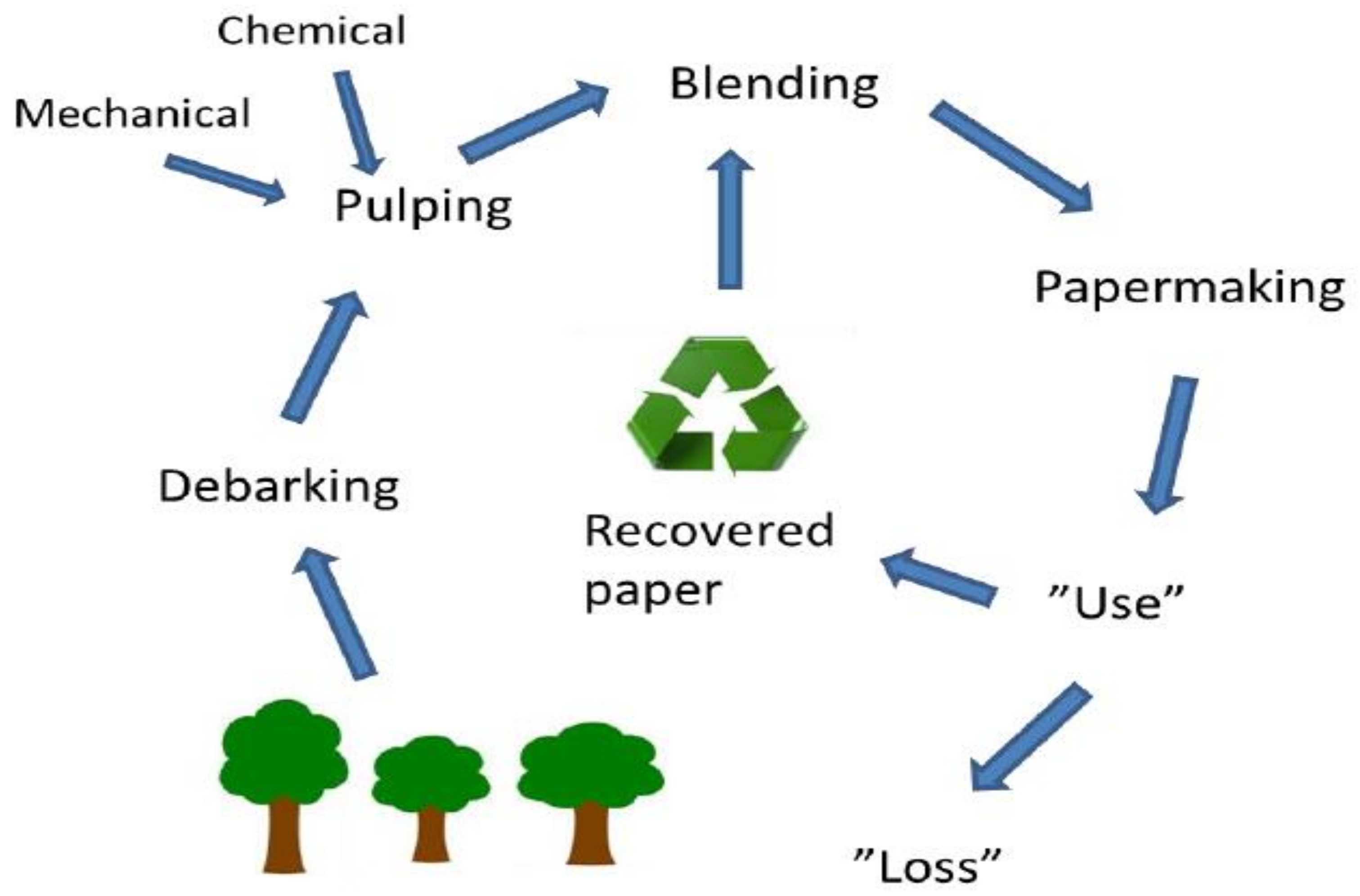

Supply Chain Strategy

Forestry – Pulp & Paper – Graphical

Close Cooperation among

BWI – IndustriALL – UNI

IBB · ICM · BHI · BTI · BWI

Organizing along the supply chain

- **An example of our coordination.**
- **GS Facket has membership in the sawmills**
- **Pappers has major membership in the pulp and paper mills and facilities**

A Good Example:
Stora Enso GFA Negotiations

- SCA (Essity)
- Norske Skog
- Stora Enso

Global Framework Agreements (GFAs)

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- International Paper (IP)
- Sappi
- Huhtamaki
- Smurfit Kappa (together with UNI)
- Mondi (towards formation a global works council)
- CMPC

Trade Union Networks (TUNs)

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- Kimberly Clark
- Amcor
- DS Smith
- Arauco

Target Companies

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Organized by IndustriALL affiliates in Germany, France, Israel, Indonesia, Malaysia, Brazil, Korea, Switzerland, Spain…

- **In Australia:**
- **Company attempting to bring in two-tiered wage system in both facilities – new hires to get 25-30% lower salaries than existing employees**
- **After 30 years of good industrial relations, the company is extremely aggressive and there are court processes ongoing**

Kimberly-Clark

Kimberly Clark (KC)

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Regional paper and cellulose sector aims to form federation

Building Union Power in Latin America

IndustriALL trade union network at CMPC met on 6-7 December in Concepción, Chile

Llamamiento de los trabajadores CMPC del papel y de la pasta de papel en pos de la firma de un acuerdo global

Targeting Chilean company CMPC

Nuevo ímpetu de trabajadores/as de pulpa, papel y embalaje de Colombia

21.07.2016 **Del 18 al 19 de julio, IndustriALL Global Union realizó en Bogotá un taller donde se reunieron los sindicalistas del sector de pulpa y papel con el fin de intercambiar planes de cómo poder empoderar los sindicatos.**

Increasing Solidarity in Colombia

Building Union Power in Southeast Asia

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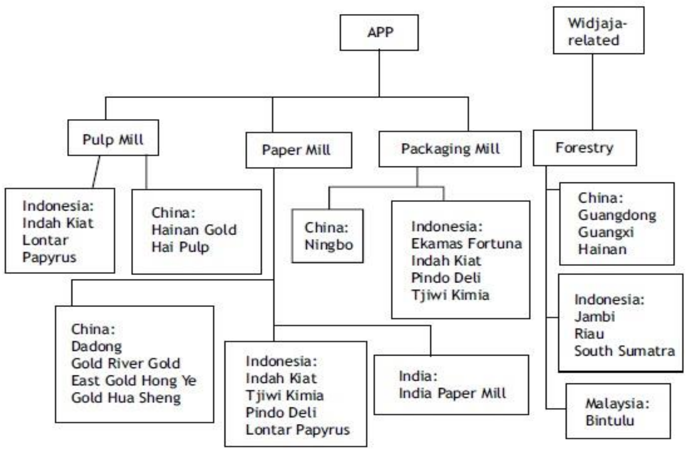
FSP2KI General Secretary Ikhsan Prajarani tragically died in a road accident on 11 February 2017.

Tribute to a committed comrade

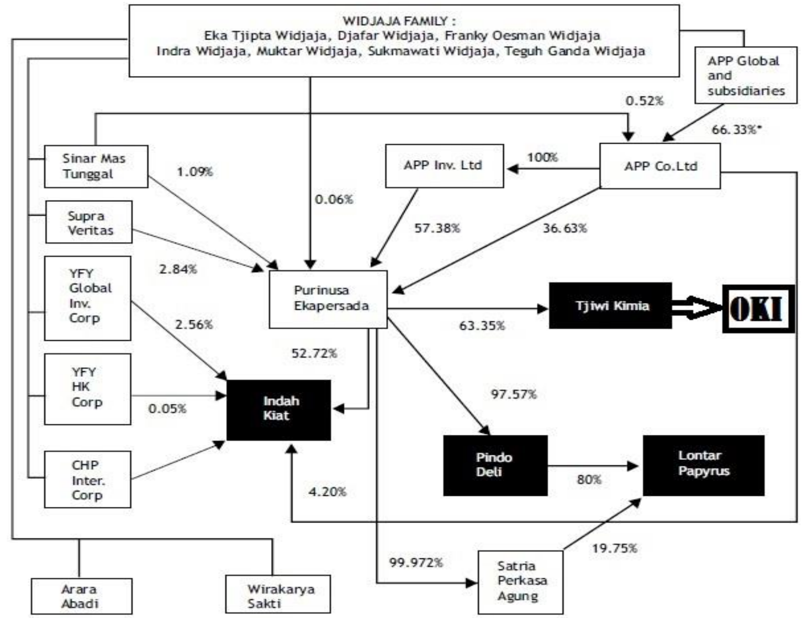
Annex 2: Pulp and paper and forestry entities related to APP and the Widjaja family

Figure 2: APP and Widjaja-related companies in the P&P sector



Source: adapted from the APP Annual Report 1999

Figure 1: Structure of the Widjaja family's ownership in Indonesian pulp and paper companies



Source: Financial reports 2003 for Indah Kiat-Lontar Papyrus-Pindo Deli-Tjiwi Kimia, Jakarta Stock Exchange, Surabaya Stock Exchange and JSX Watch 2003
* Matthew and Gelder 2001a

Manual updates by Hooman Hedayati 7/20/16

- **Foundation of a Union Network**
- **Further work on Solaris in Australia and Paper Excellence in Canada**

A growing multinational: Asia Pulp and Paper

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El compañero Noprizal ha sido elegido nuevo secretario general del FSP2KI.

El FSP2KI consigue con su lucha beneficios para los trabajadores por contrato indonesios

Achievements in combatting precarious work in Indonesia

The IndustriALL Pulp and Paper Work Group oversees the sector

IndustriALL Pulp and Paper Work Group sets active agenda

Regular and Active Cooperation

Campaigning organisation

- Our focus is on building union power through organizing and growth, and organizing is an essential element of everything we do.
- Comprehensive look at every internal and external source of leverage with the potential to affect the outcome
- Articulation with a set of strategic considerations, such as enabling environment, community and political power analysis, potential allies and opponents, affiliate readiness, and the role and likely impact of the media
- Investing in research, education and agitation for organizing and mobilizing our members, potential members and allies.
- Articulating powerful ideas or demonstrating proficiency in the basic organizing skills done no longer guarantee successful outcomes.

Organizing: Essential element
Winning Culture and Strategy

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Solidarity campaign actions

2017:
CMPC Peru – supporting union action to push for better conditions.

FSP2KI – supporting fight against outsourcing at Tanjungenim Lestari

Supporting affiliate Lastik-Is succesful strike in Turkey for wages and conditions at Coveris Packaging. Sixth largest plastic packaging company in the world and is a combination of the following companies in plastic and paper packaging: Exopack, Britton Group, Kobusch, Paragon Print & Packaging.

Strike in Izmir, Turkey, by our paper affiliate Selüloz-Is. The company is called Protective Packaging "Form Koruyucu Ambalaj". Wages, overtime pay and bonuses.

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Opposing union busting of affiliate Tumka-Is by Sonoco affiliate in Turkey

Kimberly Clark in Turkey, Colombia, Australia
Tümka-İş won contract gains through industrial action of its 215 members at Kimberly Clark's operation in the town Gebze.

Supporting SOEP strike at Arauco in Argentina 2015 against dismissals.

Global network formed to raise issues with Huhtamaki.

Sit-in protest at Mauritius Stationery Manufacturers 2014 – stopped lay offs.

Supporting affiliate at cardboard company in Honduras – called for government to intervene in union busting case

Solidarity campaign actions

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- Women's interest into unions vs unions' interest in to women
- Lack of interest to join the union
- Difficulties to change the mind-set of male reps
- Difficulties to get the works councils to have women interests in mind
- Difficulties for traditionally male dominated unions to know women's interest
- Time constraints and caring responsibilities
- Fear of job loss (women-head of households)

- **Inequality and discrimination**
- **Horizontal and vertical segregation**
- **Lack of maternity protection (working conditions during the pregency, security of job)**
- **Violence and harassment against women**

Women workers organizing: Challenges in the sector

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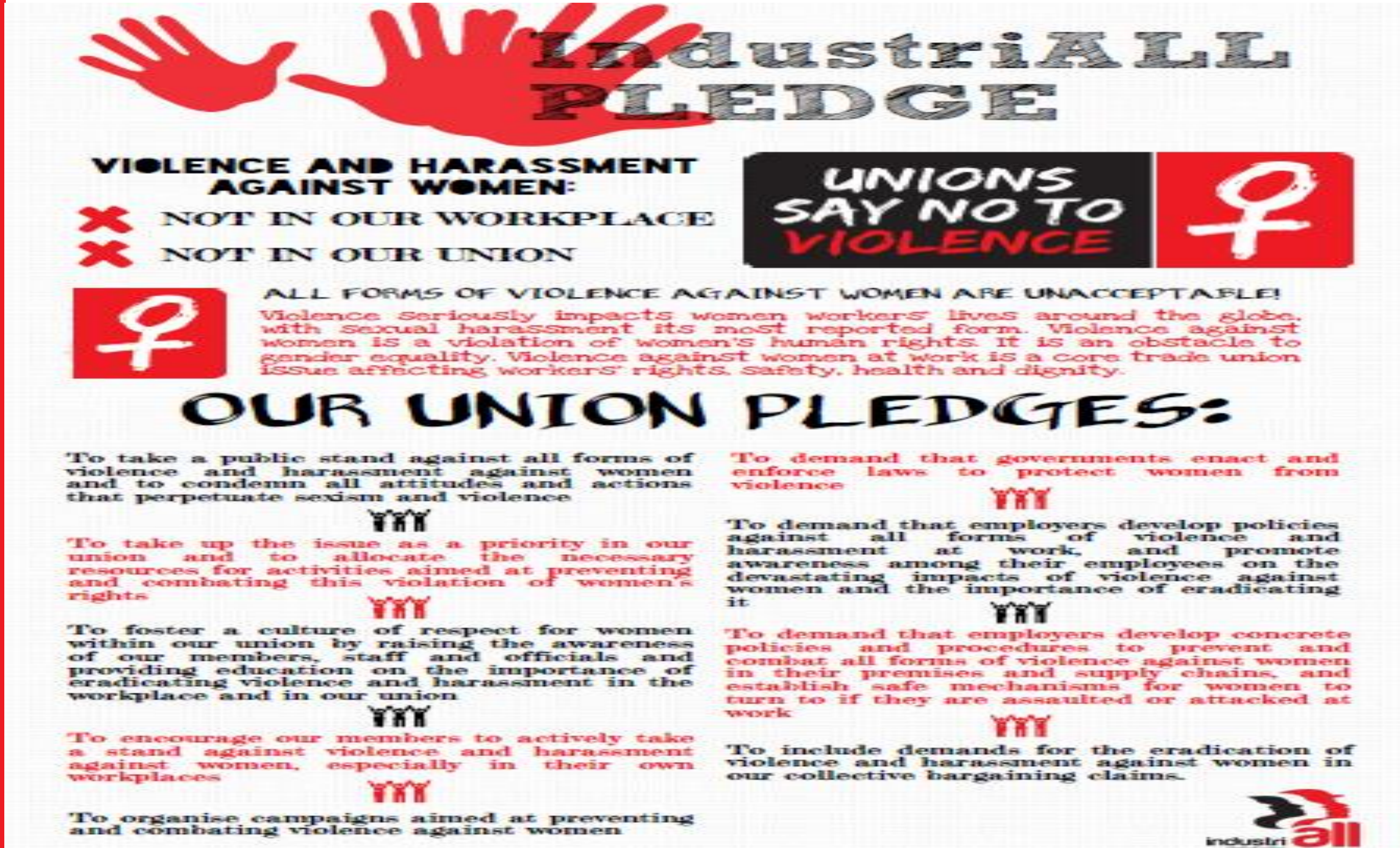

IndustriALL Pledge: *Violence and Harassment against Women: Not in my Workplace! Not in My Union*

Precarious Work in Pulp and Paper Industries: Unions mobilize and take action

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World Conference for the Pulp and Paper Sector

PULP AND PAPER WORKERS UNITE!

Budapest, Hungary

29-30 November 2017

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