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# Are Kleenex tissues wiping out forests?

Kimberly-Clark takes heat from Greenpeace and other environmental groups for misleading the public on its sustainability practices, reports Fortune's Marc Gunther.

By **Marc Gunther**, Fortune senior writer

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NEW YORK (Fortune) -- **Question:** When you wipe your nose with a Kleenex, are you helping wipe out ancient forests?

**Answer:** That depends entirely on who you ask.

The environmental groups Greenpeace and the Natural Resources Defense Council say that [Kimberly-Clark \(Charts\)](#), the world's largest tissue manufacturer, has failed to keep its promises to protect ancient forests in Canada. Kimberly-Clark calls itself an environmental leader. Be warned: digging through the competing claims in this controversy is not easy.

But one thing's evident: Kimberly-Clark's credibility has taken a hit, and that's a problem for the \$16 billion a year forest products firm whose brands include Kleenex, Huggies, Scott, Pull-Ups, Cottonelle, Viva, Kotex and Depend.

The environmentalists make a slew of accusations but three stand out. The first is that K-C makes disposable tissue and toilet paper from wood that comes from old-growth forests in coastal British Columbia and from boreal forests in Ontario, Alberta and Saskatchewan. (These forests are habitats for countless wildlife species as well as a way to curb global warming.)

The second is that K-C does not use enough recycled fiber. And the third and potentially most serious charge is that K-C has misled the public - in the argot of the environmental movement, K-C stands accused of "greenwashing."

Greenpeace activists have launched an [extensive campaign](#) against Kimberly-Clark. They have enlisted the support of nearly 600

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businesses (most quite small), picketed hotels that buy K-C tissues and toilet paper and filed a complaint with the SEC.

"This is a company that claims to be a leader on the environmental front," says Richard Brooks, a Greenpeace campaign coordinator, who is based in Vancouver. "Unfortunately, when you dig into the claims, you come up with a very different story."

### Foot-in-mouth disease

Kimberly-Clark says that's unfair. The company "is committed to strong environmental stewardship, sustainability and corporate responsibility," says David Dickson, a K-C spokesman. As evidence, he notes that Kimberly-Clark has ranked No. 1 among personal care companies in the Dow Jones Sustainability World Indexes for the past two years.

K-C also says that the vast majority of the fiber that it purchases comes from residual waste (sawdust and chips) from the lumber production process. And the company says that its use of recycled fiber is in line with industry practices. You can read its forestry policy [here](#).

Here's the problem, though. It's hard to trust Kimberly-Clark because the company's actions have not lived up to its rhetoric. The company has often said - prominently in its 2005 sustainability report and as recently as March, 2006, in its proxy statement to shareholders - that its corporate policy "prohibits the use of wood fibers from ... ecologically significant old-growth areas, including ... temperate rainforests in coastal British Columbia."

Several months later, Greenpeace researchers who dug into U.S. Customs records and questioned K-C suppliers issued a report called "Chain of Lies" saying that K-C was, in fact, purchasing wood fiber from the coastal forests in British Columbia.

Subsequently and to its credit, K-C did an internal review and found that it had, in fact, "purchased a small amount of wood chips" that were "derived from logs harvested from the British Columbia coastal area."

Oops.

The company also said that its policy had since 2003 permitted the use of wood that is harvested sustainably from the B.C. coastal forests - thereby undercutting the claims it made in 2005 and 2006.

By e-mail, Dickson, the K-C spokesman, conceded that "some of our recent public statements have reflected a higher standard than this policy requires and have *overstated our actual practices* (emphasis added)."

Translation: K-C misled the public.

It did so, moreover, at a time when it was being watched by Greenpeace, the NRDC and Domini Social Investments, a socially-responsible mutual fund company that had been asking K-C to improve its forestry practices.

### Raising the bar

"There is no doubt that K-C has misled the marketplace about the ecological attributes of the paper products it is selling," says Allen Hershkowitz, a senior scientist with NRDC, who observed what he calls "severe clear-cutting" when he visited forests in northern Ontario that supplied K-C.

So what are we to think now, for example, about the question of whether K-C could use more recycled fiber in

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its products. Recall that the company says its practices are in line with industry standards. But the [NRDC Web site](#) says:

"Kimberly-Clark relies on recycled sources for just 19 percent of the pulp it uses to make toilet paper, facial tissue, napkins and paper towels in North America. Yet the tissue paper product industry uses an average of 60 percent recycled material in manufacturing. Most of Kimberly-Clark's at-home tissue brands, such as Kleenex, contain no recycled fiber at all." K-C responds that the comparison is misleading because it makes more high-quality paper than the industry as a whole.

Interestingly, K-C's practices aren't just being analyzed by green groups. They are of interest to [Wal-Mart \(Charts\)](#), its biggest customer. Lee Scott, Wal-Mart's CEO, recently told me that he had met with Tom Falk, CEO of Kimberly-Clark, to ask whether K-C could use more recycled fiber, reduced its packaging and, generally, clean up its operations. To be fair, Scott also told me he came away impressed with Falk's commitment to the environment.

Is there a way out of this for K-C? Environmentalists want the company to agree to buy more pulp that is certified as sustainable by the Forest Stewardship Council (FSC). That's a non-profit group that provides third-party audits of wood and paper products. (Wal-Mart printed its annual report last year on FSC-certified paper, [Home Depot \(Charts\)](#) has agreed to buy only FSC-certified wood and [J.P. Morgan Chase \(Charts\)](#) has backed FSC.)

### Finding a resolution

Kimberly-Clark says there isn't enough FSC-certified pulp available to meet its needs, and so it relies on third-party audits from other organizations like the Sustainable Forestry Initiative (SFI). But environmentalists charge that the SFI is an industry-backed group and not as exacting as the FSC. In time, they say, more FSC wood will become available. (We warned you that this was complicated.)

Domini - the investment firm owns shares in Kimberly-Clark - made a simple proposal to the company this year. Domini asked K-C to study the feasibility of phasing out wood that is not certified by the FSC over the next 10 years, and to set goals and timetables for using more FSC-certified pulp as well as recycled fiber.

K-C says there's no need for a study.

"They're not ignoring us, but we have not yet seen the company substantively address our concerns," says Adam Kanzer, general counsel for Domini, who has dealt with dozens of companies on social and environmental issues. "We don't expect any company to be 100 percent perfect. We do expect the companies we hold to take responsible steps that are necessary to reduce their environmental impact."

That doesn't seem like too much to ask. ■

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