

Sonae Arauco

The company in brief

Sonae Arauco is one of the world's leading suppliers of wood-based solutions, manufacturing raw, decorative and construction wood products.

Why Natural capital

Why did they decide to use natural capital?

What was the trigger (internal or external)?

Back to the 90's, the main trigger was the certainty that, in a near future, wood would be a limited resource. Nowadays, Sonae Arauco faces a growing risk of forest fires, particularly in their Portuguese locations. With 500,000 ha burned and 100 people dead, 2017 was the worst year on record. Climate change also continues to pose risks relating to drought, pest and disease outbreaks. Together, these trends lead to increased pressure on natural capital assets and ecosystem services, such as soil loss, wood deficit, and water scarcity.

Meanwhile, a number of strategic imperatives drove the pressure for change within Sonae Arauco. These included the desire to mitigate the risk exposure to wood scarcity, increase supply chain resilience, reduce operating costs, gain competitive advantage from greater sustainability, and avoid the reputational risks of inaction.

The combination of external trends and strategic imperatives meant Sonae Arauco wanted to move from the traditional “take-make-dispose” model to a more circular natural capital model in order to better manage their risks and opportunities.

Sonae Arauco's interest in natural capital started in the 90's when formal natural capital assessments didn't exist. One of the company's shareholders – Sonae Indústria – was already forecasting wood deficit, due to a high pressure on the wood markets. They realized that with the recycling of wood “wastes”, like pallets, crates and other commercial transport packaging of wood, furnishing, construction and demolition wood, etc., which are also used in the production of wood-based panels, it would be possible to keep this natural material “circulating”, avoiding its burning or disposal in landfill. Then, supported by extensive knowledge of the business and the vision of its leaders – they introduced a new component into its value chain, thereby developing an entire business ecosystem in the area of wood recycling.



Approach to natural capital

Sonae Arauco's approach to circular natural capital has four pillars: sustainable forestry & sourcing responsibly, circularity, natural capital conservation and restoration, and innovation.

Under the first pillar, Sonae Arauco sought certification from FSC and PEFC to promote forest certification throughout their value chain and ensure that the wood they used came from sustainably managed, certified and other controlled sources. Under circularity, Sonae Arauco sought to reduce the pressure on natural capital by reducing the use of virgin materials. This also allows the carbon within wood to remain stored rather than released into the atmosphere through burning.



As part of the third pillar, innovation, Sonae Arauco prioritised the efficient use of resources. Finally, Sonae Arauco complements these with natural capital conservation and restoration – investing in research and development to create better forest management systems, and the company will start investing directly in natural capital to offset some of its CO₂ emissions.



In order to overcome the wood scarcity problem, Sonae Arauco had to develop an entire business ecosystem in the area of wood recycling. This was the major challenge because it was done from scratch: Through the operation of a service to manage wood waste, offering all waste producers solutions for this type of waste, whether through delivery to recycling centers or through the provision of wood collection service – putting containers in the waste producer facilities, thus creating an entire new circuit for wood recycling in the Iberia Peninsula.

Outcomes

Since the end of the 90s, this is one of the company's most strategic investments: whether upstream, with the wood recycling centres and the for cleaning lines for recycled wood for separating materials, or downstream, adapting the particle board plants to consume recycled wood. It was necessary to implement a recycling system for wood waste, from pallets to packaging, furniture, doors, construction, etc. The decision to integrate recycled wood in Sonae Arauco's products was visionary and nowadays the business wouldn't be sustainable without it. Recycling wood is cornerstone pillar of Sonae Arauco's circular economy model.

The campaign is being led by the [Institute of Chartered Accountants in England and Wales](#) alongside the [World Business Council for Sustainable Development](#), [IUCN](#) and [Oppla](#).



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