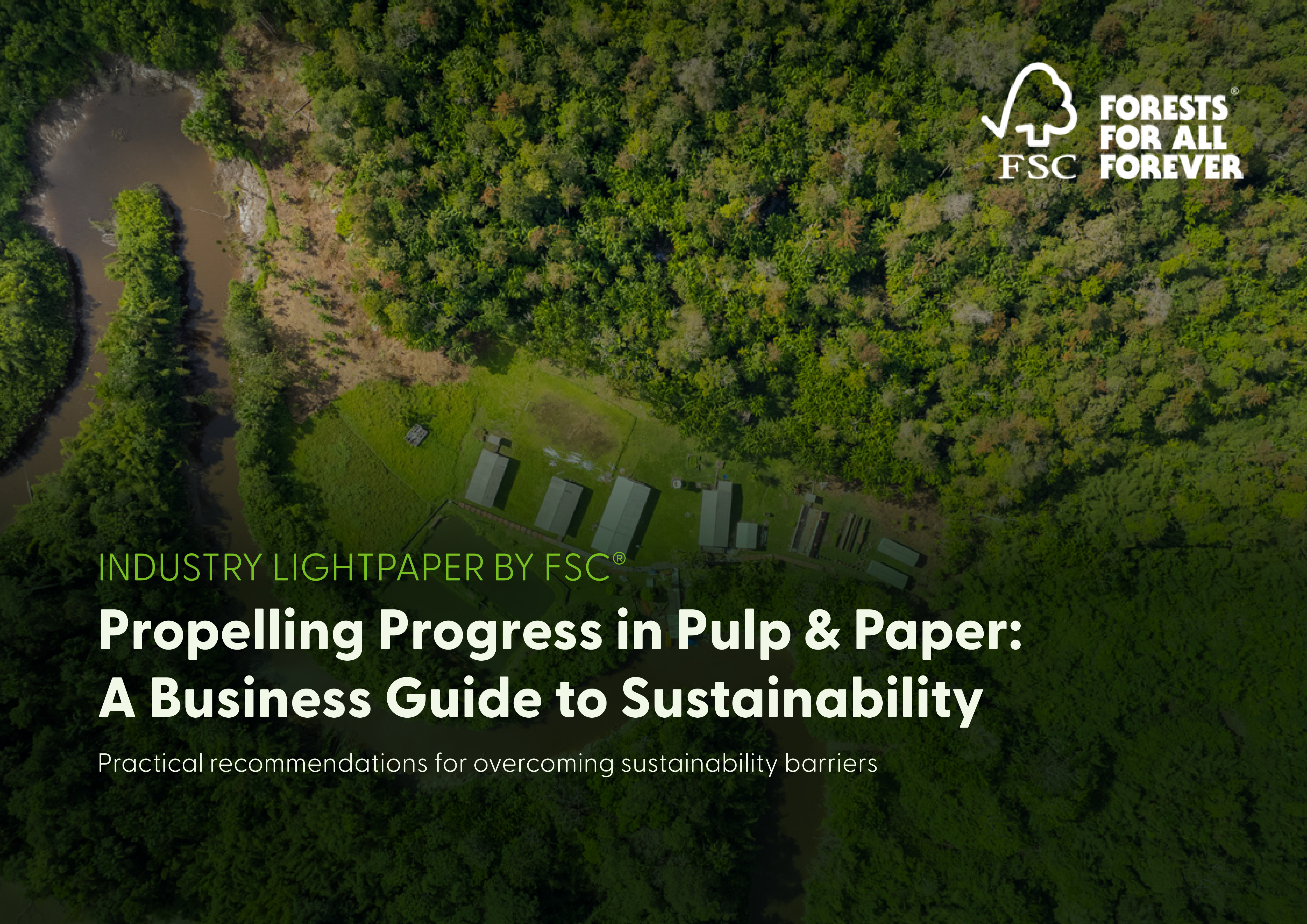

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INDUSTRY LIGHTPAPER BY FSC®

# Propelling Progress in Pulp & Paper: A Business Guide to Sustainability

Practical recommendations for overcoming sustainability barriers

# CONTENTS

# EXECUTIVE SUMMARY

Faced with mounting legislative and market pressures, the Pulp and Paper (P&P) industry must accelerate its shift toward sustainable practices. The more mature a business is in its sustainability posture, the more resilient it will be to external pressures. And yet, **fewer than 40% of Pulp and Paper (P&P) businesses in Europe and the UK have high sustainability maturity.**

To understand the barriers to sustainability progress, FSC surveyed 220 of the industry's leaders, representing manufacturers and buyers from organizations of all sizes across the UK and EU. These survey insights helped us **define and gauge current sustainability maturity in the region and articulate the shared challenges** industry stakeholders face.

## Key Findings:

1. **Certification key to progress, but adoption varies:** Certification is widely recognized as foundational for sustainability strategies, yet adoption rates differ sharply by region. Finland – despite valuing certification – reports the lowest uptake at **34%**, citing unclear impact metrics and limited stakeholder collaboration as barriers.
2. **Supplier engagement sparks concern: social progress is notable: 70%** of organizations integrate the rights and livelihoods of forest-dependent communities into their manufacturing or sourcing strategies. Still, there is widespread concern among organizations across sustainability maturity levels about supplier-side implementation of these commitments.
3. **Market and cost pressures shape decisions:** Over **60%** cite market demand as a major driver of sustainable procurement. Rising costs and inflation remain top barriers, although a growing number view certification as a strategic advantage for market access, tender participation, and supply chain resilience.
4. **Trust hinges on transparency:** Businesses with high sustainability maturity adopt certification at rates **75%** higher than early-stage peers. Confidence in sustainability standards correlates with higher sustainability maturity, while low trust stems from perceived transparency and traceability gaps.

Our survey sought to understand how businesses are approaching sustainability through four key drivers of influence. We wanted to know if Pulp and Paper (P&P) stakeholders view sustainability as more than an environmental concern, seeing it as a strategic lever for addressing related issues around market needs, social impact, and governance. **The way businesses approach these drivers – Forests & Planet; People; Economy & Markets; and Governance – impacts how they manage, conserve, and use forest resources.**

Armed with survey insights on various approaches to sustainability, our Industry Lightpaper unpacks the key barriers being faced. Then, to help Pulp and Paper (P&P) businesses overcome these obstacles, we share practical recommendations and resources they can take on board to advance their own sustainability journeys.

## INTRODUCTION:
# The business imperative

**The EU's Pulp and Paper sector has made significant strides toward sustainability. Despite the progress, it remains under pressure to ramp up this transformation due to its historical ties to deforestation and biomass energy use.**

This pressure has been formalized in sustainability legislation such as the EU Regulation on Deforestation-free Products (EUDR), the Corporate Sustainability Due Diligence Directive (CSDDD), and the Corporate Sustainability Reporting Directive (CSRD). Non-compliance with sustainability requirements set out in these frameworks can result in severe consequences, including steep financial penalties, product confiscation, loss of market access, and reputational damage.

Reputation is paramount in any business context and, for **Pulp and Paper (P&P) businesses**, it's heavily shaped by market expectations around sustainability. **Consumers in Europe, particularly in the Nordic region, demonstrate a high demand for sustainable products**, a willingness to support businesses with sustainable practices, and an optimistic outlook on green consumerism – while being highly attuned to acts of greenwashing. Meeting this consumer demand is a definite competitive advantage.

With a clear business imperative to adopt sustainable practices, which formal sustainability tools are businesses using to manage their operational impact? One of the most widely recognized, certification can be a valuable tool for verifying compliant, impactful action. Indeed, certification by the Forest Stewardship Council® (FSC) also facilitates sustainable practices. It provides a rigorous, tried-and-tested framework that businesses can follow to unlock positive social, environmental, and economic benefits.

*'Certification is a tool for both enabling and verifying sustainable practices'*

Throughout this Industry Lightpaper, we look to understand how and where businesses are using tools like certification. Crucially, where do barriers to adoption exist, and do these barriers manifest in late-stage and early-stage sustainability journeys alike? To answer these questions, we must first understand the region's current sustainability maturity.

METHODOLOGY

# Contextualizing current sustainability journeys

We recently **surveyed 220 business leaders across the UK and EU P&P industry to understand their sustainability journeys**. Respondents represented small (29%), medium (54%), and large (17%) enterprises with a near even split between those involved in manufacturing (49%) and those in sourcing or buying (51%).

To complement the survey data, **we conducted interviews with organizations across the region**, including global manufacturers, sourcing and packaging companies, as well as a regional industry body. These interviewees spanned sectors such as consumer goods, electronics, publishing, and trade advocacy to reflect a range of perspectives.

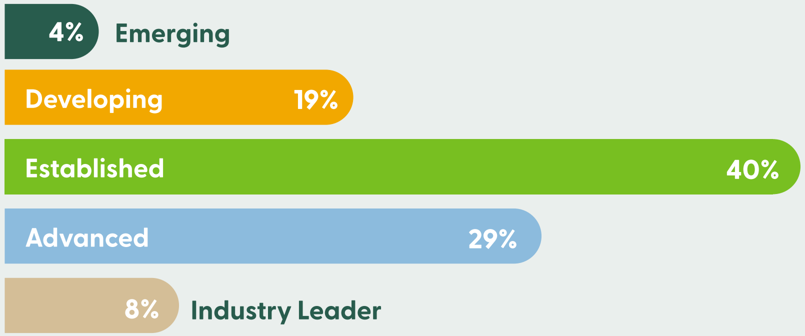
The survey revealed varying levels of sustainability maturity and key barriers. To contextualize responses on progress, **we grouped businesses into five categories** – ranging from least mature to 'Industry Leader' – based on quantitative data of shared attributes.

## OUR SURVEY'S SCALE OF REFERENCE

1. **Emerging**
   Exploring sustainability with few policies or practices in place.
2. **Developing**
   Some sourcing policies exist but are inconsistently applied.
3. **Established**
   Formal sustainability policies are regularly implemented.
4. **Advanced**
   Formal sustainability policy is well-integrated across operations.
5. **Industry Leader**
   Exemplifies best practice with full transparency, credible certification, and active stakeholder engagement.

## SNAPSHOT OF SUSTAINABILITY MATURITY

Our findings revealed that **37%** of surveyed businesses have high maturity, **23%** have low maturity, and the bulk **(40%)** fall somewhere in the middle...




Understanding regional sustainability maturity provides critical context for us to understand the challenges that P&P manufacturers and suppliers face when trying to balance environmental, social, and economic priorities.

In the next chapters, this Lightpaper pinpoints these challenges and highlights opportunities for more integrated approaches that consider all key drivers of influence, from Forests and the Planet to People, Markets, and best-practice Governance.

APPROACH TO DRIVERS

# Forest & Planet: Does action match belief?

This driver explores how businesses respond to climate change, biodiversity loss, and responsible land management, and considers the uptake of any formal sustainability initiatives, such as certification.

*"Leadership means seeing not only the here and now but also 10 years ahead. We must think long-term so that the decisions taken do not create problems for forestry further down the line."*
**Manufacturer in Finland**

## WEIGHT IN BUSINESS STRATEGY

Environmental concerns – specifically the need to recycle and join the circular economy – are high on organizations' agenda. When it comes to driving internal sustainability strategies, many cite certification as foundational.

An industry body we interviewed who represents Austrian pulp and paper manufacturers reiterated the importance of environmental concerns. Its member organizations view responsible water use and carbon reduction as the most pressing environmental challenges. Across all regions, there's a shared consensus on the urgency to reduce carbon, with **62%** also focused on this.

**Environmental concerns** are rated as the

**2nd**

most **influential trend**, highly likely to shape business decisions.

**43%**

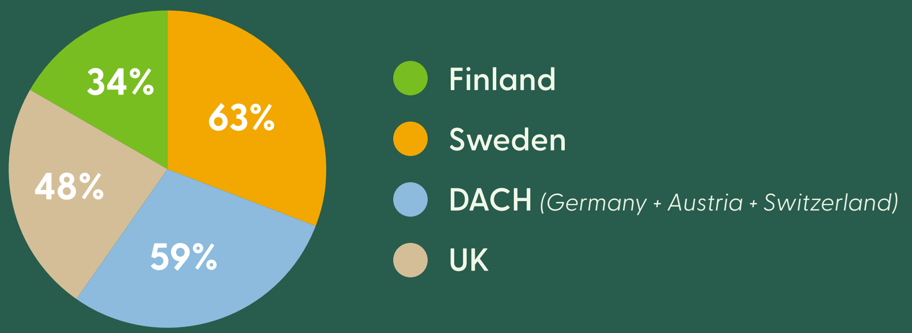
of respondents across regions view certification as the most critical factor driving their sustainability strategy.

## LOCATION MATTERS

While certification is widely viewed by all respondents as vital to sustainability strategy, it's not adopted equally across markets. There's a notable **46%** relative difference between the highest and lowest certification adopters.

This disparity raises a question of trust. Can regulators and consumers believe that an organization's environmental actions are impactful or credible if these actions aren't verified through rigorous certification standards and measured against certified benchmarks?

**Regional certification adoption levels:**



## Certification eases upstream burden

Manufacturers appear to feel the pressure of market expectations far more than buyers do. Their higher adoption of certification is likely driven by downstream demands: their **customers** – whether retailers, publishers, or end consumers – **are increasingly asking for proof of sustainable sourcing and ethical production.**

A German consumer-goods manufacturer we interviewed alluded to this pressure, noting that large customers like Amazon require proof of sustainability measures, adding that having FSC certification helps them meet this demand.

- **73%** of manufacturers vs **54%** of buyers report high market influence
- Certification adoption is higher among manufacturers **(59%)** than buyers **(41%)**

## RECOMMENDATIONS FOR TANGIBLE IMPACT MEASUREMENT AND MEANINGFUL COLLABORATION

Among all regions, Finland's respondents placed the strongest emphasis on the need for certification yet also reported the lowest adoption rate. What is driving this discrepancy? Survey participants explained that they want to understand how certification can help them **measure the impact of their action in a way that's tangible.** They also crave **meaningful collaboration** with stronger stakeholder engagement – overlooking or being unaware of the support certification can provide on this front.

Certification in the traditional sense is about verifying sustainable forest operations or sustainable sourcing. **FSC Verified Impact** is a slightly different tool used within FSC-certified forests: it quantifies and validates environmental benefits (like carbon sequestration or biodiversity conservation) of responsible management.

» **It meets the need for tangible evidence** of a forest's impact by using three levels of verification to validate that forest benefit data is credible. For example, in Spain, Verified Impact successfully measured efforts to boost biodiversity through habitat expansion for native and endangered species. Measurable, verified data showed the conservation area within FSC-certified forests in Andalusia and Galicia increased by **31.9%**.

» It serves as a bridge between two key stakeholders – forest managers and the private sector – **enabling strong collaboration that's mutually beneficial.** Forest managers can attract sponsorship from the private sector by proving they are making an impact, enabling them to continue the good work. The sponsor can then build customer trust by using verified claims in their own marketing efforts, showing how they are supporting sustainability.

APPROACH TO DRIVERS

# People: Doubt overshadows confidence

This driver considers how social inclusion is addressed to protect the livelihoods of forest-dependent communities, particularly marginalized groups.

*"The social requirements set by FSC help to raise the level of social responsibility along the entire supply chain. We expressly welcome and support this initiative."*

**German manufacturer in Appliances, Electrical, and Electronics sector**

## WEIGHT IN BUSINESS STRATEGY

Businesses are making concerted efforts and strong progress on integrating community rights into their sustainability approach. Our findings also highlight a strong correlation between this integration and higher levels of sustainability maturity.

**7 in 10**

organizations have **mostly / fully integrated** the rights and livelihoods of forest-dependent communities into their manufacturing / sourcing strategies

Advanced and Industry Leaders groups are more than

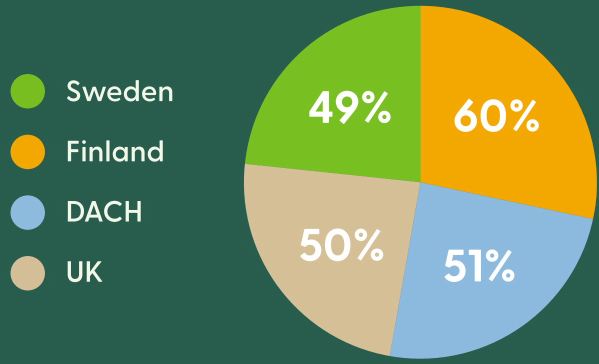
**twice as likely**

to **integrate community rights** in their business operations than those in the Emerging or Developing group (**93%** vs **46%** likelihood).

## ENGAGEMENT ANXIETY

The most prevalent barrier across all maturity levels is limited supplier engagement. Even the most mature respondents with confidence in their robust internal approach may be doubtful of supplier-side integration of community rights.

**Limited supplier engagement is a concern for:**



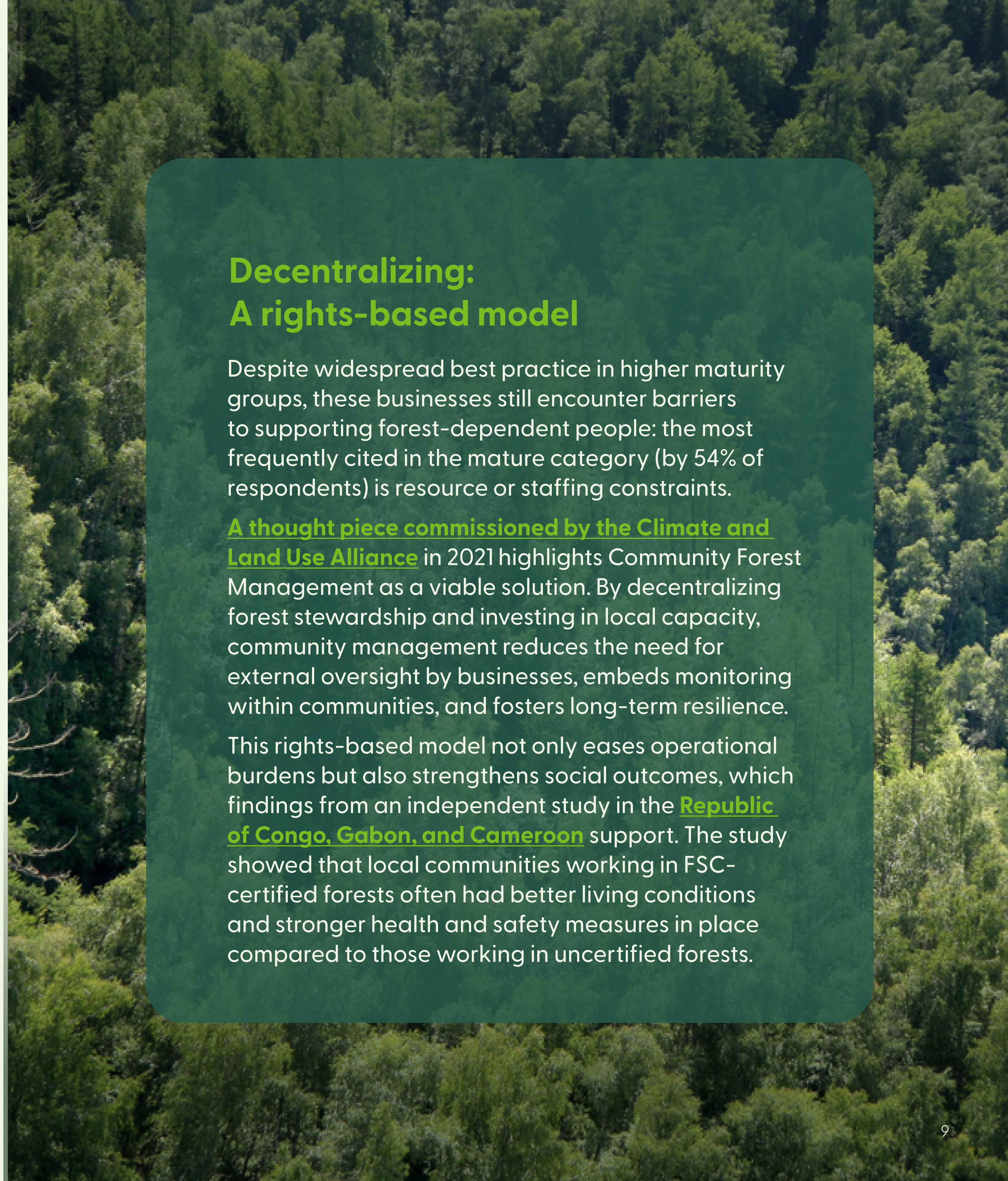
## RECOMMENDATIONS FOR HARNESSING STRATEGIC ADVANTAGE AND BUILDING RESILIENCE

Limited inconsistent, or incomplete input from suppliers means businesses might not be made aware of potentially exploitative conditions within certain parts of the supply chain. It's a valid concern – and support is at hand to help ease the engagement anxiety.

Businesses can strengthen supply chain responsibility by **requiring chosen vendors to be certified under schemes with strong social protection.** Many companies view **FSC certification as a key enabler** in this regard. In our survey, a Swedish consumer goods manufacturer and a German electronics firm both referenced their use of FSC standards for human rights due diligence and risk mapping. The German company noted certification significantly influences their supplier choice: "For FSC-relevant products, we work exclusively with suppliers who themselves have valid FSC certification. These requirements are [...] part of every supplier contract." Why is FSC's support, in particular, so valued?

**Two reasons:**

1. FSC has **the most robust inclusion of Indigenous, labour, and procedural rights in our certification frameworks**: a recent Cambridge University study ranked FSC highest for human-rights requirements among 12 forestry and fisheries schemes.
2. FSC is **actively helping companies address past environmental and social harm in a structured way that will bring more stakeholders into the sustainability fold**: under our Policy for Association and Remedy Framework, firms managing over 4.5 million hectares are preparing for restoration, with thousands of communities slated for restitution as a result.



## Decentralizing: A rights-based model

Despite widespread best practice in higher maturity groups, these businesses still encounter barriers to supporting forest-dependent people: the most frequently cited in the mature category (by 54% of respondents) is resource or staffing constraints.

A thought piece commissioned by the Climate and Land Use Alliance in 2021 highlights Community Forest Management as a viable solution. By decentralizing forest stewardship and investing in local capacity, community management reduces the need for external oversight by businesses, embeds monitoring within communities, and fosters long-term resilience.

This rights-based model not only eases operational burdens but also strengthens social outcomes, which findings from an independent study in the Republic of Congo, Gabon, and Cameroon support. The study showed that local communities working in FSC-certified forests often had better living conditions and stronger health and safety measures in place compared to those working in uncertified forests.

APPROACH TO DRIVERS

# Economy: The cost of sustainable buying

This driver looks at the balance between profitability and sustainability. It considers business attitudes towards forests: are they commoditized (exploited for their resources without any thought on protection), or viewed as valuable assets to be protected within a circular economy? Beyond attitudes, this driver considers the economic impact of unsustainable operations: from reputational damage and regulatory fines to poor market access.

*"Leadership requires a clear understanding of sustainable forestry practices and a vision for balancing economic with environmental needs."*

**Buyer in the UK**

## WEIGHT IN BUSINESS STRATEGY

In the current economic climate, businesses are doing all they can to serve market demands. And, with B2B and B2C **customers increasingly expecting sustainable options,** manufacturers and suppliers in the pulp and paper sector are feeling the pressure to deliver.

Over **3 in 5** say their **sustainable procurement** approaches are highly influenced by market demands.

**88%** of Advanced and Industry Leader businesses vs **48%** in Emerging and Developing groups are highly influenced by market demand.

**76%** of UK respondents categorize consumer influence as high – the pressure is less pronounced in Sweden (**66%**), Finland (**60%**), and the DACH region (**58%**).

## TRADE-OFF PRESSURE

Rising costs may see businesses prioritize affordability over sustainability, especially when raw material prices fluctuate or budgets tighten. It signals a higher likelihood of cost versus sustainability trade-offs, with businesses sourcing from uncertified suppliers or delaying investments in sustainable practices.

It's a stark reality that's especially challenging when operating within a global supply chain, as one UK-based book publisher told us: "as a global company, maintaining 100% FSC compliance can be challenging, especially when balancing sustainability with commercial needs and market demands."

**Inflation / cost pressure** is the **#1 factor** most likely to shape respondents' business decisions in next **12 to 18 months**

## Buyers hardest hit

When asked about cost pressure, **49%** of all buyers cited this as a sustainability barrier, showing they feel the pressure more acutely than manufacturers (**37%**). This is likely linked to the need to justify costs to customers. These aren't costs buyers can do much about: they can't control production efficiencies in the way manufacturers can to buffer increasing raw material and transportation fees, so they face price volatility head-on.

## RECOMMENDATIONS FOR HARNESSING STRATEGIC ADVANTAGE AND BUILDING RESILIENCE

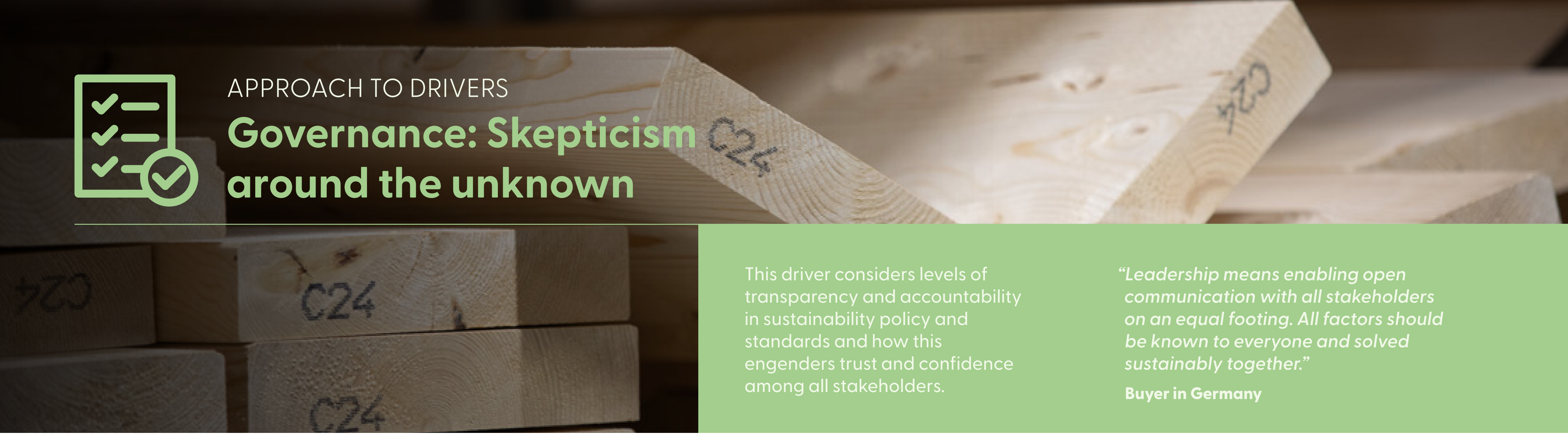
There are two ways to look at momentum. First, businesses must reframe sustainability as a strategic advantage. Second, businesses need to build resilience to supply chain shocks so that cost pressures don't unduly influence their sustainability journeys.

Our survey revealed that companies are successfully **leveraging certification to access markets, participate in tenders, and maintain customer relationships:**

- For one German consumer goods manufacturer, certification enables access to key markets and buyers. This manufacturer had received inbound requests from customers for more responsible sourcing and decided to have its wooden products FSC certified to meet these demands, which was well received by major buyers like Amazon.
- In the UK, a large book publisher relies on certification to maintain its strong sustainability reputation, helping it meet customer expectations. To support their market reputation, they mandated that all paper and board they sell be 100% FSC-certified.
- A Swedish consumer goods manufacturer said that FSC certification is often a minimum requirement for participation in tenders. Being FSC-certified enhances their credibility in the eyes of stakeholders.

It's important to state that many factors make the region's P&P businesses more vulnerable to supply chain shocks. As discussed in EMGE's Paper & Pulp Industry Outlook 2025, factors include Brexit-related trade frictions, regulatory divergence, mill closures, and energy market volatility driven by global geopolitical crises. Resilience is clearly critical, and it's something that certification can support.

- **FSC Chain of Custody Certification (CoC) helps build supply chain resilience by making material flows predictable, legal, and sustainable.** It verifies that forest-based materials are tracked from forest to finished product, so companies know exactly where their inputs come from. This predictability reduces uncertainty. CoC also ensures compliance with strict legal standards, helping businesses avoid delays or penalties when trade rules change. Finally, because certified suppliers manage forests responsibly, your supply will be more stable: you're not exposed to risks of source collapses due to poor practices or bans.




APPROACH TO DRIVERS

# Governance: Skepticism around the unknown

This driver considers levels of transparency and accountability in sustainability policy and standards and how this engenders trust and confidence among all stakeholders.

*"Leadership means enabling open communication with all stakeholders on an equal footing. All factors should be known to everyone and solved sustainably together."*

**Buyer in Germany**

## WEIGHT IN BUSINESS STRATEGY

Businesses that are further along on their sustainability journey consistently adopt more formal initiatives than those in the earlier stages. Additionally, our findings revealed a strong correlation between trust in sustainable forestry standards and greater sustainability maturity.

**70%**

of Advanced and Industry Leaders vs **40%** of Emerging and Developing businesses have third-party certification.

**47%**

of the Established group have high confidence in the consistency and credibility of sustainability standards compared with **84% in Advanced** and Industry Leader groups.

## TRANSLATING TRANSPARENCY

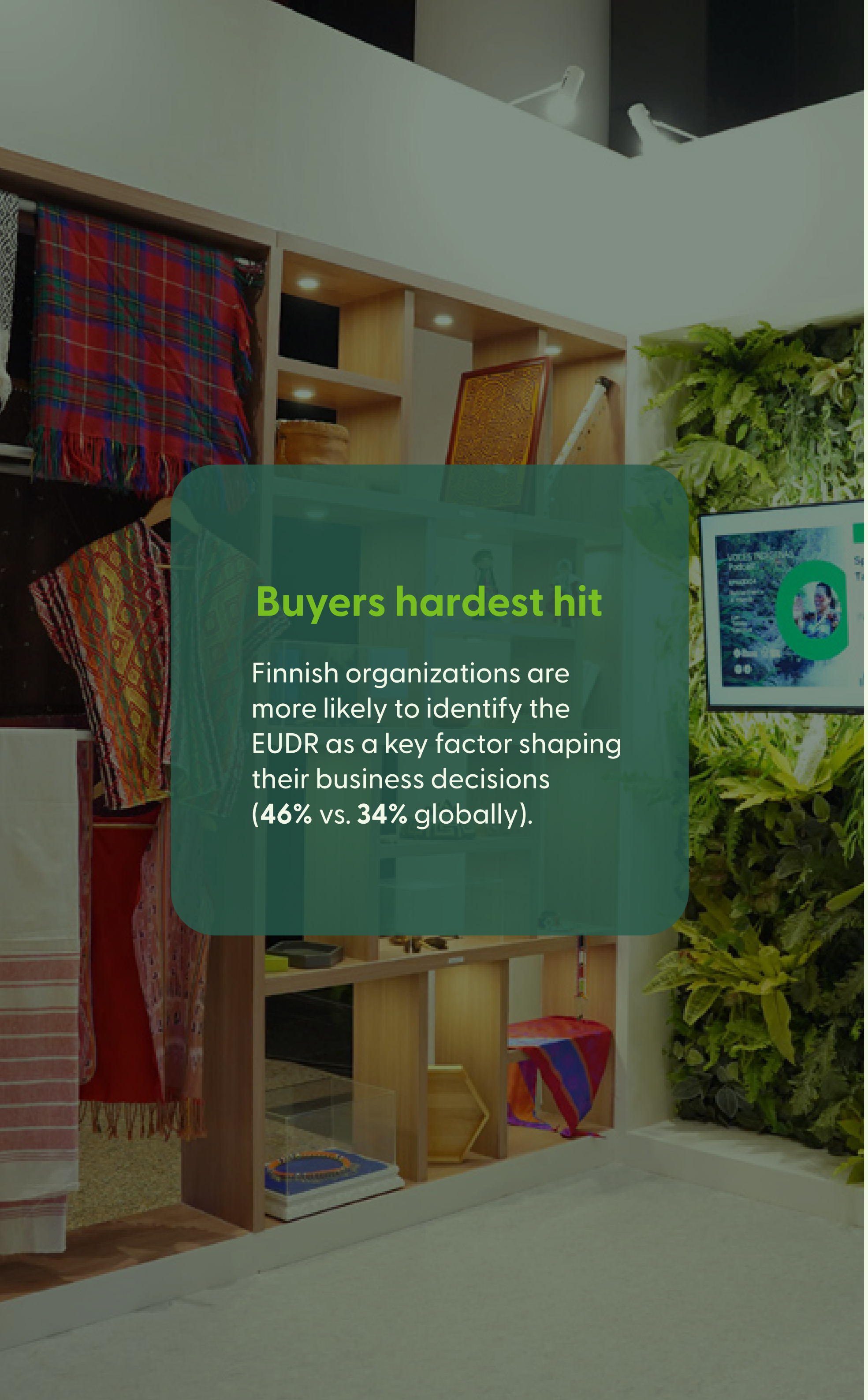
Certification's integrity can only be defended if the processes and decisions shaping them are visible and well-understood by all. This **transparency is critical to building trus**t in standards – with our findings pointing to **two areas that aren't inspiring full business confidence.**

The first area is around **supply chain traceability.** Buyers want assurance that certified products are genuinely sourced from sustainable forests so that they, in turn, can confidently promote their responsible practices to customers – and avoid accusations of greenwashing.

The second area touches on **clarity of value,** captured in this question: How exactly does certification help our business? For many, it's about demonstrating regulatory compliance that helps them **gain access to regulated markets** where buyers demand verified sustainability. Many respondents agreed with this sentiment, noting they want assurance that certification **aligns with key regulations**. Interestingly, this demand for certification is greater in Europe's Nordic regions, possibly reflecting forestry's outsized role in these economies, where regulatory shifts carry greater weight for business decisions than they might do in neighbouring markets.

*"Disclosing decisions and progress in the value chain strengthens trust in the industry's responsibility towards the public and regulators."*

**Buyer in Austria**



## Buyers hardest hit

Finnish organizations are more likely to identify the EUDR as a key factor shaping their business decisions (**46%** vs. **34%** globally).

## RECOMMENDATIONS FOR GOVERNANCE THAT EMBEDS TRUST

Value-added services for certificate holders provide the traceability and transparency needed for strong supply chain governance and resulting business value.

- FSC Trace is a secure online system that certificate holders can access. Built on blockchain technology, it enables users to create a private digital record of their certified supply chain transactions from forest to finished product. It also verifies sourcing data such as species, origin, and harvest details. By providing transparency and traceability, FSC Trace doubles as a valuable tool for generating due diligence statements needed for regulatory compliance. And this is where the value of certification becomes clear: it gives businesses access to regulated markets where buyers demand verified sustainability.
- **Annual independent audits:** every year, certificate holders must undergo an audit by a third-party certification body that's accredited by Assurance Services International. These audits verify that the certificate holder is still sourcing or producing sustainably to ensure transparency and accountability across the value chain remains intact. This impartial assessment of credibility is appreciated by certificate holders, with one Swedish consumer-goods manufacturer adding that FSC certification helps them maintain regulatory compliance (and the associated market access it brings) through "traceability and validation of supplier certificates".

PATH AHEAD

# Key learnings for progression

We undertook this survey with a simple yet powerful goal: to understand how P&P businesses are using formal sustainability initiatives like certification to manage their impact. What we uncovered was a landscape full of potential but marked by barriers that hinder progress on sustainability journeys.

## THE BIGGEST TAKEAWAYS?

- It's clear that **businesses** – particularly those at the start of their journey – are eager to do more but **need the right tools, support, and confidence to mature their sustainability efforts.**
- Present across all drivers, there is a **strong correlation between certification adoption and high sustainability maturity levels**, where businesses have successfully navigated identified barriers.

The path to sustainability maturity is not linear, but with the right resources and certification partner, businesses in the P&P sector can further transform their intention into impact. Let's recap the key barriers to sustainability progress, highlighting where certification can serve as a solution.

### FORESTS & PLANET DRIVER:

**Barriers:** Some regions, like Finland, emphasize certification's importance but report low adoption. The barrier? There's a need for clearer, measurable evidence of impact and more meaningful collaboration with stakeholders.

**Support:** Available to certificate holders, a tool like FSC's Verified Impact helps quantify and validate environmental benefits to provide credible, measurable evidence of impact. By serving as a bridge between forest managers and the private sector, this tool also facilitates meaningful collaboration that enables continued stewardship and builds a positive sustainability reputation for participants.

> *"Quality is our highest priority – FSC is not just a marketing tool for us, but an expression of our commitment to combining sustainability and quality."*
>
> **German manufacturer in Appliances, Electrical, and Electronics sector**

### PEOPLE DRIVER:

**Barriers:** Inconsistent or incomplete supplier data, exasperated by poor supplier engagement, can hinder awareness and action on social responsibility. Additionally, the lack of resources or staff is cited as a major barrier to supporting forest-dependent communities, even among high maturity groups.

**Support:** To ensure supplier-side integration of community rights, businesses should consider onboarding suppliers already certified under schemes with strong social protection. Meanwhile, certification models like Community Forest Management can be considered for decentralizing stewardship to reduce operational burdens and strengthen social outcomes.

## ECONOMY & MARKETS DRIVER:

**Barriers:** Rising costs and inflation are the top factors likely to shape business decisions, often forcing trade-offs between affordability and sustainability. Factors like trade frictions, regulatory divergence, mill closures, and energy market volatility increase vulnerability of the region's businesses to supply chain shocks, making resilience critical.

**Support:** Businesses must view sustainability as a competitive edge, not just a compliance requirement. This is because, as major buyers increasingly demand certified materials, certification gives access to key markets, supports participation in tenders, and helps maintain customer relationships. Building resilience across your supply chain is yet another way to weather economic headwinds that may tempt businesses to prioritize profits over sustainability for short-term benefits. Here, FSC Chain of Custody Certification is a useful way to make material flows predictable, legal, and sustainable, reducing operational uncertainty and supporting compliance with changing trade rules.

## GOVERNANCE DRIVER:

**Barriers:** Only about half of businesses in the Established group have high confidence in the consistency and credibility of sustainability standards, compared to much higher confidence in more mature groups. The barriers to this confidence are concerns around traceability and transparency, and a lack of clarity on the business value of certification.

**Support:** Available to Certificate Holders, a blockchain-based system like FSC Trace helps build a clear, assured picture of supply chain transparency, by enabling certificate holders to verify sourcing data and generate due diligence statements for regulatory compliance. Certification can be a valuable source of business value when its standards are aligned with regulatory compliance and when its credibility is assured through annual third-party audits. Enabling credible compliance is a trust-building advantage that opens the doors to customers wanting proof of sustainable practice.

**FSC® is committed to supporting Pulp and Paper businesses. Our Industry Lightpaper shows how we can help businesses overcome global or regional sustainability barriers, no matter their maturity level.**

Looking to be certified? Looking to explore the value-added solutions available to you as an existing certificate holder? **Visit our website to find the support you need.**

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