Greenhouse Gas Reduction - Science-Based Targets
2017 – Schweitzer-Mauduit International, Inc.

RESOLVED: Shareholders request that Schweitzer-Mauduit International (SWM) adopt time-bound, quantitative, company-wide, science-based goals for reducing total greenhouse gas (GHG) emissions, taking into account the goals of the Paris Climate Agreement, and report by January 1, 2018, at reasonable cost and omitting proprietary information, on its plans to achieve these goals.

Supporting Statement: The Paris Climate Agreement, which entered into force November 4, 2016, specifies a goal to limit the increase in global average temperature to “well below 2°C” above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C. To meet the 2-degree goal, climate scientists estimate global GHG emissions must be reduced 40-70 percent below 2010 levels by 2050; the US target is 26-28 percent below 2005 levels by 2025.

Noting government action and policy shifts ensuing from these commitments, BlackRock, the world’s largest asset manager, has stated that “climate change risk has arrived as an investment issue” and that “regulatory risks are becoming key drivers of investment returns.”

Reputational and regulatory risks are expected to increase. As understanding of climate change impacts develops, companies lacking comprehensive GHG reduction goals may be being singled out by regulators, the media and activists. In addition to reducing risk, setting corporate GHG goals can drive innovation, save money, and enhance our company's reputation.

The pulp and paper industry is the fourth largest industrial user of forestry and a significant emitter of greenhouse gas. In 2011, CEPI published a GHG reduction target to reduce CO_2 emissions of the European pulp and paper industry by 80% by 2050, compared to 1990 levels. As stated in CDP 2015’s Global Forests Report, up to 33% of the carbon mitigation needed annually to keep temperature rise in check could be achieved by addressing deforestation and forest degradation. Over half of S&P 500 companies have already set GHG emissions reduction targets. Several of SWM’ peers have done so as well:

- Klabin S.A.: 185 kg CO_2eq/t paper absolute reduction in 3 to 5 years
- UPM-Kymmene Corporation: 15% intensity reduction by 2020 (2008 baseline)
- Mondi PLC: 15% intensity reduction by 2030 (2014 baseline)
- Stora Enso Oyj: 35% intensity reduction by 2025 (2006 baseline)

Three key ways for companies to achieve GHG reductions are to: reduce direct emissions; improve energy efficiency; and use renewable energy. In 2013, CDP found that four out of five companies earn a higher return on carbon reduction investments than on their overall corporate capital investments, and that energy efficiency improvements earned an average return on investment of 196%, with an average payback period between two and three years. Money saved from energy efficiency can be reinvested into the business, benefiting shareholders.

If SWM fails to set and pursue GHG goals, it may not achieve the benefits realized by its peers resulting in a competitive disadvantage for the company and shareholders alike.