our approach

Since Kruger Inc. was founded over a century ago in Montreal, we have responded to change by introducing innovative technologies, meeting evolving consumer demands, empowering our employees, protecting natural resources and, more recently, embracing sustainability in all facets of our business. As a result, Kruger is one of Canada’s oldest and most successful natural resource firms.

We launched our first reforestation program in 1948. In the 1970s, we implemented some of the paper industry’s first recycling programs, while beginning to manufacture tissue products made from recycled fibres. In the 1990s we installed multi-stage wastewater treatment at all of our mills—obtaining results that greatly exceeded regulatory requirements. Today, the trend continues. We have formalized our path forward by introducing Sustainability 2015. This voluntary initiative recognizes that we need to do even more to reduce our ecological footprint. Sustainable development demands a systematic approach to environmental protection, one that incorporates all aspects of our business. Sustainability 2015 embraces this approach to help us meet your demands for products that are produced with respect for the environment.

We believe that sustainability is a journey of continuous improvement—not a destination. As a result, Sustainability 2015 will challenge us to change continuously by improving our products, as well as the operations that manufacture and deliver them to you.

A MESSAGE FROM MARIO GOSSELIN

With the launch of Sustainability 2015, Kruger Products is embarking on a new path—one that is as exciting as it is challenging.

Our move to a more systematic approach to reducing our environmental footprint builds on our past achievements. We are incorporating a drive towards sustainability into all of our products and every aspect of our operations—every day, all day. From the way we manage our forests and involve our local communities, to how we use energy and invest our profits, Kruger Products will consider its impact on the natural environment.

Sustainability 2015 is not a standalone initiative. It marks an exciting shift in our philosophical approach—allowing us to do more to help protect our planet. Along the way, we also hope to uncover opportunities. Our goals are neither trivial nor inexpensive. Instead, they will challenge Kruger Products to be creative and committed.

Today’s investment in sustainable business practices will help ensure that our children and yours inherit a healthy planet that will nurture their children too.

Mario Gosselin
Chief Operating Officer
Kruger Products L.P.
our key stakeholders

As we move toward a more sustainable approach to our business, we recognize that our actions have an impact on many people. Some individuals and organizations, however, are more affected than others, and we consider them to be our key stakeholders:

+ Our People
+ Our Customers and Distributors
+ Our Consumers
+ Our Suppliers
+ Industry
+ Government
+ Our Community

Kruger Products is an enthusiastic and committed corporate sponsor. We invest time in community-building activities and local philanthropy, thereby contributing to the health, welfare and social well-being of neighbours and community partners. We support a host of charitable causes, often in concert with local retail partners and customers. Our philanthropic endeavours touch the community at large, particularly in the realm of cancer research, conservation and children’s health:

+ Canadian Breast Cancer Foundation
+ Nature Canada
+ Friends of We Care
+ Ronald McDonald House Charities

As the long-time sponsor of the Scotties® Tournament of Hearts®, we are also supporting women’s curling. In 2011, Kruger Products will mark its 30th anniversary of sponsoring the Canadian Women’s Curling Championship. Our support for curling is the longest corporate sponsorship of amateur sports in Canada.
Nine specific, actionable and attainable targets are at the core of Kruger Products’ Sustainability 2015 initiative, based on a 2009 reference year. Collectively, they demonstrably extend our ongoing efforts to reduce our ecological footprint, and to make our products and operations more sustainable.

**FOR OUR PRODUCTS:**

<table>
<thead>
<tr>
<th>Target</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Manufacture our products using only 100% third-party-certified fibre, ensuring that the fibre in our products comes from only sustainably harvested forests and/or recycled material containing a high percentage of post-consumer waste.</td>
</tr>
<tr>
<td>#2</td>
<td>Receive Chain of Custody Certification, thereby assuring our customers that the fibre we use can be tracked back to an approved source.</td>
</tr>
<tr>
<td>#3</td>
<td>Reduce our packaging by 5% without compromising product protection standards, while also increasing our use of recycled, recyclable and biodegradable packaging materials.</td>
</tr>
<tr>
<td>#4</td>
<td>Add to our more than 90 third-party-certified products and continue to be the leading manufacturer of such innovative tissue paper products.</td>
</tr>
<tr>
<td>#5</td>
<td>Reduce our overall energy consumption by 15% by streamlining our manufacturing processes and implementing an array of energy-reduction and efficiency initiatives.</td>
</tr>
<tr>
<td>#6</td>
<td>Reduce our greenhouse gas emissions by 15% by reducing our consumption of traditional energy and increasing our use of alternative and renewable energy.</td>
</tr>
</tbody>
</table>

**IN OUR OPERATIONS:**

<table>
<thead>
<tr>
<th>Target</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>#7</td>
<td>Reduce our emissions from transportation by 15% through improved logistics and shipping efficiencies, and increased use of lower carbon-emitting modes of transportation, such as rail.</td>
</tr>
<tr>
<td>#8</td>
<td>Reduce our total water consumption by 15%, without compromising our wastewater treatment standards that are already substantially in excess of government requirements.</td>
</tr>
<tr>
<td>#9</td>
<td>Reduce the amount of solid waste manufacturing byproducts that we send to landfill by 20% through a systematic program of industrial-grade recycling, reuse and reduction initiatives.</td>
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</table>
Kruger Products is the leading Canadian manufacturer and distributor of bathroom tissue, paper towels, facial tissue and paper napkins. We offer over 90 products that bear the EcoLogo® symbol and are made from 100% recycled fibre. Furthermore, our 100%-recycled fibre comprises at least 88% post-consumer material.

**CONSUMER PRODUCTS**

We proudly produce three number one brands: Cashmere®, the best selling bathroom tissue brand in all of Canada; Purex®, the #1 bathroom tissue brand in Western Canada; and Scotties®, the most preferred facial tissue brand nationwide. In addition, some of our best-known brands include SpongeTowels® and White Swan®.

We offer over 40 consumer products that are certified under Canada’s Environmental Choice program and, as a result, bear the EcoLogo™ symbol. Our 100% recycled fibre product lines include EnviroCare™ and White Swan®.

**ENVIROCARE™**

In 2008, we introduced EnviroCare, Canada’s first line of premium paper products made from 100%-recycled fibre. This brand builds on our innovative designs that date back to the 1970s, when we first began using recycled fibre.

Our EnviroCare line of products includes:
- Cashmere EnviroCare Bathroom Tissue
- Purex EnviroCare Bathroom Tissue
- SpongeTowel EnviroCare Paper Towels
- Scotties EnviroCare Facial Tissue
products

AWAY FROM HOME

Kruger Products’ is the leading Canadian manufacturer and distributor of tissue and paper towels for commercial, away-from-home use. We offer high-quality bathroom tissue, facial tissue, napkins, wipers and paper towels, along with dispensers and hand care products for a range of commercial and public facilities in the hospitality, restaurant, educational and healthcare sectors.

We offer over 50 AFH products that bear the EcoLogo™ symbol and are made from 100%-recycled fibre. Furthermore, our 100%-recycled fibre comprises at least 88% post-consumer material. Green Seal has certified our premium, high-capacity hand soap.

GREEN TO THE CORE

Green to the Core is our comprehensive, environmentally friendly approach to the way we manufacture our AFH products – from the fibre we use to our packaging. Within Green to the Core, GreenQuality™ is our assurance that we will provide our commercial customers with high-quality, high-functioning premium paper products that are ecologically sound.

Historically, choosing 100% recycled paper products often meant sacrificing quality, which affected performance and resulted in increased paper consumption. Our product innovations mean that we now supply a high quality of softness and strength, while simultaneously meeting EcoLogo’s stringent environmental standards in our green product lines.

Green to the Core involves more than product quality. It consolidates our efforts to reduce water consumption, produce raw materials using renewable and alternative energy, use recycled and recyclable packaging materials, and incorporate green practices down to the very core of our operations.
Currently, 94% of our paper products are produced using certified fibre, meaning that it comes from well-managed forests or recycled material with at least 88% post-consumer waste.

**Fibre**

We are working to minimize packaging without compromising product protection. The associated environmental upside – less packaging – reduces weight and bulk during transportation. It also means that less waste goes to landfill.

All of our products are packaged in material that is 100%-recyclable and some components are compostable. We also offer products that are manufactured in large-roll and double-roll formats that require less packaging.

We continue to look for ways to increase our use of recycled, recyclable and biodegradable packaging material. Our objective is to repeat our success with facial tissues, which use 100%-recycled paper cartons, biodegradable poly-openings and, for multipacks, biodegradable stretch wrap. We will also identify opportunities to use lower gauges of material for packaging, eliminate unnecessary packaging materials and develop retail-ready packaging offerings that eliminate excess packaging.

**Virgin Fibre**

The majority of the pulp we use to manufacture our products is virgin pulp sourced from suppliers in Canada, the United States and Brazil.

Approximately 6% of our fibre is virgin groundwood that is produced from cottonwood trees grown on Kruger Products’ government-licensed tree farms in British Columbia. This material supplies about 25% of the requirement of our mill in New Westminster, BC.

We harvest these fast-growing trees on a sustained-yield basis, and the pulp we produce from them does not require bleaching.

**Recycled Fibre**

With a track record that dates back to the 1970s, Kruger Products was among the first companies to manufacture tissue papers from recycled fibre. Since 1989, we have produced more than 165-million finished cases of tissue containing recycled fibre.

Today, Kruger, Inc. recycles more than 600,000 tonnes of paper and paperboard each year, making it one of the most comprehensive recyclers in North America. The impact is significant. Our recycling program diverts the equivalent of 117,000 garbage truckloads from landfill annually.

Currently, 30% of our fibre is derived from office waste that we purchase from the northeast United States and eastern Canada. It is de-inked in our facilities in Crabtree, Quebec. For every tonne of recycled fibre used, we save 17 trees. In 2009, we saved 1.6 million trees.
products

THIRD-PARTY CERTIFICATIONS

CERTIFIED FIBRE

Kruger Products believes in third-party certification of its products. Anyone who purchases our certified products can be assured that they meet stringent environmental criteria that have been verified by independent agencies. Currently, 94% of our paper products are produced using certified fibre that has been verified by the Forest Stewardship Council (FSC) (our preference), Sustainable Forestry Initiative (SFI), Canadian Standards Association National Sustainable Forest Management Standards (CSA) or Programme for the Endorsement of Forest Certification (PEFC).

We are seeking third-party certification for our cottonwood tree farms in British Columbia. When we have accomplished this goal, the remaining 6% of our wood fibre will be certified.

ECOLOGO™

One of North America’s most widely known and universally respected multi-attribute environmental trademarks, EcoLogo was originally created by the Canadian government. It combines strict environmental standards with independent third-party auditing. This certification is recognized for its holistic and stringent evaluation of the entire manufacturing process. EcoLogo certification considers recycled content, water pollution, solid waste and energy use.

GREEN SEAL®

Kruger Products has Green Seal approval for its large-capacity Hands-Fresh™ Luxury Foam Soap. Green Seal is a program that provides scientifically based environmental certification standards that are credible, transparent, and essential in an increasingly educated and competitive marketplace. Products bearing the Green Seal symbol are environmentally friendly choices.

CHAIN OF CUSTODY CERTIFICATION

We are in the process of seeking Chain of Custody Certification. It will certify that all of our products that bear the CoC label can be tracked back to an approved source. This will allow us to demonstrate that the timber we source comes from responsibly managed forests. The system will track the package of certified wood through the supply chain and across borders as it is processed and manufactured into our final products.
To meet our energy-reduction target, we are also investigating how we can increase our use of alternative energy. In this regard, we are working in concert with our sister company Kruger Energy, one of Canada’s largest and most diverse renewable and alternative energy companies.

Specializing in the development and management of green-energy and renewable-energy power plants, Kruger Inc. and Kruger Energy manage and operate some 34 production sites in Canada and the US.

The nature of our business means that we use large amounts of energy. Fortunately, most of our largest facilities are located in Quebec and British Columbia, so much of the electricity that we consume is hydroelectricity. Since this type of electricity is not derived from non-renewable fossil fuels, it has a significantly smaller contribution to climate change.

Our primary focus is to reduce our overall consumption of energy and work towards substituting renewable energy for the energy we use that is derived from fossil fuels. Our target of a 15% reduction in energy consumption translates into an enormous reduction in our greenhouse gas emissions.

Producing a total of over 1,700 gigawatt hours of green energy, these sites include hydroelectric and wind-power installations, biomass cogeneration installations and biogas facilities.

Kruger Energy is currently building a second wind farm to complement the 44-turbine farm it already owns and operates in Ontario. When it is completed, the combined production of the duo will produce enough energy to power over 60,000 Canadian homes.

Our multi-million-dollar heat recovery system at our mill in Gatineau, Quebec is expected to replace some 200,000 gigajoules of energy currently produced from steam generated by fossil fuels. The new system has the potential to reduce our greenhouse gas emissions by 15%, an amount equivalent to removing 2,500 cars from Canadian roads or planting 1.3 million trees.
Our environmental efforts in the area of emissions reductions focus on reducing greenhouse gas emissions, since they cause climate change. Climate change is considered by many to be the most serious issue of our times.

The majority of our emission reductions will be realized through our corresponding 15% reduction in energy use. By burning less fossil fuel, we reduce our greenhouse gas emissions. However, there are other means of reducing or offsetting our emissions, such as planting trees and improving our transportation policies. We also lower emissions by reducing our use of packaging materials.

**SUSTAINABILITY 2015 IN ACTION**

Our multi-million-dollar biomass gasification system at our mill in New Westminster, British Columbia, is a Canadian first. Since it began operating in December 2009, it has been converting locally sourced wood waste that was destined for landfill into clean-burning “syngas” that replaces natural gas in steam-generating boilers. This system will reduce by 50% the greenhouse gas emissions currently produced by this mill and will have a significant impact on our ability to meet our emission-reduction goal. The climate change benefits are equivalent to removing 5,500 cars from the road or planting three-million trees.
Environmental gains can sometimes be derived simply by looking closely at our existing systems and fine tuning them in ways that reduce emissions. This is the case with logistics that govern how we transport our products.

Transportation accounts for 25% of the energy used in Canada, the majority of which comes from fossil fuels. As a result, transportation is a significant source of greenhouse gas emissions. By curbing these emissions, we help combat climate change.

We have identified ways to improve how we transport our goods that will reduce our emissions from transportation. Full trucks will reduce the number of trips required, thereby causing fewer emissions. Furthermore, we are investigating alternative modes of transportation such as rail transport where possible. Rail transport has a lower ecological footprint on a per weight basis as compared to truck transport.

Reducing the amount of solid waste we generate, and recycling as much as we can so that it does not have to be sent to a landfill involves our entire workforce.

We recognize that increasing our use of recycling systems and reducing our production of waste material involves a change in attitude. Often, it is easier to throw something out than to recycle it. Other times it is easier to create waste rather than to change practices.

To reach our goal of diverting 20% of our solid waste from landfill, we encourage our entire workforce to check their habits and use of resources. As this remains one of our core ecological values, we also look for innovative ways of reducing solid-waste production in the first place, such as reducing our use of packaging material. Our team continuously develops and reviews improved packing methods that use the least amount of material possible, while still protecting product shipments.
Two recent projects at our Memphis, Tennessee, mill reflect our efforts to look at our operations with a fresh eye that looks beyond the way we’ve always done things. In one case, water that flows through a vacuum pump will be filtered and reused in a paper machine. In the second case, fresh water used to backwash filters will be replaced by polymers. In combination, these two initiatives will reduce our annual water use at this facility by 10% or 750-million litres.

Pulp and paper mills use large amounts of water. As pressures from municipal, agricultural and other industrial uses mount on our supply of fresh water, we have been trying to reduce our consumption of this valuable resource. At the same time, we have made great gains in our ability to treat wastewater.

To capitalize on opportunities to reduce consumption, we consider both the demand-side and supply-side of the water equation. In other words, we will attempt to both reduce our demand for water and find ways to reuse it.

In addition to reducing our consumption of water, we continue to ensure that the quality of our wastewater exceeds government regulations. Despite our excellent track record in this regard, we are investigating ways to further reduce the concentration of suspended solids in and the biological oxygen demand of our wastewater.
As Corporate Director of Sustainability and Innovation at Kruger Products, it is my pleasure to be leading our sustainability efforts, which we hope will reduce the size of the company’s ecological footprint. My role within Kruger Products is new, but it is a tangible example of the company’s growing commitment to sustainability.

Needless to say, I’m not doing this on my own. Everyone at Kruger Products is charged with finding ways to help us all work more efficiently, generate less waste, emit fewer greenhouse gases and generally lessen our impact on the environment.

My job is to facilitate these efforts and encourage them too. I will also establish ways to measure our successes and challenges, and to communicate this information to you and to everyone in the company. Recognizing that communication is a two-way process, I invite you to tell me what you think and to suggest how we might do things better.

At Kruger Products, we look forward to hearing from you and being able to share our news as we continue along our journey towards sustainability.

Best regards,

Steven Sage,
Corporate Director, Sustainability & Innovation
steven.sage@krugerproducts.ca

ABOUT US

Kruger Products L.P. is Canada’s leading manufacturer of quality tissue products for household, industrial and commercial use. You’ll know our brands, including Cashmere®, Purex®, SpongeTowels®, Scotties®, White Swan®, Embassy® and White Cloud®.

A wholly owned subsidiary of Kruger Inc., Kruger Products L.P. is based in Mississauga, Ontario. We have manufacturing operations in New Westminster, BC; Gatineau, Crabtree and Sherbrooke in Quebec; and Memphis, TN. Approximately 2,300 people work in these six locations.

Our parent company, Kruger Inc., is a leading producer of publication papers, tissue, lumber and other wood products, corrugated cartons from recycled fibres, green and renewable energy, and wines and spirits. The company is also a North American leader in paper and paperboard recycling.

Founded in Montreal in 1904, Kruger Inc. has approximately 9,000 employees and operates facilities in Quebec, Ontario, British Columbia, Newfoundland and Labrador as well as in the United States.