

Global Responsibility Performance

Part of Stora Enso's Annual Report 2014



Stora Enso Global Responsibility Performance 2014

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About this report

Stora Enso's Annual Report 2014 consists of four reports: the Progress Book, which explains Stora Enso's strategy, how we create value and how our work is progressing; the Financial Report; the Global Responsibility Performance Report, prepared in accordance with the Global Reporting Initiative (GRI) guidelines; and the Corporate Governance Report.

The Stora Enso Annual Report 2014 is made up of:



Progress
Book



Financial
Report



Global Responsibility
Performance



Corporate
Governance Report

Global Responsibility

Strategy and governance

- » **Strategy and governance**
 - » **Stakeholder relations**
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-

Strategy and governance

Our Global Responsibility Strategy directs us to systematically enhance the sustainability performance of our operations, and create shared value with our stakeholders. During 2014 we continued to implement this strategy in all our divisions, while significantly reshaping our organisational structures related to Global Responsibility.

The Group's strategy and value creation process with regard to financial, social and environmental aspects is described in our Progress Book 2014.

For more information see our Progress Book



In the Progress Book we also describe how global megatrends are driving our innovation and product development.

Our Global Responsibility Strategy defines three Lead Areas in which Stora Enso is especially working to enhance operational sustainability and take leadership. These Lead Areas are: People and Ethics, Forests and Land Use, and Environment and Efficiency. For each Lead Area we have defined specific key performance indicators (KPIs) and targets (see [page 8](#)).

The contents of this report have also been structured under the Lead Areas. Our progress on the Lead Areas is described in detail throughout this report, together with the relevant KPIs.

Strategy implementation in 2014

During 2014 all Stora Enso divisions focused on incorporating our Group-level and division-specific Global Responsibility KPIs into ongoing performance reporting and business steering.

In connection with our annual Enterprise Risk Management (ERM) baseline assessment, a separate Global Responsibility risk evaluation was conducted in all divisions and key service and support functions. This included the identification of risks based on our Global Responsibility risk model, the assessment of relevant risks in accordance with pre-defined evaluation criteria, and the identification of critical risk mitigation actions.

To ensure effective enforcement, progress on these mitigation actions is followed up in the Group's quarterly business performance reviews with the divisions. The main risks affecting the Group and corresponding risk management and mitigation measures are discussed in the Stora Enso Progress Book 2014.

For more information see our Progress Book



Global Responsibility governance

Global Responsibility and ethics are emphasised throughout Stora Enso's corporate governance, starting from our Board of Directors, the CEO and our Group Leadership Team (GLT).

For more information see our Progress Book



Our CEO is ultimately responsible for the implementation of our strategies on Global Responsibility and ethics, and related KPIs and policies.

Our Board of Directors' [Global Responsibility and Ethics Committee](#), established in 2013, helps the Board to oversee the implementation of our strategies on Global Responsibility and ethics. The committee regularly reviews these strategies and oversees their implementation, in accordance with Stora Enso's corporate governance structure. The committee members have also reviewed the disclosures presented in this report.

During 2014 the Global Responsibility and Ethics Committee convened five times. One of the main focus areas of these meetings related to the review of new reporting and performance management process. Other focus areas of these meetings related to our new governance model, the addition of a Global Responsibility section into interim reviews, and the execution of a risk assessment process related to Global Responsibility risks.

The committee also visited Stora Enso's operations in Guangxi, China to gain an in-depth understanding of ongoing efforts to address the social and environmental impacts of this project.

Reshaping organisational structures

During 2014 several changes were made in Stora Enso's organisational structure related to Global Responsibility, with the aim of bringing Global Responsibility management closer to the CEO and the GLT, while also integrating material Global Responsibility topics more deeply into our business and strategic planning.

Global Responsibility became a function of its own within Stora Enso, after previously forming part of the Global Identity function. In this connection the Head of Global Responsibility also became a member of the Group Leadership Team.

All of our business divisions will continue to have their own Heads of Global Responsibility with a direct reporting line to the Heads of Business Divisions as members of divisional management teams.

In 2014 a new Enterprise Risk Management and Sustainability Controlling function was also established under the CFO, in order to further develop our risk management, performance measurement, controlling and reporting related to environmental, social and governance issues (ESG). This will serve to improve the development and control of ESG-related data management within Stora Enso, together with the independent external assurance provided for this report.

In 2014 a new Global Responsibility Director was nominated for our China country organisation (see [page 68](#)). Stora Enso's investment project and tree plantation operations in Guangxi (see [page 70](#)) will continue to have their own dedicated Global Responsibility team.

Our joint operations Veracel in Brazil (see [page 82](#)) and Montes del Plata in Uruguay (see [page 85](#)) and our equity-accounted investment Bulleh Shah Packaging in Pakistan (see [page 78](#)) continue to have their own dedicated Global Responsibility teams as well as sustainability committees including representatives from Stora Enso and our joint venture partners.

Special efforts in countries with heightened concerns

During the last decade Stora Enso has expanded its business operations into geographical areas which offer excellent business opportunities, but which

also entail increased exposure to risks related to responsibility and compliance issues.

During 2014, human rights issues related to Stora Enso's joint venture operations in Pakistan, Bulleh Shah Packaging, in which Stora Enso has a 35% share, were a major concern to our stakeholders (see [pages 10–11](#)). Our Global Responsibility related work in Asia and South America is described in detail in the regional sections of this report.

Defining material topics

At Stora Enso we regularly conduct a materiality analysis for topics related to Global Responsibility. This helps us to define material topics to address in the development of our strategy, while also facilitating the identification of business risks and opportunities, and our reporting on our Global Responsibility performance. Definitions of material topics are based on our stakeholders' concerns and expectations, and on assessments of the impacts of our operations.

In 2014 we continued to engage our internal and external stakeholders through our Online Advisory Panel, which we ran for a third consecutive year.

A pre-defined list of topics related to Global Responsibility was presented to the panel, and our stakeholders were asked to prioritise these topics. The pre-defined list was based on analyses of our customer feedback, investors' questions, global media coverage of Stora Enso in the context of sustainability issues, the Global Reporting Initiative's sustainability reporting framework, our Enterprise Risk Management (ERM) process, and our Group-wide human rights impact assessments (see [page 18](#)).

In addition to prioritising topics, stakeholders were asked to comment on the topics most important to them, and to provide open feedback. The panel included a total of 228 participants representing

different stakeholder groups from more than 35 countries. A summary of the Online Advisory Panel's outcomes was subsequently shared with the panel participants in January, 2015.

Compared to previous years, the stakeholder representatives in our Online Advisory Panel gave increased emphasis to human rights issues. One such issue is child labour, which was a major stakeholder concern in 2014 in relation to the supply chains of our joint venture company Bulleh Shah Packaging in Pakistan. Our stakeholders also continued to emphasise the importance of responsible forest and plantation management, business ethics, a sustainability driven business approach, and climate and energy actions.

In addition to using the outcomes of our Online Advisory Panel, we gathered internal views from our divisions and key Group functions through a webinar session and a voting process.

The final results were consolidated, and some closely related topics were combined to increase the overall clarity of the materiality review. Our materiality matrix shows the Global Responsibility topics perceived as most important by our stakeholders and our own experts. In the diagram their vertical position is based on their ranking from among stakeholder representatives in the Online Advisory Panel. Their horizontal positions illustrates the topics' relative sustainability impact based on the views of experts from our divisions and key Group functions.

The materiality matrix has been reviewed and approved by our Group Leadership Team and also presented to the Board of Directors' Global Responsibility and Ethics Committee in December 2014.

Managing daily sustainability issues

Stora Enso's divisions, units and support functions are responsible for daily sustainability issues and their operational management. We use a wide range of tools for this work in practice, including:

- specific policies, guidelines and statements on Global Responsibility
- Global Responsibility targets and key performance indicators (KPIs) (see [page 8](#))
- management systems such as ISO and OHSAS
- forest certification schemes (see [page 37](#))
- supply chain management and supplier assessments (see [page 30](#))
- environmental and social impact and risk assessments



For more information see our [Progress Book](#)

- human rights impact assessments (see [page 18](#))
- sustainability due diligence for investment decisions



For more information see our [Progress Book](#)

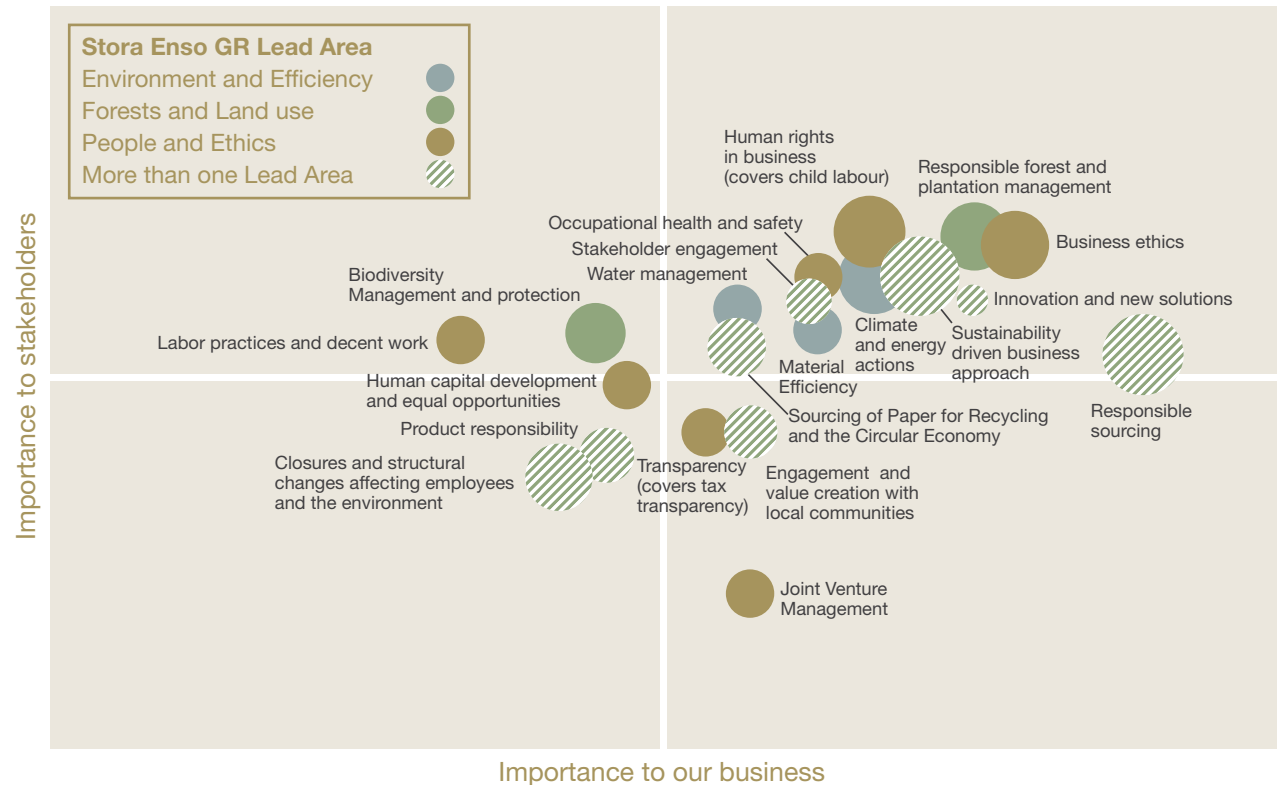
- responsibility reporting and third party assurance

Global Responsibility ultimately entails responsibilities for everyone working at Stora Enso, and we expect all of our employees to fulfil these commitments and responsibilities in their everyday work.

Our Code of Conduct and other policies, guidelines and statements related to Global Responsibility spell out Stora Enso's approach to issues that are material to us, and guide all of our employees.

These documents are available at storaenso.com/sustainabilitypolicies.

MATERIALITY MATRIX



This Materiality Matrix illustrates the importance of Global Responsibility topics as perceived by our own business experts and our stakeholders. The sizes of the circles reflect the scale of impacts along the Group's whole value chain, as evaluated by experts from our Global Responsibility function. The materiality matrix has been reviewed and approved by our Group Leadership Team and also presented to the Board of Directors' Global Responsibility and Ethics Committee in December 2014.

KEY PERFORMANCE INDICATORS AND TARGETS

	Key performance indicator (KPI)	2014	2013	Targets	Progress	
People and Ethics	Health and safety	Total recordable incident (TRI) rate ¹	12.5	14.0	< 5 by the end of 2015	Behind target
		Lost-time accident (LTA) rate ²	5.2	6.0	< 1 by the end of 2015	Behind target
	Human rights	Extent of implementation of the Group's approach to human rights issues.	100% of assessments completed	n/a	Human rights assessment to be conducted by the end of 2014.	Achieved
					Action plans in place by the end of the second quarter 2015 to address prioritized assessment findings ³ , and no later than by the end of 2015 to address all assessment findings.	In progress
	Ethics and compliance	Employees' perception of the Group's adherence to our Code of Conduct ⁴	69% of employees agree or strongly agree	64%	Positive trend	In progress
	Sustainable leadership	Leadership index ⁵	76	75	80 by the end of 2018	In progress
Responsible sourcing	% of supplier spend covered by Supplier Code of Conduct (SCoC). ⁶	78%	n/a	To include unit-level contracts in supplier spend figures during 2014.	Achieved	
				90% of total supplier spend covered by SCoC by the end of 2016.	In progress	
Forest and Land use	Efficiency of land use	Increase (%) in the volumes of fibre produced per hectare in certified tree plantations owned and managed by the company. ⁷	Baseline defined for future calculations	n/a	25% increase by the end of 2020.	In progress
	Sustainable forestry	% of the lands owned and managed by the company covered by forest certification schemes.	93%	93%	96% by the end of 2017.	In progress
Environment and Efficiency	Climate and energy	Reduction of CO ₂ emissions per saleable tonne of pulp, paper and board (kg/tonne)	-26%	-28%	-35% from 2006 benchmark level by the end of 2025	In progress
	Process water discharges	Reduction of process water discharges per saleable tonne of pulp, paper and board (m ³ /tonne)	-4%	-7%	-10% from 2005 benchmark level by the end of 2015	In progress
		Reduction of Chemical Oxygen Demand (COD) per saleable tonne of pulp, paper and board (kg/tonne)	-6%	-11% ⁸	-10% from 2007 benchmark level by the end of 2015	In progress
	Material efficiency	Material efficiency index	n/a	n/a	To establish a Group-wide measurement process and target during 2014.	Not achieved
To establish a Group-wide measurement process and target by the end of 2015.					In progress	

¹ Number of incidents per one million hours worked.

² Number of lost-time accidents per one million hours worked.

³ Prioritised assessment findings relate to possible legal non-compliances, gaps with the Group's policies, and/or severe or irremediable impacts.

⁴ Measured in the annual employee survey.

⁵ Measured in the annual employee survey. Stora Enso's Leadership Index (LSI) is built around our five leadership themes: customer needs, business acumen, do what's right, inspire & motivate, and people management. The LSI is compiled on the basis of average response ratings on a five-point scale to 14 questions covering the five leadership themes. The index is reported as a number between 0 and 100. A perfect LSI score of 100 would mean that all respondents had given the highest possible rating (5) in response to all 14 questions.

⁶ The Group's suppliers in terms of supplier spend in 2013, excluding joint operations and wood supply. The target scope covers the Group's total annual supplier spending, including wood supply.

⁷ Measured as Mean Annual Increment (MAI, m³/ha) and calculated as a weighted average for planted areas in each certified plantation venture.

⁸ Recalculated due to reporting errors.

Stakeholder relations

Stakeholder relations lie at the core of Stora Enso's approach to Global Responsibility. Stakeholders have a considerable impact on our business – presenting us with both risks and opportunities. We see engagement with all stakeholders as crucial for the success of our business. The identification of all stakeholders affected by our business is a continuous challenge for Stora Enso globally.

Stora Enso's stakeholder relations are particularly guided by our Code of Conduct, our Business Practice Policy, and other policies on Ethics and Compliance, and our Stakeholder Guidelines. All Stora Enso employees are obliged to follow these policies and guidelines whenever they deal with stakeholders. These policies and guidelines on stakeholder engagement can be downloaded at storaenso.com/sustainabilitypolicies.

For details of our Code of Conduct and Business Practice Policy see [page 23](#).

Our stakeholder engagement is based on regular contacts with our stakeholders at meetings, fairs, community events, public hearings, open house events at our units, and other events organised by or for our stakeholders. We also receive stakeholder feedback through grievance channels, trade unions, and various surveys and studies, including surveys on customer and employee satisfaction levels.

Stora Enso develops products, services and production processes in collaboration with our customers and other stakeholders. Our systematically collected customer feedback plays an essential role

in this work. Most of our customer feedback relates to expectations concerning our products, services, delivery and prices. Issues related to innovation, product development and sustainability are also mentioned frequently. Product safety is also a crucial issue for our customers. For more information see Product responsibility (see [page 60](#)).

In 2014 all our production units and wood supply operations mapped their stakeholders as part of their human rights assessments (see [page 18](#)).

We also continued to collect feedback from stakeholders through digital channels. In 2014 we re-launched Stora Enso's Global Responsibility online Advisory Panel by inviting people representing different stakeholder groups around the world to help shape our Global Responsibility agenda and reporting (see [page 6](#)).

New strategic partnerships

Transparency International's Business Principles for Countering Bribery

In March Stora Enso became a corporate member of the [Steering Committee of the Business Principles for Countering Bribery](#), a multi-stakeholder initiative led by Transparency International.

This committee oversees and contributes to the content and development of the Business Principles, and also provides advice that helps Transparency International develop related tools. The committee's members support the current phase of the Business Principles for Countering Bribery, contribute their knowledge and expertise to help further develop the principles, and promote the principles within their own organisations.

Our stakeholders

We consider anyone interested in our work as a stakeholder. Significant stakeholder groups for Stora Enso include:

- Consumers
- Customers
- Employees
- Forest owners
- Governments
- Investors
- Local communities
- Media
- NGOs
- Partners and suppliers

By joining the Steering Committee, Stora Enso is supporting Transparency International's important work and playing an active part in this international network's efforts to combat corruption globally.

Save the Children

In July Stora Enso and [Save the Children](#) made an agreement to initiate collaboration focusing on children's rights and assessing the impacts of our operations and supply chains on children. Save the Children were assigned to assess the challenges, gaps and opportunities we face in relation to supporting children's rights.

They then reviewed Stora Enso's business principles and Global Responsibility policies and processes to examine whether they are all in line with our goal to support and enhance children's rights. The review recognised that our policies and guidelines reflect an overall respect for children's rights. The review's key recommendations related to adding an adequate reference to the UN Convention on the Rights of the Child, and developing a separate child protection policy for countries where children's rights are at risk. As part of this collaboration 26 members of Stora Enso's top management including the CEO participated in an awareness-building training session on children's rights held in January 2015.

In October 2014 this cooperation was expanded to Chennai, India, where Save the Children launched a project to evaluate potential violations of children's rights in Stora Enso Chennai Mill's supply networks. By the end of the first quarter of 2015, Save the Children will map relevant local stakeholders within the mill's supply networks, and analyse any potential violations of children's rights. This work focuses on the prevalence and root causes of possible violations, gaps in legislation, policy frameworks through which

this challenge can be addressed, and related attitudes and practices. The goal is to determine how all the relevant stakeholders can together combat any violations of children's rights in this context.

Major stakeholder concerns

Bulleh Shah Packaging and child labour in supply networks

In March 2014 our 35%-owned joint venture operations in Pakistan, Bulleh Shah Packaging, came under intense scrutiny by the Swedish media on the issue of child labour in the supply networks of used carton board (UCB). Following the airing of the related programme on Sweden's TV4, Stora Enso engaged in consultations with a wide range of stakeholders including media representatives, NGOs, customers, owners and investors, and other stakeholders.

Bulleh Shah Packaging had taken action already in 2013 to map out sustainability aspects of its supply chains. Bulleh Shah Packaging then terminated its UCB supply network in April 2014, and is currently working to rehabilitate the affected children in schools run together with local NGO partners. At the same time the company has intensified audits of old corrugated container (OCC) suppliers and agricultural residual suppliers, which are especially susceptible to children's rights violations. For more information see pages 78–80.

Stora Enso will continue to report on progress related to these commitments quarterly in interim reviews published together with our quarterly financial results. This annual report also includes a detailed feature reviewing Bulleh Shah Packaging and its Global Responsibility priorities. Our public statements and commitments related to our stakeholders' concerns are available at storaenso.com/bulletins.

A serious forest fire in Sweden

A severe forest fire started in central Sweden in late July. The fire, described as one of the largest in Sweden for decades, destroyed some 14 000 hectares of forest. Bergvik Skog, of which Stora Enso owns 49 percent, owns about 2 000 hectares of forest land in the affected areas. Stora Enso buys wood from Bergvik Skog and manages the majority of the company's forests in central Sweden. The fire was first reported by a subcontractor from Stora Enso who was working on soil scarification in the area. At the end of 2014 police investigation into the cause of the fire was still ongoing.

Transparency on tax payments

During the year Stora Enso built up an externally assessed reporting process which now includes providing details of the taxes paid by the Group to governments in the main countries where we operate. During 2014 many of our stakeholders also expressed their support for more transparent tax reporting. This issue was widely discussed in the media, and in Finland Stora Enso was also among the companies targeted in a campaign run by Finnish NGOs advocating companies to disclose more information on their tax payments.

For more information see our Progress Book



Rights and Resources Initiative (RRI) report on Stora Enso's operations in China

In April 2014 the [Rights and Resources Initiative \(RRI\)](#) and the [Landesa Rural Development Institute](#) jointly published a report about Stora Enso's operations in Guangxi, entitled "Forestland acquisition by Stora Enso in South China: Status, Issues and Recommendations". The report, based on field

research carried out in February 2013, discusses Stora Enso's land leasing practices, contract screening and correction, the effects of land reform on the contracts, and Stora Enso's overall approach to responsible land tenure. The full report, together with Stora Enso's detailed response, is available at <http://www.rightsandresources.org>.

The Rights and Resources Initiative (RRI) is a global coalition of organisations working to encourage forest land tenure and policy reforms, and to transform the forest economy to reflect local development agendas and support local livelihoods. The Landesa Rural Development Institute works to secure land rights for some of the world's poorest people.

The report follows up on an earlier report published by RRI and Landesa in 2010. Stora Enso collaborated closely with RRI and Landesa by inviting the researchers to visit our operations in Guangxi, and by maintaining dialogues with the organisations throughout the making of the report. In many respects the report supports Stora Enso's responsibility agenda in Guangxi, as well as our vision for the future. For more information about our operations in Guangxi, see [page 70](#).

Closure of Corbehem Mill

In January Stora Enso Corbehem initiated negotiations aiming to create a social plan relating to the potential permanent shutdown of the mill. The plan would affect 334 people. After the announcement this decision was criticised by local labour unions, the local media and the French Minister of Economy. Part of this criticism focused on Stora Enso's efforts to find a suitable buyer for the mill, though Stora Enso insists that all possible options were explored. Stora Enso approached companies worldwide and was willing to contribute substantial financial support to facilitate any takeover, but in spite of these efforts Stora Enso did not find a robust purchaser for the mill during 2014.

Memberships in associations

In 2014 Stora Enso continued to be a member of the following associations:

- [World Business Council for Sustainable Development \(WBCSD\)](#)
- [UN Global Compact](#)
- [Transparency International's Steering Committee of the Business Principles for Countering Bribery](#) (since 2014)
- [Confederation of European Paper Industries \(CEPI\)](#)
- [The Alliance for Beverage Cartons and the Environment \(ACE\)](#)
- Various national industry federations and trade associations
- Various forest certification bodies
- [The Forests Dialogue](#)
- [The Environmental Committee of the International Organisation for Standardisation \(ISO\)](#), through national member committees

External recognition of our sustainability work



FTSE4 Good Index

Stora Enso was again included in the FTSE4Good Index Series, where we have been listed since 2001. These indexes have been designed to measure the performance of companies that meet globally recognised corporate responsibility standards.



Carbon Disclosure Leadership Index

Stora Enso was included for the fifth consecutive year in the Carbon Disclosure Project's (CDP) Nordic Carbon Disclosure Leadership Index (CDLI) for our reporting on carbon emissions.



RobecoSAM Sustainability Award

Stora Enso has again qualified for inclusion in RobecoSAM's 2015 Sustainability Yearbook, where we have received a Bronze Class distinction for excellent sustainability performance. This yearbook lists the world's most sustainable companies in each industry, as determined by their scores in RobecoSAM's annual Corporate Sustainability Assessment (CSA).



UN Global Compact 100 Stock Index

Stora Enso has been included in the United Nations Global Compact 100, a global stock index that combines corporate sustainability and financial performance.

OMX GES Sustainability Finland index

Stora Enso was included in the NASDAQ OMX and GES Investment Service's OMX GES Sustainability Finland index. GES Investment Services compare leading companies listed on NASDAQ OMX Helsinki with regard to their responsibility work on environmental, social and governance issues. The 40 top-ranking companies in the assessment are included in the index.



STOXX Global ESG Leaders indexes

Stora Enso was listed for the fourth consecutive year in the STOXX Global ESG Leaders indexes. These indexes rate leading global companies according to environmental, social and governance criteria.



ECPI Ethical Indices

Stora Enso is also included in the ECPI Ethical indices. ECPI has provided advisory services including research, ratings and indices related to sustainability since 1997, particularly focusing on environmental, social and governance issues, as well as quantitative financial analyses.



Ethibel Investment Register

Stora Enso has been listed in Forum ETHIBEL's Ethibel EXCELLENCE Investment Register since February 2014. Such recognition indicates that the company performs better than average in its sector in terms of corporate social responsibility.



Euronext Vigeo – Europe 120

Stora Enso has maintained its position in the Euronext Vigeo – Europe 120 index as one of the 120 most advanced European companies in terms of environmental, social and governance performance.



Oekom Research

Stora Enso was classified as "Prime" by Oekom Research's Environmental, Social and Governance rating methodology.

STRATEGIC LEAD AREA

People and Ethics

- » **Health and safety**
 - » **Human rights**
 - » **Ethics and compliance**
 - » **Our personnel**
 - » **Responsible sourcing**
-

In our People and Ethics Lead Area our focus is to conduct business in a socially responsible manner along our value chain. We set high ethical and professional standards throughout our global operations, and fully respect and support the human rights and labour rights of all our employees and the communities around our operations. We are committed to ensure that our workplaces are healthy and safe, and we aim to make Stora Enso an employer of choice.



Health and safety



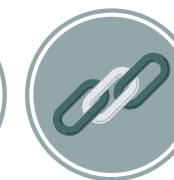
Human rights



Ethics and compliance



Sustainable leadership



Responsible sourcing

		Key performance indicator	2014	2013	Targets	Progress
People and Ethics	Health and safety	Total recordable incident (TRI) rate ¹	12.5	14.0	< 5 by the end of 2015	Behind target
		Lost-time accident (LTA) rate ²	5.2	6.0	< 1 by the end of 2015	Behind target
	Human rights	Extent of implementation of the Group's approach to human rights issues.	100% of assessments completed	n/a	Human rights assessment to be conducted by the end of 2014.	Achieved
					Action plans in place by the end of the second quarter 2015 to address prioritized assessment findings ³ , and no later than by the end of 2015 to address all assessment findings.	In progress
	Ethics and compliance	Employees' perception of the Group's adherence to our Code of Conduct ⁴	69% of employees agree or strongly agree	64%	Positive trend	In progress
	Sustainable leadership	Leadership index ⁵	76	75	80 by the end of 2018	In progress
Responsible sourcing	% of supplier spend covered by Supplier Code of Conduct (SCoC). ⁶	78%	n/a	To include unit-level contracts in supplier spend figures during 2014.	Achieved	
				90% of total supplier spend covered by SCoC by the end of 2016.	In progress	

¹ Number of incidents per one million hours worked.

² Number of lost-time accidents per one million hours worked.

³ Prioritised assessment findings relate to possible legal non-compliances, gaps with the Group's policies, and/or severe or irremediable impacts.

⁴ Measured in the annual employee survey.

⁵ Measured in the annual employee survey. Stora Enso's Leadership Index (LSI) is built around our five leadership themes: customer needs, business acumen, do what's right, inspire & motivate, and people management. The LSI is compiled on the basis of average response ratings on a five-point scale to 14 questions covering the five leadership themes. The index is reported as a number between 0 and 100. A perfect LSI score of 100 would mean that all respondents had given the highest possible rating (5) in response to all 14 questions.

⁶ The Group's suppliers in terms of supplier spend in 2013, excluding joint operations and wood supply. The target scope covers the Group's total annual supplier spending, including wood supply.

Health and safety

We are striving to become an accident-free workplace, and we start the journey towards this goal every morning. Our leaders play a crucial role in shaping our safety culture, but each employee at our units is responsible for making every workday an accident-free day. Our guiding principle is “Everybody home safe, every day”.

A robust approach to safety issues

Our Health and Safety Policy sets out the overall objectives and principles for occupational, health and safety (OHS) management. The policy is available at storaenso.com/sustainabilitypolicies.

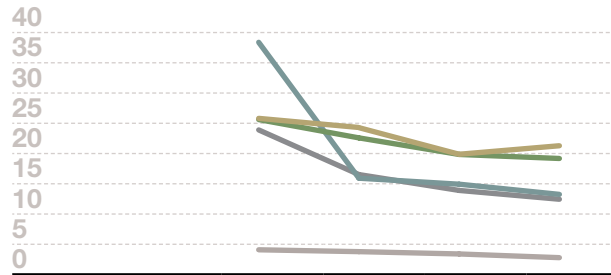
Stora Enso’s OHS Mode of Operation, which defines how we manage OHS issues in practice, was revised during 2014. The new document describes the main elements of our OHS management system, including roles and responsibilities, and details of how OHS issues are integrated into the company’s annual planning and reporting.

Our divisions are primarily responsible for operative OHS management. The Group’s OHS function develops and maintains Group-wide OHS policies, systems, tools and services. The majority of daily health and safety work takes place in our units: at mills, offices and other sites.

The local OHS committees at our units provide a common forum where employees and management discuss safety issues and agree on actions that will

TOTAL RECORDABLE INCIDENT RATES (TRI)

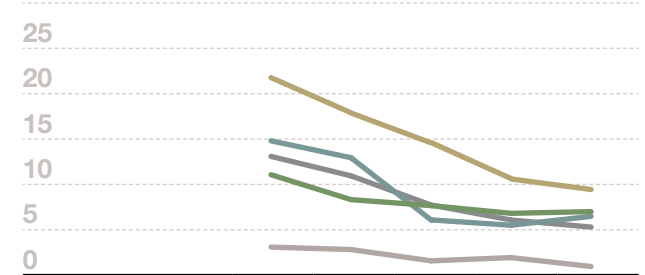
Number of incidents per one million hours worked



	2011	2012	2013	2014
Finland	26.2	24.3	19.9	21.7
Sweden	26.0	22.8	19.9	19.2
Central Europe	38.7	16.0	15.0	13.3
China	4.6	4.2	3.7	2.9
Group	24.3	16.7	14.0	12.5

LOST-TIME ACCIDENT RATES (LTA)

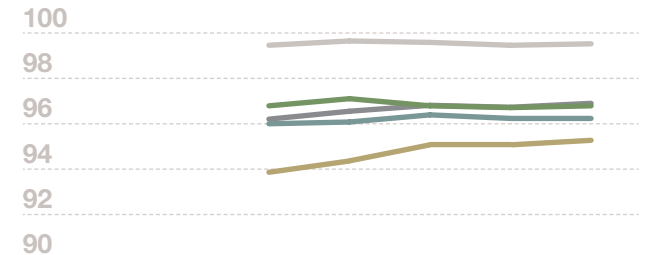
Number of lost-time accident per one million hours worked



	2010	2011	2012	2013	2014
Finland	21.8	17.7	14.7	10.5	9.3
Sweden	11.2	8.3	7.6	6.7	6.9
Central Europe	14.9	13.0	6.0	5.4	6.4
China	3.3	3.0	1.6	2.0	0.9
Group	13.2	11.0	7.7	6.0	5.2

ATTENDANCE RATES

% of theoretical working hours



	2010	2011	2012	2013	2014
Finland	93.9	94.5	95.2	95.2	95.3
Sweden	96.8	97.2	96.8	96.7	96.8
Central Europe	96.0	96.1	96.5	96.3	96.3
China	99.4	99.7	99.6	99.4	99.5
Group	96.2	96.6	96.9	96.8	97.0

improve local OHS practices. Our regional OHS networks in Finland, Sweden and Germany, consisting of mills' OHS managers, share best practices, learn from any incidents and develop new tools and practices together.

Stora Enso's Safety Toolbox was introduced in 2012 to provide a set of safety tools to be used across the Group. During 2014 we continued to utilise these hands-on tools to directly address individuals' behaviour. Our units are responsible for implementing each tool and programme under the leadership of mill managers or unit managers, supported by local safety staff and the Group's health and safety organisation.

By the end of the year, 69 of our units (94 in 2013) had appointed joint safety committees, covering more than 74% (78%) of our total workforce. The number of units with joint safety committees was mainly affected by the divestment of Corenso operations in 2014.

In line with Stora Enso's Group-wide OHS performance reporting process, our units submit monthly reports on their safety performance data, including figures on total recordable incidents (TRI), lost-time accidents (LTA), and the numbers of safety observations per employee. OHS statistics for Stora Enso's onsite and forestry contractors are reported separately from the figures for our own personnel.

Every month units are also required to report on their progress in implementing the measures in the safety toolbox. Each tool has an associated set of criteria, as well as clear steps for implementation, against which units must assess their own progress on a monthly basis. To calibrate these unit-level self-assessments, internal cross-audits have been initiated in our Consumer Board Division. These cross-audits also encourage the sharing of best practices and good initiatives across the organisation.

Safety targets and performance

During 2014 Stora Enso continued to work towards our ultimate goal of zero accidents. All Group-wide OHS-related KPIs improved compared to 2013. Stora Enso's TRI-rate fell to 12.5 in 2014 (14.0 in 2013) and the LTA rate declined to 5.2 (6.0 in 2013).

The Group-level attendance rate for 2014 was 97.0% (96.8% in 2013).

At the end of 2014 Stora Enso's targets were to achieve a TRI rate of less than 5.0 and a LTA rate less than 1.0 by the end of 2015. In the beginning of 2015 the Group's health and safety targets were under review and new targets will be communicated in the Interim Review for the first quarter of 2015.

We also report on the number of safety observations per employee per year, as an important indicator for preventive purposes. Our target has been to reach a rate of more than 10 safety observations per employee per year by the end of 2015, and this figure was already achieved in 2014, with 15.6 safety observations recorded per employee (6.3 in 2013).

Fatal accidents

During 2014 two onsite fatal accidents occurred in Stora Enso's own operations, each involving a contractor's employee. In July a lorry driver was fatally injured at Stora Enso's Bad St. Leonhard Sawmill in Austria. In December a contractor's employee was involved in a fatal accident during wood harvesting in Guangxi, China.

In addition, two fatal accidents occurred in Pakistan involving contracted workers at the mill site of Bulleh Shah Packaging, a joint venture where Stora Enso has a minority ownership.

One additional fatal accident also occurred in Guangxi forestry operations involving a customer's contractor's employee.

None of Stora Enso's own employees were involved in onsite fatal accidents during 2014.

Main activities in 2014

The focus areas of our OHS management work included:

- Strengthening our OHS culture
- Enhancing safety performance to the next level
- Rethinking our OHS work

Strengthening our OHS culture in practice involves improving related communications and increasing awareness of our safety tools also among our office-based functions, in order to maintain a consistent safety culture across our organisation. Special attention was also given to personal accountability for everyone's safety, and zero tolerance for ignorance with regard to the observance of safety rules.

Members of our Group Leadership Team initiated monthly safety talks in our Helsinki and Stockholm offices to activate our office based employees and build up a proactive safety culture for these working environments. A new safety leadership programme was also launched in 2014 for the Group's top management. Personal accountability for safety was introduced together with the concept of zero tolerance.

Enhancing safety performance to the next level requires a change in mind-set at all levels of our organisation. Focus areas in 2014 included visible leadership on safety, personal accountability, and contractors' safety management.

Contractors' safety management is also prioritised in our new global Supplier Code of Conduct (SCoC)

and its implementation (see [page 30](#)). A pilot project organised in Finland in 2014 has additionally developed new, more efficient systems for contractor management at our mills. As a result more than 10 000 contractor workers received online safety training over six months through a new online training tool.

Rethinking our OHS work means finding effective new ways to manage safety. One such improvement involves activating our OHS networks to share best practices and help everyone learn from incidents.

New initiatives launched during 2014 included a web-based OHS channel for sharing short video-clips highlighting best practices and lessons to learn from incidents. Sections on best practices and learning from real incidents were added to the monthly Group OHS Reports available to all employees. To reward the best safety performers and to share best safety practices, Stora Enso's Group Leadership Team also awarded the divisions that achieved the best safety performance.

During 2015 the main focus areas of our OHS work will be safety leadership, enhancing safety culture through internal communications, and further improvements in our OHS reporting.

Human rights

Respect and support for human rights is a top priority for Stora Enso across our global operations. We have continuously striven to align our human rights work and commitment with the UN Guiding Principles on Business and Human Rights.

Key elements of Stora Enso's approach to human rights issues

- Policy commitment on human rights as expressed in our public human rights statement and Code of Conduct
- Global, regional and pre-investment human rights assessments
- Preventive and remedial actions on assessment findings
- Tracking the implementation of actions through specific performance indicators
- Accountability through transparent communications
- Effective access to grievance and remediation mechanisms

Stora Enso's human rights approach does not only cover our own employees, but also extends to on-site contractors, external suppliers of materials and services, business partners, communities living near our operations, and other relevant stakeholders.

We also support the ten principles of the UN Global Compact, and strive to respect and promote these principles throughout our operations (see [page 92](#)).

Our human rights commitments

At Stora Enso we have embedded our commitment to respect and support human rights in a publicly available [human rights statement](#). This statement expresses our respect for international and regional human rights instruments including:

- The UN International Bill of Human Rights (consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights)
- The core conventions of the International Labour Organisation (ILO)
- ILO Convention no. 169 on the Rights of Indigenous Peoples, including the principles of free, prior and informed consent and participation
- The OECD's Guidelines for Multinational Enterprises,
- The Children's Rights and Business Principles

Our corporate Purpose "Do Good for the People and the Planet" and our Values "Do What's Right" and "Lead" aptly describe our commitment to respect human rights in all our actions throughout

our operations. These commitments are embedded not only in the Stora Enso Code of Conduct and the Group's investment guidelines, but also in our revised Supplier Code of Conduct and a new set of minimum labour rights requirements for all our operations – both launched in 2014. For more information see pages [23](#) and [30](#).

These commitments guide our human rights work and serve as standards wherever we operate, especially in regions where related local regulations are inadequate.

Assessing impacts

Human rights impacts are taken into account across all stages of our operations from investment decisions onwards. Our Group-level investment guidelines stipulate that environmental and social risks and impacts including those related to human rights must be assessed prior to investments in projects with business critical risks. Business ethics risks and specific investments' compliance with the Stora Enso Code of Conduct and Business Practice Policy are also assessed in such contexts.

The new Stora Enso Supplier Code of Conduct (available at storaenso.com/sustainabilitypolicies), which came into effect in July 2014, further emphasises respect for human and labour rights, and imposes strict contractual requirements on our suppliers. This code for suppliers is accompanied by more extensive related guidelines for suppliers and for Stora Enso's own purchasers. For more information about our approach to responsible sourcing see pages [30–32](#).

Assessments for our projected investments have accordingly been performed either internally or by professional external experts such as UNDP. Examples include assessments conducted prior to the Group's significant investments in Brazil, Uruguay, Pakistan, India and Guangxi, China. As part of the same process, contingency and mitigation plans are always drawn up for implementation if the investments are approved.

New human rights assessments

To follow up on human rights assessments conducted in 2010, Stora Enso performed a series of more comprehensive human rights assessments in 2014 – this time covering all of our production, wood supply and forestry operations, together with their supply chain management and impacts on neighbouring communities.

In addition to the production units in the Group's full control, such assessments were conducted for our joint operations Veracel in Brazil and Montes del Plata in Uruguay, and at Bulleh Shah Packaging in Pakistan. Assessments were successfully completed covering 93 operational entities in 22 countries.

As part of this endeavour Stora Enso and [the Danish Institute for Human Rights](#) collaborated to develop a customised human rights assessment tool. This tool covers 43 human rights issues, including labour rights, community impacts and controls affecting suppliers and business partners. It also duly takes into account the nature of our industry, our varying industrial and forestry operations, and conditions in the countries where we operate.

In preparation for the assessments, more than 80 selected Stora Enso employees representing all units were given training on the UN Guiding Principles on Business and Human Rights, the mapping of local stakeholders, and the new human rights assessment tool. These training sessions were facilitated by external human rights experts.

During the second half of 2014, our unit-level coordinators initiated the assessment process in their respective units. Unit-level management teams, mill employees and other key personnel were actively engaged. Local stakeholders were also mapped, and certain external stakeholders such as trade union representatives, government authorities, community representatives, local non-governmental organisations and other business partners were consulted as part of the assessment process.

In countries where Stora Enso perceives heightened human rights impacts, human rights assessments were carried out with external third party support, and also involved site visits. In 13 units in China, Russia, Estonia, Latvia and Poland, external visits were performed by Fair Working Conditions, an independent non-profit organisation. In Guangxi, China, Stora Enso worked with DIHR. In Pakistan an external human rights consultant collaborated on the assessment. To assess the trial plantation operations in Laos, Stora Enso collaborated with Business for Social Responsibility (BSR).

Public report released

The results from these assessments are described in a separate publication produced by DIHR specifically to review Stora Enso's human rights assessments, available at storaenso.com.

A new strategic human rights partnership

During 2014 Stora Enso entered into a new strategic partnership Save the Children.

Save the Children have reviewed the Group's Global Responsibility policies and guidelines to ensure they duly address the rights of children and young workers. The review recognised that the policies and guidelines reflect an overall respect for children's rights. Its key recommendations related to incorporating adequate reference to the UN Convention on the Rights of the Child, and a need to develop a separate child protection policy – especially in relation to operations where such rights are likely to be violated. For more information on this partnership see [page 19](#).

The key findings of the report at Group level relate to:

- monitoring the employment conditions of contractors' employees working on-site
- diversity management
- overtime practices and entry-level wages at some units
- protecting the privacy of employees
- support for collective bargaining
- occupational health and safety improvements needed at some units
- grievance mechanisms
- environmental and social impact assessment procedures
- security management
- the ongoing implementation of our Supplier Code of Conduct
- the need to ensure that all human rights impacts are duly integrated into responsible supply chain management

As described throughout this report, several remedial and preventive actions to address actual and potential human rights impacts are already under way. Example of such actions include: our ongoing land contract correction programme and improvements on occupational health and safety work and grievance mechanism in Guangxi, China (see [page 72](#)); action on children's rights in Pakistan (see [pages 78–80](#)); and the Group-wide implementation of our revised Supplier Code of Conduct (see [page 30](#)).

When prioritising actions, the UN Guiding Principles on Business and Human Rights advise companies to have remediation measures in place for impacts that are severe or that can become irreversible if delayed. Stora Enso will follow this approach and our next target is to have action plans in place by the end of the second quarter 2015 to address prioritised assessment findings, and no later than by the end of 2015 to address all assessment findings. Prioritised assessment findings relate to possible legal non-compliances, inconsistencies with the Group's policies, severe impacts or irremediable impacts.

A number of assessments of specific human rights issues are currently being performed at our operations in Guangxi in cooperation with recognised third parties. These assessments are consistent with the recommendations of UNDP's Integrated Environmental and Social Impact Analysis (2012), and the Environmental and Social Action Plan drawn up as part of our agreement with the International Finance Corporation. Assessments conducted in 2014 focused on the local land contract correction programme, the impacts of forestry operations on children's rights, and grievance channels for employees and local communities.

Addressing stakeholders' concerns

Several of the major concerns expressed by our stakeholders in recent years have related to human



100%
of our planned human rights
assessments were completed
by the end of 2014

rights issues. Our stakeholders' major concerns during 2014 and our responses are described on [pages 10–11](#) of this report. These concerns included issues spotlighted at our joint venture operations in Pakistan, Bulleh Shah Packaging, and in a report published by the Rights and Resources Initiative and Landesa about Stora Enso's operations in Guangxi.

Stora Enso owns and manages large areas of land in connection with our tree plantations in China, Laos, Brazil and Uruguay. In many of these regions local communities include indigenous peoples and other minority groups. Stora Enso is expressly committed to fully respect the land use rights of all local communities, and we recognise the specific cultural and economic needs of such communities, including their traditional uses of forests, and their legitimate rights to their traditional lands. We strive to ensure that our operations do not violate the rights of these communities, and that people in these communities are able to give their free, prior and informed consent to developments, and participate in processes that affect them.

Our joint operations at Veracel in Brazil have been criticised in the past on issues related to landless people's social movements and the rights of indigenous peoples. Veracel maintains good relations with the 17 Pataxó and Tupinambás communities located around its operations, and supports programmes designed to strengthen their cultural identity.

Local indigenous communities are currently calling for the expansion of the Barra Velha Indian Reserve. The reserve's extension would encompass hundreds of land properties, including 3 219 hectares of land acquired by Veracel before the indigenous peoples first made claim to the land. This case is currently being processed in the regional federal court, and Veracel is committed to fully comply with the court's decision.

Throughout 2014 we have continuously engaged with stakeholders to further clarify our approach in China and Brazil. See [pages 70–75](#) for more information related to Guangxi, and [pages 81–88](#) related to our joint venture operations in South America.

In 2013 the Finnish and Swedish NGOs Finnwatch and Swedwatch published a report based on their study of our Chennai Mill's sustainability, which was conducted during in cooperation with Stora Enso. During 2014 we continued to develop the mill's operations (see [pages 68–69](#)).

Building awareness and human rights expertise

We ensure that all of our operations and joint ventures have adequate resources to look after human rights issues in their day-to-day work. For details of how Global Responsibility priorities including human rights are managed and governed at Stora Enso see [pages](#).

In addition to the human rights training scheme for selected employees mentioned above, 26 members of our top management including the CEO participated

in half-a-day training session on Children's Rights and Business Principles run by Save the Children.

Such targeted training on human rights complements Stora Enso's Code of Conduct training for all employees (see [page 22](#)), and emphasises the importance of respecting human rights.

Special provisions for security personnel

Security personnel are widely employed at our mills, tree plantations and other facilities. Our contracts with external security providers typically include our Supplier Code of Conduct together with special provisions for security personnel related to the need to respect human rights. However, we have not yet gathered precise data on the coverage of contracts with such provisions among all of our dealings with external security service providers.

Respecting human rights in construction projects

Large construction projects require a special focus to ensure safe working conditions and respect for the human rights of workers and local communities. This is particularly a top priority in our ongoing major mill construction project in Guangxi, where we have put in place several measures to enhance construction safety and respect for human rights. For more information see [page 74](#).

Tracking our human rights performance

Our Group-wide key performance indicator (KPI) for tracking our human rights performance involves monitoring the extent of implementation of our human rights approach. An important milestone was reached when we met our target to perform human rights assessments covering all our operations by the end of 2014.

Our local operations additionally have their own indicators to track their performance on human rights priorities relevant for their region and operations.

Stora Enso's strategic human rights partnerships for example with Save the Children also involve regular reviews.

Stora Enso closely follows developments related to human rights reporting initiatives such as the Human Rights Reporting and Assurance Frameworks Initiative. We welcome such initiatives, and we will continue to actively improve our own reporting and communications related to our human rights approach and impacts.

Access to remedy and grievance channels

In accordance with the UN Guiding Principles on Business and Human Rights and our own public human rights statement, Stora Enso is committed to remedy any situation where our activities have caused or contributed to adverse human rights impacts, in spite of all our efforts to avoid such cases.

In circumstances where human rights violations are committed by third parties with linkages to Stora Enso, we strive to use our leverage together with relevant stakeholders to reverse such impacts.

Several of the actions described above have been initiated to prevent and remedy adverse human rights impacts both at Group-level and in specific regions. These actions have also been incorporated into our respective regional responsibility agendas.

Grievance channels are available to enable all our employees around the world to report any instances where their rights may have been infringed. Our Group-wide human rights assessments also covered the grievance channels available to our employees and local communities. For more information on the Group's formal grievance mechanism see [page 23](#).

Ethics and compliance

Ethical business conduct and legal compliance are not only cornerstones of our way of doing business, but also paramount for living up to Stora Enso's corporate Purpose 'Do Good for the People and the Planet' and our Value 'Do What's Right'. We believe that an ethical approach will lead to successful business, foster accountability and enhance our good reputation.

Stora Enso's Ethics and Compliance function is part of the Group's Legal Services. The Head of Global Ethics and Compliance, our General Counsel, has overall responsibility for issues related to ethics and compliance, and reports directly to the CEO.

Our Ethics and Compliance function particularly focuses on the key areas in our Ethics and Compliance Programme: top level commitment, improved communication and training, further effort in countries with heightened concerns and the development of our grievance mechanisms. All our actions aim to strengthen our organisational culture, which encourages our employees and stakeholders to take part in open and honest discussions on ethical issues related to Stora Enso.

Our Ethics and Compliance Board, a management-level governance body appointed by the CEO, monitors and assesses the Group's legal compliance and ethical business conduct. During 2014 the board convened six times. Key topics during 2014 included following up and reporting on the implementation

of our Ethics and Compliance Action List, including training and communications efforts, and monitoring of the investigation status of potential non-compliance cases.



For more information on the Group's governance see our Progress Book

Our key performance indicator (KPI) on ethics and compliance is our employees' perception on the Group's adherence to our Code of Conduct, as measured in our annual employee survey. In 2014 some 69% of our employees agreed or strongly agreed with the respective statement in the survey (64% in 2013).

In March 2014 Stora Enso became a member of the steering committee of the multi-stakeholder initiative Business Principles for Countering Bribery, which is led by Transparency International (see [page 9](#)). The steering committee oversees and contributes to the content and development of these important principles, and also provides advice to help Transparency International develop supporting tools.

Top-level commitment

In the context of our efforts to make Stora Enso into a more value-driven organisation, with the prime focus on ethics rather than compliance (without downgrading the importance of strict compliance), the significance of continuing to set a clear and unflinching tone at the top cannot be overstated.

Stora Enso's Board of Directors held a dedicated session on ethics and compliance during 2014

focusing on our Ethics and Compliance Programme, and enabling board members to contribute their input to help shape our future work.

During the year we additionally ran ethics workshops in Shanghai and São Paulo for 75 of our employees, providing training and promoting discussions on ethical questions. We aim to organise more workshops of this kind during 2015.

Since 2011 all Stora Enso employees in managerial positions, members of mill or Division management teams, and employees dealing with competitor contacts, purchasing, marketing and sales have had to make a personal commitment to our Code of Conduct and Business Practice Policy, and undertake to train and inform employees within their respective organisations. During 2014 a total of 1 896 employees (1 586 in 2013) were required to make such pledges.

Improved communications and training

Clear communications and frequent training are fundamental ways to increase awareness and promote our values among our employees and business partners. In recent years we have rolled out a wide-ranging set of policies, guidelines and training on ethics and compliance.

In 2014 Stora Enso assigned the global law firm Clifford Chance to review the Group's policies and procedures as part of our business ethical compliance programme. The Group's documented ethical compliance policies and procedures were ranked as excellent in relation to benchmark standards such as the UK Ministry of Justice Guidance on Adequate Procedures for the Purposes of the Bribery Act, and

the US Department of Justice Resources Guide to the Foreign Corrupt Practices Act.

The policies and guidelines outlined below are accessible to all of our employees on our internal website. Our Code of Conduct and Business Practice Policy are available at storaenso.com/sustainabilitypolicies.

Code of Conduct

Stora Enso has a single set of values that are applied wherever we operate. Our Code of Conduct defines common rules for all our employees, and provides guidance on Stora Enso's approach to ethical business practices, environmental values, and human and labour rights.

Business Practice Policy

Our Business Practice Policy complements our Code of Conduct, aiming to further strengthen our stance on ethical business practices. The policy continues to give our employees more detailed guidance on topics such as anti-trust, corruption, gifts and entertainment, conflicts of interest and money laundering. The Business Practice Policy emphasises Stora Enso's zero tolerance to corruption.

Gifts and Hospitality Guideline

This guideline gives more detailed guidance on Stora Enso's stance on the provision and acceptance of gifts and hospitality, to complement our Business Practice Policy.

Third Party Due Diligence Guideline

This guideline was designed in response to more stringent anti-corruption legislation, which requires companies to actively prevent corruption committed by their business partners. It aims to reinforce our Business Practice Policy by ensuring that we have

adequate procedures in place to help prevent bribery committed by third parties.

Competition Law Compliance Programme

This programme aims to explain the fundamentals of anti-trust legislation to our employees, and to establish reporting pathways for the approval of benchmarking, mill visits and competitor contacts.

To ensure our employees fully understand and follow the rules set out in our Code of Conduct, which was revised in 2013, they receive related training through our established e-learning tool, or through face-to-face training provided to reach those of our employees who do not have direct access to computers. By the end of 2014 a total of 23 721 of our employees have completed either the e-learning session or face-to-face training on the revised Code of Conduct (10 418 by the end of 2013). The training sessions will continue during 2015.

We are also working to ensure that all new employees are trained promptly. During 2014 a new process was developed to make sure that all newly recruited employees receive training on our Code of Conduct within one month of joining Stora Enso. Further in-depth training on anti-corruption and anti-trust issues is additionally provided for all new employees within certain risk categories, including members of mill or divisional management teams, and employees dealing with competitor contacts, purchasing, marketing and sales.

Intensified efforts in risk areas

During the last decade we have expanded our business operations into geographical areas which offer excellent business opportunities, but which also entail increased exposure to risks related to compliance. In order to facilitate our expansion in different regions, Stora Enso has also entered into joint

venture agreements which might expose the company to risks related to competition laws.

Our risk assessment procedures on compliance cover all our units. The most significant compliance risks in our global operations relate to corruption and anti-trust.

During 2014 a specific anti-trust guideline designed for our joint operations was implemented, and related training was provided in our joint operation Montes del Plata. Similar training will be carried out during 2015 in our joint operations Veracel in Brazil and Bulleh Shah Packaging in Pakistan, as well as in Stora Enso's operations in Guangxi, China.

During 2014 Stora Enso's memberships in trade organisations and similar associations were investigated, and a specific instruction was developed and rolled out for our employees who represent the company in such organisations.

Extensive face-to-face training on our Business Practice Policy has continued to be organised for our management and employees in Brazil, India, Pakistan and China.

In addition, an extensive in depth e-learning course on anti-trust and anti-corruption is compulsory for all members of our Group Leadership Team, divisional management teams and mill management teams, as well as employees dealing with competitor contracts, purchasing, marketing and sales. This programme has been developed by an external law firm to increase awareness of legal regulations and mitigate the related risks.

Grievance mechanisms

All our employees are encouraged to report suspected misconduct or unethical behaviour directly to their own supervisor, to our Human Resources function, or to Stora Enso Legal Services. Our employees may also report their concerns in confidentiality to the Head

of Internal Audit. In our Supplier Code of Conduct, (available at storaenso.com/sustainabilitypolicies) we also require our suppliers to report any non-compliance with the code confidentially to Stora Enso's Head of Internal Audit.

In 2012 Stora Enso launched an additional external service through which our employees can confidentially and anonymously report on non-compliance issues by phone, by mail, or using the internet. This service, which covers all of our units, was set up in cooperation with an external service provider.

In 2014 a total of 46 of the grievances received through Stora Enso's various grievance channels were identified as potential non-compliance cases (34 in 2013). All such cases are recorded and reviewed by Stora Enso's Heads of Internal Audit and Ethics and Compliance, and reported to the Ethics and Compliance Board as well as Stora Enso Board of Directors' Financial and Audit Committee.

All potential non-compliance cases are investigated. During 2014 proven misconduct was found in 18 cases which led to disciplinary and/or legal actions (12 in 2013). None of the proven misconduct cases were related to child labour, forced labour or discrimination.

Our 50%-owned joint operations Veracel and Montes del Plata, and our 35%-owned joint venture Bulleh Shah Packaging have their own grievance channels. For more information, see pages [78](#), [84](#) and [88](#).

BREAKDOWN OF POTENTIAL NON-COMPLIANCE CASES

	2014	2013
Fraud	12	8
Corruption	14	8
Anti-trust	1	2
Conflict of interest	6	4
General human resources	9	5
Health and safety	1	1
Miscellaneous	3	6
Total	46	34

Our personnel

During 2014 Stora Enso underwent significant organisational changes, including the appointment of a new CEO and Group Leadership Team. We continued to focus on driving and implementing our People Strategy. We also built on lessons learnt from our recent restructuring programme, and we have started to establish a new set of Group-wide minimum labour conditions.

A comprehensive human resources strategy

Our People Strategy sets out our goals for human capital development, focusing on four key areas:

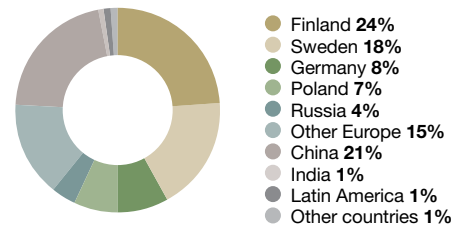
- Leadership
- Workforce planning and people recruitment
- Alignment and engagement
- Occupational health and safety (see [page 15](#))

For each of these prioritised areas we have defined ambitions, targets and actions related to our personnel. Enhancing our performance in all these areas will contribute to Stora Enso's overall business strategy to transform into a renewable materials company.

Our global employee survey, which was conducted for the third time during 2014, helps us follow up our progress in relation to our People Strategy, as well as in other areas such as our employees' perceptions related to our Code of Conduct and other Global Responsibility issues. Some 86% of our employees responded to the survey in 2014 (80% in 2013).

Leadership is our first priority, as the strongest driver behind the company's performance and culture. We want strong performers in all leadership positions, both in terms of what we have achieved in relation to concrete

EMPLOYEE DISTRIBUTION BY COUNTRY



targets, and in the context of how we have performed with regard to our leadership themes and expectations. One of the metrics we use to evaluate progress in this area is our overall leadership index. This is obtained from our employee survey, which includes key questions regarding our personnel's expectations in relation to their leaders. In 2014 we set a target to reach a leadership index of 80 (out of 100) for the company overall by the end of 2018. In 2014 this index was 76 (75).

Workforce planning and people recruitment are critical issues in relation to our ambition to transform Stora Enso into a global renewable materials company. Our workforce in Europe has generally been decreasing, with some exceptions, while we have been growing in other parts of the world. Managing these changes requires us to understand both our present

human resources and our future needs, so that we are able to realise downsizing where necessary in ways that are in line with our Purpose and Values. At the same time we must be capable of attracting, hiring and retaining personnel who can help us succeed.

Alignment and engagement is another priority in our People Strategy. We strive to improve performance management and engagement, again using our employee survey as a tool to measure our employees'

HUMAN RESOURCES IN KEY FIGURES¹

	2014	2013	2012
Number of employees at year-end	26 543	27 985	28 203
Share of women among all employees (%)	25	22	23
Women in the Group Leadership Team	4 out of 12	0 out of 9	0 out of 9
Women in the Board of Directors	3 out of 9	3 out of 10	1 out of 7
Leadership index ²	76	75	72
Personnel turnover (%) ³	22%	16%	13%
Americas	14%	5%	12%
Asia	57%	42%	43%
Europe	12%	10%	7%
Average training hours per employee	27	27	25
Female employees	25	22	20
Male employees	28	29	26
Production workers	27	26	26

¹ All consolidated data in our Global Responsibility Performance 2014 report excludes employees of 50% owned Joint Operations Montes del Plata and Veracel.

² Measured in the annual employee survey.

³ % of permanent employees leaving, calculated against all employees at year-end. The increase in personnel turnover is due to very high personnel turnover at Inpac units in China.

Our leadership index
in 2014 was

76

engagement with the company and to assess how well performance review meetings are implemented throughout the company. We also want to improve our employees' understanding of how we address compensation issues as a means to attract, engage and retain the best people.

Our target is that all Stora Enso employees should be involved in at least one performance review meeting with their manager annually. In 2014, 88% of our employee survey respondents stated that they had taken part in a performance review during the past 12 months (80% in 2013), with no significant difference between gender. Among the 12% who had not been involved in performance appraisal discussions, short-term employees, employees younger than 30 and blue-collar workers were slightly over-represented.

Human resources governance

Our operating model for human resources (HR) aims to support the implementation of our People Strategy, and to enable effective and efficient services related to HR in line with all applicable laws and market practice, as well as our own minimum requirements.

Our Group HR function is responsible for several specific global HR processes and policies related to our People Strategy. Group HR is headed by the Executive Vice President Global People & Organisation, who reports to the CEO. HR Business Partners, who work in the line organisation, reporting to their respective divisions, are responsible for driving our People Strategy in the various parts of our organisation.

Our HR Services organisations ensure that we provide managers and employees with HR services, processes and policies that are relevant in each of the countries where we operate. They work with issues including payrolls, compensation and benefits, training and recruitment services. Our HR Services organisations are mainly run at country level.

Learning from our restructuring programme

During 2014 we finalised a major restructuring programme that affected a total of some 2 300 employees, mainly in Finland, Sweden, Germany and Poland. Our aim when we started this programme was to prioritise activities that would enable the affected employees to get new jobs. Example activities have included outplacement support, coaching and assistance for former employees wishing to set up their own businesses. On the completion of the restructuring programme, at the end of June 2014, some 82% of the affected employees in the mentioned countries had either found a new job, joined training schemes, or retired, while 18% were unemployed (out of a total of 1 440 former employees tracked).

Rolling out leadership themes across the whole organisation

To help all of our managers to become better leaders, we have rolled out an extensive, custom-made leadership programme, called Lead through People, based on our corporate Purpose, Values and Leadership Themes. By the end of the first quarter in 2015 a total of 2 700 participants should have attended this 3-day programme. It is intended that all managers with one or more direct subordinates will go through the programme.

The programme has been a very important tool for spreading awareness of our expectations on leaders, and for improving the leadership skills of our managers. We believe that the successful

implementation of this programme is a significant factor behind the recent steady increase in our leadership index, which is measured through related questions in our annual employee survey.

A follow-up programme will be launched in early 2015 covering issues including how to develop a winning culture, and how to lead changes related to Stora Enso's ongoing transformation. Our concept of a winning culture is largely based on coaching and feedback. Since 2011 more than 1 200 of our managers have gone through individual coaching sessions centring on a tailored 360° feedback tool.

Another priority has been to increase the quality and coverage of our Management Audit Process. This process aims to identify high performers and talents, to ensure that succession plans for business critical positions and other key positions are in place, and to find ways to enhance our employees' development plans to meet our business needs. We also aim to increase cross-divisional and cross-functional rotation, since this can further increase diversity and facilitate hiring from within our organisation.

Promoting diversity

We believe diversity is a key factor behind improved performance and innovation. When assessing diversity within Stora Enso we consider aspects such as gender, age, nationality and individual differences like varying experiences.

EMPLOYEES BY GENDER AND CONTRACT TYPE

	Male	Female
Permanent full-time employees	19 038	6 131
Permanent part-time employees	101	138
Temporary employees	882	254
All employees	20 021	6 523

OUR APPROACH TO KEY HUMAN RESOURCES ISSUES

Employees covered by collective bargaining agreements	<p>Approximately 79% of our employees are covered by collective bargaining agreements. This figure is only approximate due to differences in national legislations.</p> <p>In China the right to freedom of association and collective bargaining is expressly stipulated by law. Most of our Chinese operations have established unions that form part of the state-authorised China Labour Union. We have also formed worker councils at most of our units in China to serve as channels for direct feedback and dialogues between employees and management. A similar system is in place in our operations in Laos, where we have a worker's representative group elected by employees.</p>
Senior management hired from the local community	<p>We believe it is very important that our new investment projects are staffed with managers and employees who are well-grounded in local cultures. Initially there is often a need for expatriate employees, but our goal is to use locally hired people wherever feasible, particularly in management teams. Our current management team for our investment project in Guangxi includes 3 managers of Chinese origin and 9 expatriates. Four of the seven-member management team at our Uruguayan joint venture in Montes del Plata are Uruguayans, and the others are Chilean or Brazilian.</p>
Fair treatment of temporary and part-time employees	<p>The benefits provided for employees vary from country to country, depending on national legislation. In the European countries where we have many employees we typically do not provide differentiated benefits to employees on the basis of their contract type (permanent or temporary), though certain differences in benefits may exist in relation to the length of employment. Long-term employees in China typically receive differentiated benefits such as leave-of-absence rights and additional insurance benefits. For figures on the shares of temporary and part-time employees in the Group's workforce see the table on page 26.</p>
Minimum notice periods regarding operational changes	<p>Our aim is to be proactive and involve key stakeholders as early as possible whenever there is a need for major organisational changes that will affect our staff. Depending on the type of change, the national legislation and local union agreements, we normally inform employees and/or union representatives between 2 weeks and 2 months prior to planned changes.</p>
Employee training	<p>Most of our employee development and training initiatives are run within our divisions, with varying focuses depending on local needs and regulations. For details of average training hours, see the table on page 25.</p>
Support for employees affected by restructuring	<p>Where redundancies are unavoidable, our key principle is to work together with the employees affected to help them find other employment. Job openings in other Stora Enso units are made available to those affected wherever possible. Other kinds of support we can provide include outplacement schemes, coaching, retraining, facilitated moves to other locations, or planning for early retirement. Employee organisations and other stakeholders are fully involved in such processes, in line with all applicable regulations.</p>

Whenever we recruit for new positions, or select participants for leadership development initiatives we intentionally strive to increase the level of diversity.

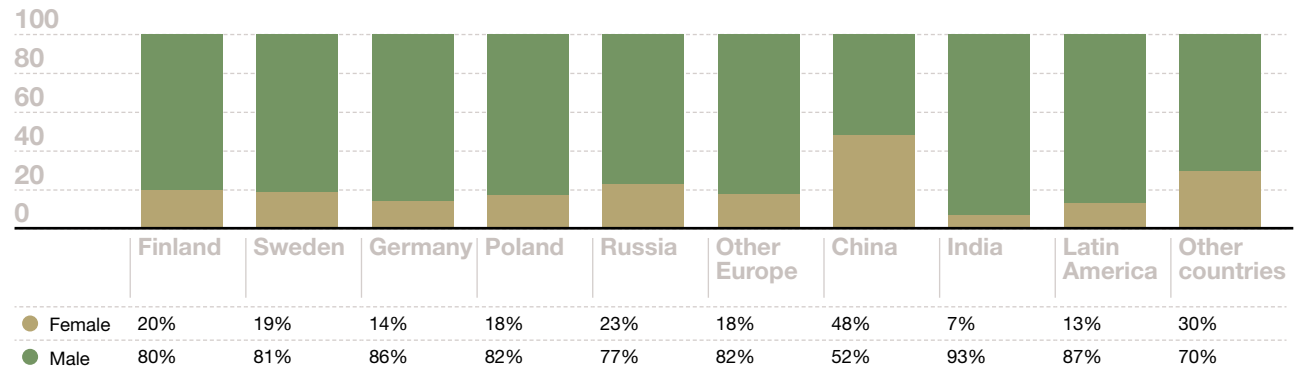
During 2014 we continued to implement our Global Trainee Programme, which was launched in 2013, aiming to further strengthen the capabilities and diversity of our potential leaders, and to make Stora Enso better known among students with relevant education. Out of a total of some 2 700 applicants we employed 22 trainees (with an equal gender split), who have now worked for us for more than a year. Some 40% of these trainees have already assumed new positions, in many cases with managerial responsibilities. We are now planning a new trainee programme that will have a similar focus on diversity.

Minimum labour conditions

We expect all our units to work with labour conditions in a systematic and coordinated way to ensure that all our employees are treated with respect and fairness, creating an environment where workers are willing and able to perform their tasks.

During 2014 we started to establish a set of new minimum requirements for labour conditions in our operations to complement our [Global Responsibility policies and guidelines](#). During 2015 we will continue to implement these requirements and assess compliance.

During 2014 labour conditions in our operations were also assessed as part of our Group-wide human rights assessments (see [page 18](#)).

GENDER DISTRIBUTION OF EMPLOYEES BY COUNTRY¹STANDARD ENTRY WAGES
AND LOCAL MINIMUM WAGES¹

	Ratio of our standard entry level wage to the local minimum wage
Brazil ²	1.6
China, Guangxi ³	1.4
India ³	1.2
Laos	1.2
Latvia	1.0
Poland	1.0
Russia	1.0

¹ In material locations based on the social risk assessments of our operations, compared to minimum wage levels set at national, state or provincial level as applicable. The ratio shows how many times larger our entry level wage is compared to local minimum wage.

² Our entry level wage in Brazil is based on the industry agreement.

³ Entry level wage includes direct benefits.

EMPLOYEE DISTRIBUTION BY AGE, GENDER AND REGION¹

Age group	Americas		Asia		Europe		Total
	Female	Male	Female	Male	Female	Male	
Up to 30	17%	83%	54%	46%	21%	79%	21%
31–50	17%	83%	39%	61%	20%	80%	54%
51 and over	9%	91%	14%	86%	15%	85%	26%
Total	16%	86%	45%	55%	19%	81%	100%

¹ All consolidated data in our Global Responsibility Performance 2014 report excludes employees of 50%-owned Joint Operations Montes del Plata and Veracel.

EMPLOYEE HIRES AND LEAVINGS BY AGE, GENDER AND REGION

Age group	Americas		Asia		Europe		Total
	Female	Male	Female	Male	Female	Male	
Hires¹							
Up to 30	1	34	1 974	1 112	91	268	3 480
31–50	5	9	798	445	103	254	1 613
51 and over	0	2	5	22	14	42	85
	6 (9%)	45 (13%)	2 777 (102%)	1 579 (47%)	208 (6%)	564 (3%)	5 178 (20%)
Leavings²							
Up to 30	7	14	1 518	910	47	196	2 690
31–50	6	22	600	356	214	643	1 841
51 and over	2	7	10	35	220	1007	1 281
Total	15 (22%)	43 (12%)	2 128 (78%)	1 301 (39%)	481 (13%)	1 846 (11%)	5 812 (22%)

¹ Hires: numbers of permanent employees joining the company. Percentages in brackets are based on the year-end total headcount by gender and region. Excludes hires due to acquisitions.

² Leavings: numbers of permanent employees leaving voluntarily or due to restructuring, retirement or death. Excludes leavings due to divestments. Percentages in brackets are based on the year-end total headcount by gender and region.

COMPENSATION AND EQUAL OPPORTUNITY¹

Age group	Ratio of highest individual salary to median salary ³	Female employees' remuneration as a proportion of male employees ³		Return to work after parental leave (% of employees)		Retention rates after parental leave ⁴	
		Male	Female	Male	Female	Male	Female
Finland	14	96%	95%	100%	95%	100%	90%
Sweden	21	99%	96%	100%	96%	89%	81%
Germany	13	91%	100%	Not applicable	100%	Not applicable	Not applicable
China	52	100%	91%	Not applicable	91%	86%	91%

¹ Figures for the four largest countries in term of the total number of employees.

² The ratio shows how many times larger the highest individual salary is compared to median salary (GRI G4-54) based on annual total basic salaries.

³ Calculated using weighted averages based on each country's employee categories as applicable. Figures in Finland and Sweden are based on evaluations covering approximately 40% (Finland) and 60% (Sweden) of the total workforce.

⁴ Retention rates one year after returning to work after parental leave.

Responsible sourcing

Several new measures were taken in the Group's approach to sourcing during 2014, including the creation of a new Sourcing organisation. The implementation of our new Supplier Code of Conduct started in July. Third party audits particularly focused on our suppliers in China and India.

We source a wide range of raw materials, products and services to support our business locally, regionally and globally. These raw materials and products include our principal fibre sources – wood, pulp and paper for recycling – as well as other materials and services such as chemicals, fillers, energy, fuels, spare parts, and maintenance, logistics and IT services. Our supply networks encompass various kinds of suppliers from small-scale local service providers to large multinational companies.

For Stora Enso, responsible sourcing means showing true commitment to global responsibility, addressing the concerns of our key stakeholders, complying with regulatory frameworks, adhering to best practices, and managing supply risks. It is essential that these principles are effectively put into practice in our everyday work by all of the members of our personnel responsible for purchasing.

In 2014 we established a new organisation for Sourcing that is more centrally led, with an Executive Vice President appointed to lead this work from within our Group Leadership Team. This new organisation mirrors the overall company structure, meets both corporate and local needs, and is in line with best practice. Our new Sourcing organisation includes

Sourcing heads for individual divisions who also have direct responsibility for strategically important purchasing categories. Additional cross-divisional roles focus on Sourcing Development & Controlling, Responsible Sourcing, and Sourcing Group Functions and Professional Services.

Our wood procurement is organised regionally into wood supply units and forestry operations. Stora Enso has a long tradition of promoting forest certification schemes and using traceability systems to ensure that we know the origin of all the wood and pulp we purchase. For more information about our approach to sustainable forestry and land use see [page 35](#).

In 2014 the utilisation rate of Paper for Recycling (PFR) in our paper and board production was 26% (28% in 2013). For more information on our approach to the sourcing of paper for recycling see [page 62](#).

During 2014 the main focus in our approach to responsible sourcing was on the implementation of our new [Supplier Code of Conduct \(SCoC\)](#). This code is a legally binding document that defines minimum requirements for our suppliers. Alongside these

minimum requirements our approach also involves close cooperation with individual suppliers.

Our new Supplier Code of Conduct

During 2014 we launched our new Supplier Code of Conduct (SCoC) to build further on the Sustainability Requirements for Suppliers that we have imposed since 2011. The new code is a document that forms an integral part of contracts between Stora Enso and suppliers, and it applies to Divisions right across the Group. We are treating its implementation as the key performance indicator for measuring our progress in responsible sourcing.

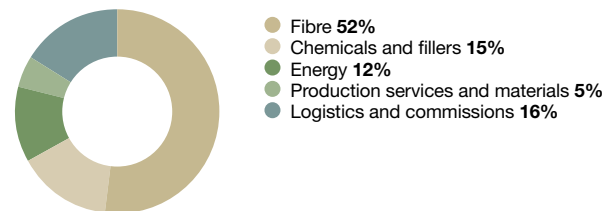
Compared to previous Sustainability Requirements for Suppliers the new code introduces a new requirement on management systems and gives more emphasis on human rights and labour rights, and occupational health and safety. The requirements related to environment and responsible business practices were also reviewed and updated.

We also launched a Practical Guide for Stora Enso Suppliers together with the new code. This document gives more hands on guidance for our suppliers on what the individual requirements set out in the code mean for them in practice.

Our implementation of the SCoC started in July. By the end of 2014, 78% of the Group's spending on materials and services was covered by the new SCoC. Due to data compilation issues the scope of the consolidated figure currently consists of top 2 000 suppliers in terms of supplier spend in 2013. Our wood supply units and units in Brazil, China and India are currently excluded from the indicator due to data compilation issues, although they have implemented

BREAKDOWN OF RAW MATERIAL AND SERVICE COSTS

% of our total variable costs



the new SCoC since July. During 2015 we aim to develop our data consolidation so as to expand the scope of this indicator to Group's total annual spend. Our overall target is to expand the code's coverage to 90% of the Group's total annual spend by the end of 2016.

Our Supplier Code of Conduct is publicly available at storaenso.com/sustainabilitypolicies.

Special training for our purchasers

As this new process applies right across the Group, and involves issues that may be new to some of our purchasers, we highly prioritise the provision of related training for our purchasers. A total of 169 employees working with purchasing were trained during 2014. Supportive training materials were provided in order to increase our purchasers' awareness of Global Responsibility issues.

Close cooperation with our suppliers

The Supplier Code of Conduct imposes minimum requirements on our suppliers as a legally binding document. However, our approach also involves close cooperation with individual suppliers realised through meetings, onsite visits and supplier assessments involving third party audits conducted to ensure that our suppliers properly observe human and labour rights, occupational health and safety requirements, environmental performance goals and responsible business practices in their daily business.

Our responsible sourcing work is realised in practice by our purchasers, who regularly meet suppliers to discuss related issues. Following the creation of our new Supplier Code of Conduct, our purchasers have been negotiating new agreements or re-negotiating existing agreements to ensure that the code forms an integral part of all agreements. As part of the new process, purchasers also need to visit suppliers' production sites to see where the products are actually

coming from, and to get a first-hand impression of suppliers' operations.

After the new code was launched, we also held a Top Supplier Meeting in Helsinki in August for representatives from our 98 identified strategic suppliers. At the meeting these supplier representatives were given detailed explanations concerning the code and its importance for their relations with Stora Enso.

Supplier assessments and audits

In addition to the supplier visits we evaluate and monitor our suppliers electronically and via third party audits. During 2014 we adopted an automated monitoring system designed to track down any suppliers who may have been "black-listed" in any relevant context; i.e. suppliers who have faced economic or financial sanctions, trade embargoes or related restrictive measures imposed by jurisdictions relevant to our operations or by international organisations. Although our purchasers remain responsible for checking the statuses of the suppliers they deal with, this system will run double checks automatically four times a year.

Our long-term target is to commission third party audits for the majority of our direct suppliers other than wood suppliers to ensure that they duly meet the requirements set out in our Supplier Code of Conduct. In 2014 we engaged recognised external service providers to help us to assess our suppliers' performance against the code through such third party audits. These service providers will also train our purchasers before and during the audits.

Supplier companies are selected for auditing based on a pre-evaluation of their social and environmental risk profile, taking into account their geographical location, the nature of their own supply chain, the product category, our purchasing power and the spend volume. During 2014 we developed a risk

mapping tool for this purpose together with the non-profit organisation [Business for Social Responsibility](#).

In 2014 we commissioned a total of 61 audits of this kind, including 56 in China and 5 in India. The audited suppliers provide our mills with goods including paper for recycling, chemicals, wastewater management services, corrugated board, pallets, latex and starch.

The audits revealed non-conformances particularly relating to occupational health and safety, but also concerning wages, working hours, freedom of association, safety procedures and environmental performance. In many cases they also indicated that suppliers' own management systems were inadequate, especially among suppliers based in growth markets. None of the non-conformances during these audits have involved child labour or forced or bonded labour.

All of the audits were followed by discussions held with the suppliers. These discussions result in corrective action plans, specific schedules for the implementation of the necessary improvements, and agreements on any practical support that the supplier may need for remedial actions. Progress on the corrective action plans is then followed up by the local purchasers responsible for the supplier relationship.

If we find that a supplier is not meeting the requirements and expectations set out in the code, we will always first offer guidance specifying which issues need to be corrected or improved. The supplier must then take corrective actions promptly as advised by Stora Enso. During 2014 we were nevertheless forced to terminate seven supplier relationships due to suppliers' unwillingness to commit to the code.

Responsible pulp procurement

Although most of the pulp used in our mills is produced within Stora Enso, for reasons related to quality and logistics we also purchase chemical pulp from external suppliers for our paper and board

production. In 2014 externally purchased pulp accounted for 2% of all the pulp used in the company (2% in 2013). Pulp deliveries to Stora Enso mills from our joint operation Veracel in Brazil is counted as internal production in these figures.

Pulp purchased from external suppliers is covered by our traceability system to ensure that the origins of the fibre it contains are known and appropriately documented. Our minimum requirement for all purchased pulp is a third-party-verified certificate through the Chain of Custody/Due Diligence System of the Programme for the Endorsement of FSC®¹ Chain of Custody/Controlled Wood scheme.

All our externally and internally sourced pulp additionally complies with the EU Timber Regulation, which ensures that no illegally harvested timber or timber products enter the EU market.

During 2014 we continued to work closely with our external pulp suppliers to ensure high standards and achieve further improvements in all areas related to sustainability. The main tool applied in this process was our new Supplier Code of Conduct, which was accepted by all of our external pulp suppliers. During 2014 an audit was conducted on one of our pulp suppliers, detecting no major non-conformances.

¹ Stora Enso Global Communications' FSC® trademark license number is FSC-N001919.

STRATEGIC LEAD AREA

Forests and Land Use

- » Sustainable forestry
 - » Progress on forest certification
 - » Conserving biodiversity
-

Wood is our most important raw material. Sustainable forest management is in our immediate and long-term interest, as it keeps forests healthy and productive, and thus helps to secure the long-term availability of this renewable resource. We aim to offer innovative ways to use land and practice forestry responsibly.

Efficiency of
land useSustainable
forestry

	Key Performance Indicator	2014	2013	Targets	Progress	
Forest and Land use	Efficiency of land use	Increase (%) in the volumes of fibre produced per hectare in certified tree plantations owned and managed by the company. ¹	Baseline defined for future calculations	n/a	25% increase by the end of 2020.	In progress
	Sustainable forestry	% of the lands owned and managed by the company covered by forest certification schemes.	93%	93%	96% by the end of 2017.	In progress

¹ Measured as Mean Annual Increment (MAI, m³/ha) and calculated as a weighted average for planted areas in each certified plantation venture.

Sustainable forestry

Stora Enso practises and promotes economically, socially and environmentally sustainable forest and tree plantation management. We mainly procure wood from private forest-owners, state-owned forests and associated companies in Finland, Sweden, the Baltic Countries, Central Europe and Russia.

Some 8% (6%) of our wood is sourced from tree plantations, including pulp produced by our joint operations Veracel in Brazil and Montes del Plata in Uruguay. Stora Enso has large-scale plantation operations – including some of our own, and others owned through joint operations – in Brazil, Uruguay and China, as well as a pilot project in Laos. In 2014 the total amount of wood (including roundwood, wood chips and sawdust) delivered to our mills was 32.4 million cubic metres (solid under bark) (34.2 million cubic metres in 2013).

Our wood procurement is organised regionally. Stora Enso's wood supply units in Finland, Sweden, the Baltic Countries, Russia, and Central Europe are each responsible for the sourcing of wood for Stora Enso mills in their respective regions. Each tree plantation operates under the mill which it supplies wood for. Our Biomaterials Division currently manages certain plantation projects that are not yet associated with a single mill. Our forestry operations in Guangxi, China, are the responsibility of our Consumer Board Division.

During 2014 we increased our shareholding in Stora Enso's equity-accounted investment Bergvik Skog in Sweden from 43% to 49%. Bergvik Skog is one of Sweden's largest forest owners, and this transaction reinforces our long-term engagement with Bergvik

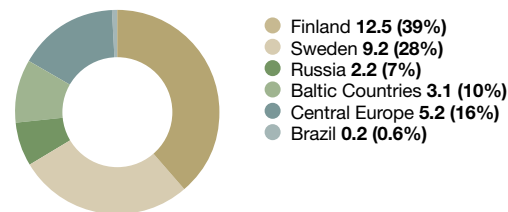
Skog while underlining the importance to Stora Enso of securing stable access to wood raw material near our Swedish mills.

Economic, social and environmental sustainability

- Economic sustainability involves ensuring that forest operations remain viable.
- Social sustainability highlights human and labour rights, health and safety issues, the fair distribution of economic benefits, the multiple use of forests, and the protection of sites with historical, social or cultural importance. For more information about our social responsibility work in relation to our tree plantations see [page 36](#).
- Our key environmental priorities in sustainable forestry include the conservation of biodiversity, soil protection, and preserving the quality and quantity of water resources.

WOOD PROCUREMENT BY REGION¹

32.4 million m³



¹ Total amounts of wood (roundwood, chips and sawdust) procured within these regions for delivery to our own mills (million m³, solid under bark).

To promote our goals concerning sustainable forestry we actively network with other stakeholders. Stora Enso is a member of the [Forest Solutions Group of the World Business Council for Sustainable Development](#). In 2014 we continued to participate in the Global Forest & Trade Network (GFTN). This initiative of the [World Wide Fund for Nature \(WWF\)](#) aims to eliminate illegal logging and drive improvements in forest management.

We also participated in the [Forest Programme of the Carbon Disclosure Project](#) (formerly Forest Footprint Disclosure) in order to measure and transparently report the forest footprint of our entire value chain.

[The Forests Dialogue \(TFD\)](#), a platform and process for multi-stakeholder discussion and collaboration on the most pressing local and global issues facing forests and people, organised a series of field dialogues in 2013 and 2014 on land use issues. These actions included the TFD's 4Fs initiative on food, fibre, fuel and forests. Stora Enso has actively participated in TFD initiatives, and we also co-hosted the 4Fs field dialogue in Finland in autumn 2014.

Wood from verifiably sustainable sources

All of the roundwood, chips, sawdust and externally purchased pulp supplied to our mills comes from sustainable sources. We use forest certification and traceability systems to check that wood has been harvested in compliance with the relevant national and EU legislation, and in accordance with our own policy on Wood and Fibre Sourcing and Land Management (available at storaenso.com/sustainabilitypolicies).

We use traceability systems to ensure that we know the origin of all the wood and pulp we purchase. These traceability systems are third-party-verified through the [Forest Stewardship Council's \(FSC\) Chain](#)

of Custody/Controlled Wood scheme, the Chain of Custody/Due Diligence System of the [Programme for the Endorsement of Forestry Certification \(PEFC\)](#), and ISO 14001. We also conduct regular supplier audits.

In Russia, for instance, one third of our wood supply contract holders are audited annually. In 2014, Wood Supply Russia also started to organise Supplier Code of Conduct training for its wood procurement and logistics personnel, who will in turn be responsible for training their suppliers. The suppliers will commit to the requirements and their performance will be verified by audits.

The sustainability performance of Stora Enso's forestry operations is often monitored in cooperation with local institutes. In Finland and Sweden Stora Enso's harvesting and forest management operations are monitored annually.

In Finland this monitoring is conducted by an independent third party – either a regional forestry centre or the Forestry Development Centre Tapio.

In Sweden monitoring is based on extensive self-assessment procedures. This monitoring aims to measure the environmental quality of the assessed operations and use the resulting information to take corrective actions and improve operations where necessary – by providing suitable training, for instance. In order to assess environmental considerations during final felling, a monitoring programme is performed annually. It includes both an on-site performance assessment, and a feedback session with the harvesting team responsible for the felling, held at the felling site. These feedback discussions examine results and also consider potential corrective actions. Some 100 felling sites are monitored each year in Sweden.

Our stakeholders can send any feedback, questions and complaints relating to forest operations to our wood supply units, all of which have grievance mechanisms in place. These systems meet the requirements of the FSC, PEFC and/or ISO 14001 schemes, and are third-party-verified.

Responsibly managed tree plantations

The demands of growing human populations mean that we must strive to use land increasingly efficiently and produce more from less, in terms of natural resource use. Our key performance indicator (KPI) on the land use efficiency of our certified tree plantations measures how efficiently we use land to produce wood. At the same time through forest certification schemes and our own approach to sustainable forestry we ensure that improvements in efficiency do not compromise the ecological and social sustainability of production.

Stora Enso works according to internationally approved principles and forest management practices, and applies established planning procedures when setting up sustainable plantations. This is also important from a business perspective, as plantations are always intended to be long-term investments. We apply our principles both in our own plantations and in those run through joint operations, both large and small-scale.

Stora Enso never converts natural forests or protected areas into plantations. We do not establish tree plantations in hydrologically sensitive areas, and we duly monitor the availability and quality of water, as well as soil conditions, in all of our tree plantations. In greenfield plantation projects we always conduct environmental and social impact assessments to give us a comprehensive picture of the initial conditions for plantation establishment, and to guide plantation planning and development.

Stora Enso's work has several links to agriculture along our value chain, ranging from the development of innovative land use practices in our tree plantations to providing the food industry with sustainable packaging solutions. Since 2013 we have been involved in the development of the [Food and Agriculture Business \(FAB\) Principles](#), facilitated by the UN Global Compact. These principles were launched at a high-level meeting immediately prior to the UN Climate Summit and General Assembly in New York in September 2014.

During 2014 Stora Enso also continued to participate in wider initiatives that aim to enhance sustainable plantation forestry globally through dialogues with other companies, governmental organisations and the WWF.

We are currently participating in the third phase of [WWF's New Generation Plantations project](#), which focuses on the institutional and technological aspects of responsible plantation management. Stora Enso has been involved in developing the New Generation Plantation concept since its launch in 2007. Participation in the project has given us a welcome opportunity to improve our operations by learning from our stakeholders.

Progress on forest certification

We promote credible forest certification as a tool to enhance sustainable forest management practices. The two most significant forest certification systems recognised by Stora Enso are run by the Programme for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC).

We use forest certification coverage as a key performance indicator (KPI) to verify that social, environmental and economic aspects are duly taken into account in lands and forests we own or manage. Stora Enso owns or leases lands with a total area of 1.1 million hectares. Overall forest certification coverage of these lands was 93% in 2014 (93% in 2013).

Around 10% of all forests worldwide are certified. Most of these certified forests are located in North America and Europe. We are actively working with our stakeholders to spread sustainable forest management and enhance certification systems.

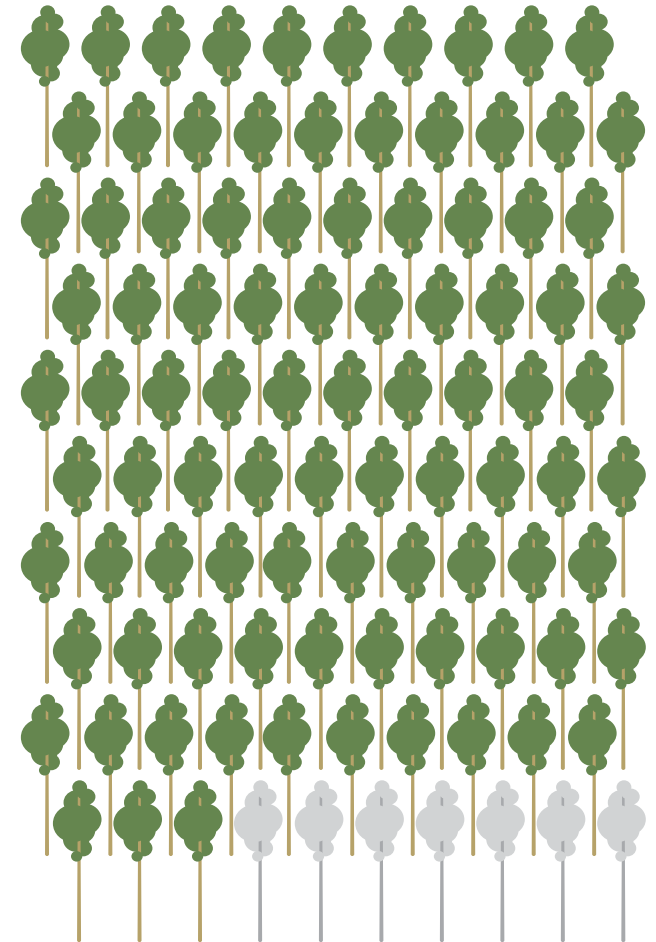
In 2014 the share of certified wood in our total wood supply was 78% (78%). For more information on certified plantations and lands owned, leased and managed by Stora Enso, see the table on [page 40](#).

In China, Stora Enso applied for new FSC Forest Management and Chinese Forest Certification Council (CFCC) certification for our recently restructured joint venture forestry operations. Audits were carried out in December 2014. No major non-conformities were identified, and certifications are expected to be granted in early 2015. These certification schemes effectively verify that our plantation operations meet recognised standards for sustainable plantation management. As part of our systematic sustainability approach we have also worked with local communities, trained our contractors, and developed and implemented new plantation planning methods. For more details see [page 68](#).

In Finland, most forests are privately-owned PEFC-certified smallholdings. Since 2005 Stora Enso has also offered Finnish forest-owners the opportunity to join an FSC group certification scheme managed by the company. Stora Enso Wood Supply Finland promotes both PEFC and FSC certification in Finland. Stora Enso's FSC certification group received a certificate in spring 2014. Personnel, contractors and harvester drivers are trained to meet the FSC's forest management standards.

We are also currently setting up our own PEFC certification group, whose governance model was audited in November 2014. This group will complement the national model established for regional PEFC group certification.

The Finnish PEFC Forest Management standard is reviewed every five years to ensure that it is in line with the latest international PEFC requirements. Stora Enso Wood Supply Finland participated in the national working group that reviewed the standard in 2013–2014. Stora Enso Wood Supply Finland also



93%

of the lands owned and managed by the company was covered by forest certification schemes. All of the wood we use is covered by third-party-verified traceability systems.

participates in ongoing work that aims to create an FSC Controlled Wood Risk Assessment for Finland.

Stora Enso owns 41% of the Finnish forest company Tornator, who own 0.6 million hectares of forestland around Finland. A significant increase in the national area of forest under FSC certification occurred in November when Tornator received the FSC certificate for its forests in Finland, in addition to their existing PEFC certification.

In Sweden, more than half of the total forest area, including nearly all large forest holdings, is certified under PEFC, FSC, or both schemes. Stora Enso offers forest-owners in Sweden the opportunity to obtain group certification under both schemes.

In February 2014 Det Norske Veritas (DNV) suspended Bergvik Skog's FSC forest management certificate for the district Siljan within Bergvik Skog. The suspension related to a forest site designated for felling by Stora Enso Wood Supply Sweden. The Swedish Forest Agency concluded that approximately half of the area submitted for felling was a key habitat. The area was then immediately withdrawn by Stora Enso from all felling plans, and will not be felled. In May 2014 the certificate was fully re-instated since the auditor concluded that enough corrective measures had been taken by Bergvik Skog and Stora Enso.

In July and August 2014 a severe forest fire in central Sweden destroyed approximately 14 000 hectares of forest, out of which about 2 000 hectares were owned by Bergvik Skog. For more details see Stakeholder relations, [page 10](#).

Other ongoing processes in Sweden include the revision of the national FSC Forest Management standard, in parallel with the global FSC International Generic Indicators process, and the creation of a national FSC Controlled Wood Risk Assessment for Sweden. Personnel from Wood Supply Sweden are participating in these important processes.

In Russia, we have made significant progress on forest certification. Together with WWF Russia and local logging companies we have continued to expand our own FSC certification groups for wood suppliers who wish to certify their forest lease areas under FSC. Stora Enso established these groups in order to make certification more accessible and cost-efficient for small and medium-sized logging companies. The groups help their members to prepare the necessary documentation, and organise training and centralised contracting with auditors.

Stora Enso currently has three certification groups in Russia. The forests certified by Stora Enso are located in different regions of Northwest Russia: in Karelia, Novgorod, Kirov, Kostroma, Yaroslavl and since 2014 also in the Leningrad Region. The group with three members from the Leningrad and Karelia regions received FSC Forest Management and Chain of Custody certificates for a total area of 295 736 hectares during 2014. Group certifications now cover forest lease areas totalling 811 865 hectares. Stora Enso's own Russian subsidiary companies have been FSC-certified since 2006.

Russian wood suppliers' customers, consumers and other stakeholders are increasingly demanding that their products meet high sustainability standards. Stora Enso has promoted responsible sourcing ever since the company introduced a full coverage wood traceability system in the region in 1997.

In Estonia, we continued a pilot project for SmartLogging certification, and managed FSC group certification for 60 forest owners. The SmartLogging certification scheme has been established by the Rainforest Alliance for logging contractors, to help forest-owners comply with FSC group certification requirements.

In Brazil, Stora Enso's joint operation Veracel and its partner farmers have been pioneering the concept of group forest certification in southern Bahia.

Important progress was achieved in 2014 towards the consolidation of the group certification of forest producers, when the association representing certified farms, Aspex, took over the management of the certification process previously shared with Veracel. The pioneering group has held certificates granted by both FSC and Cerflor (PEFC) since 2013, when it became the first such group with dual forest management certificates.

Another development concerns the new FSC certification standard, Small and Low Intensity Managed Forest (SLIMF), adopted in 2014 to encourage the certification of small producers in Brazil. This standard applies to producers with less than 480 hectares of land, which means that it covers the vast majority (80 out of 94) of Veracel's partner farmers' landholdings.

By the end of 2014, FSC and CERFLOR (PEFC) forest certification had been obtained by 83 farmers for a total area of 39 913 hectares, of which 12 400 hectares are planted with eucalyptus. Forest certification processes streamline farm management, enhance working conditions, and facilitate the establishment of conservation areas.

In Uruguay, the tree plantations owned by our joint venture Montes del Plata have 100% FSC certification coverage. In 2014 Montes del Plata successfully achieved re-certification for a third term. The company has also started to develop a new FSC group certification scheme to promote FSC certification among third party wood suppliers and tree growers.

Conserving biodiversity

Ecological landscape plans and biodiversity assessments conducted to identify valuable habitats form the basis for management planning in tree plantations and in our associate forest companies. Our employees and forestry contractors receive on-the-job training on ecological management.

Stora Enso only establishes tree plantations on lands with low biodiversity value, such as former pasturelands. All ecologically important areas are identified and duly protected. We also continuously monitor the impacts of our operations on biodiversity, soil and water resources.

During 2014 we continued our efforts to preserve and enhance biodiversity in various countries:

In Bahia, Brazil, our joint operation Veracel continued to actively restore Atlantic rainforest habitats in its lands for the 20th year. In addition to overseeing the natural regeneration of native forest in former pasturelands set aside for preservation by Veracel, which now total 105 368 hectares, the company also sources native tree seedlings from local nurseries, and plants them in former pasturelands in sites where natural regeneration is not possible. The aim is to restore Atlantic rainforest ecosystems and connect the remaining areas with ecological forest corridors, enabling birds and animals to move from one area to another. By the end of 2014 Veracel had planted more than 5 500 hectares of rainforest through partnerships with local cooperatives and companies in sites where natural regeneration has

not been possible. This work is starting to bring fruit, with for example an endangered forest falcon species (*Micrastur mintoni*) sighted in the company's forests during 2014.

Veracel is continuing to support various local conservation schemes. In 2014, Veracel signed a cooperation agreement with the SOS Mata Atlântica, the largest Brazilian NGO working to preserve and restore areas of Atlantic Rainforest. Veracel will now fund a multi-stakeholder team's efforts to develop nine municipal Atlantic Rainforest conservation plans in localities near Veracel. Veracel has also initiated a new multi-stakeholder study, in partnership with the Brazilian Forest Dialogue, which will compare vegetation cover and land use in southern Bahia using images obtained between 2013 and 2014 together with images from a similar study performed three years ago. This study ultimately aims to promote the conservation of biodiversity in the region.

In Guangxi, China, we are constantly monitoring the impacts of our plantation operations on local biodiversity and water levels, as part of a seven-year monitoring scheme. Following a review of Stora Enso Guangxi's water and soil monitoring strategy, a decision was made in December 2014 to extend a related water and soil monitoring programme first launched in 2011. Stora Enso is also cooperating with Fauna and Flora International (FFI) on biodiversity monitoring in the tree plantations. FFI are examining impacts on vegetation, bird species diversity, bird population numbers and bird behaviour. For more information see [page 70](#).

In Uruguay, our joint operation Montes del Plata has mapped and classified all its landholdings based on their sensitivity and historic value. This will facilitate the early detection of vulnerability and promote improvements in environmental and forest management, soil use and site-specific management and conservation practices.

In ecologically valuable areas flora and fauna are periodically monitored as part of scheme investigating changes in species' distributions in different regions of Uruguay. This work especially focuses on rare or endangered species, and on observations of new species that can be credited to improvements in habitat quality. For more information, see www.montesdelplata.com.uy.

In Russia, all certified harvesting companies managed by Stora Enso have been monitored in recent years with regard to the impacts of their contractors' operations as well as their own operations. This monitoring has covered issues including environmental impacts, work safety and biodiversity.

In 2014 high conservation value forests (HCVF) plan was updated for leased areas by Ladenso, a Russian harvesting company owned by Stora Enso. Categories and corresponding areas were checked and amended where necessary, for example due to forest fires and storm damage, and new areas were identified. The update was finalised in December 2014. Ladenso personnel will receive related training in the beginning of 2015.

In Sweden, Stora Enso is working with Bergvik Skog in several projects that aim to conserve

biodiversity and minimise the negative impacts of logging. Examples of endangered or threatened species that can be helped in this way include the beetle species *Tragosoma deparium*, the sand lizard (*Lacerta agilis*) and the white-backed woodpecker (*Dendrocopos leucotos*). Work on the conservation of white-backed woodpeckers has continued since the late 1980s, demonstrating the company's long-term commitment to biodiversity conservation.

Stora Enso conducts annual biodiversity assessments on behalf of Bergvik Skog at more than 6 000 felling sites. In recent years we have taken several actions to enhance the quality of our nature conservation efforts with a particular focus on biodiversity assessments.

Wood Supply Sweden has expanded the Right Method procedure launched in 2013 to enhance the planning, opening and utilisation of final felling and thinning sites. This procedure reduces the impact of operations on the ground, and also increases biomass yield and productivity. By the end of 2014, 51 harvesting teams were certified in accordance with Right Method final felling, and approximately 400 planning personnel and machine drivers were provided with related basic training. A follow-up training scheme was started in November 2014 and is expected to be completed by June 2016.

In Finland, Stora Enso has continued to actively promote the voluntary METSO forest biodiversity programme run by the Finnish government. This programme particularly targets private forest-owners, who can obtain compensation for protecting ecologically valuable forest areas accepted for conservation under the programme. We are also a member of the committee of the Perintömetsä (Heritage Forest) programme organised by WWF Finland. This programme encourages forest-owners

FORESTS, PLANTATIONS AND LANDS OWNED BY STORA ENSO¹ AS OF 31 DECEMBER 2014

Unit ²	Area	Certification coverage	Details of local landscapes and protected areas
Montes del Plata plantations and lands, Uruguay (joint venture with Arauco)	190 266 ha, of which 113 493 ha planted	FSC for 190 266 ha, of which 113 493 ha planted	Mainly pasturelands and agricultural fields. Remnants of native ecosystems, such as grasslands and riparian forests, have been protected within the company's lands.
Veracel plantations and lands, Bahia, Brazil (joint venture with Fibria)	211 489 ha, of which 90 497 ha planted	CERFLOR (PEFC) for 189 355 ha; FSC for 189 383 ha	Dominated by pasturelands cleared from Atlantic rainforest between the 1950s and 1980s. 105 368 ha of Veracel's lands are protected, including a 6 069 ha Private Natural Heritage Reserve. These protected areas mostly consist of native forest remnants at different stages of regeneration (see page 82).
Plantations and lands, Rio Grande do Sul, Brazil	43 412 ha, of which 20 850 ha planted		Mainly pasturelands and agricultural fields. 14 000 ha of the total area is protected, including native grasslands, riparian forests and other habitats.
Wood Supply, Lithuania	453 ha	FSC	70 ha of nature reserves, including buffer zones, and part of a national park.
Wood Supply, Estonia	137 ha, including 124 ha of forest		No protected areas within this area.

¹ In addition to the forest and plantation areas listed above, Stora Enso owns: 49% of Bergvik Skog, who own 2.3 million hectares of land in Sweden and 0.1 million hectares in Latvia; and 41% of Tornator, who own 0.6 million hectares of forestland in Finland, 40 000 hectares in Estonia, and 12 000 hectares in Romania.

² Including operations where Stora Enso's shareholding is at least 50%.

FORESTS AND PLANTATIONS LEASED AND MANAGED BY STORA ENSO¹ AS OF 31 DECEMBER 2014

Unit ²	Area	Certification coverage	Details of local landscapes and protected areas
Olonetsles, Russia	173 154 ha	FSC group certificate	In Russia protected areas are generally excluded from lease agreements. Areas amounting to 2 031 ha are protected as natural monuments (mainly marshlands).
Ladeno, Russia	153 915 ha	FSC group certificate	409 ha protected as natural monuments, including genetic pine reserves and watercourses.
Terminal, Russia	42 307 ha	FSC group certificate	No protected areas within this area.
Plantations and lands, Guangxi, China	86 259 ha, of which 73 000 ha planted with eucalyptus and 11 900 ha with other species	Chinese Forest Certification Council certificate for 86 259 ha; FSC for 86 259 ha	Mosaic landscape including agricultural crop fields, forest plantations and settlements. No native ecosystems are found in the leased lands. Areas totalling around 1 300 ha are protected (including 184 ha of public benefit forest), consisting of steep slopes, buffer zones and other important areas for watershed protection.
Building and Living³, Operations Central Europe, Czech Republic	144 374 ha	PEFC	38 300 ha within a landscape protection area, including a 1 895 ha bird reserve within the Natura 2000 programme. Other small-scale nature reserves totalling 950 ha.
Montes del Plata plantations and lands, Uruguay (joint venture with Arauco)	39 506 ha, of which 30 506 ha planted	FSC for 29 561 ha, of which 29 082 ha planted	Mainly pasturelands and agricultural fields. Protected and sensitive areas are excluded from lease agreements.
Trial plantations, Laos	2 200 ha, of which 2 029 ha planted		The plantations are located within a mosaic of intensive shifting cultivation lands and traditionally protected remnants of native forests. One plantation area is located close to a national biodiversity conservation area. The majority of the total area is covered by agroforestry production schemes.

¹ Including operations where Stora Enso's shareholding is at least 50%.

² Based on verified areas, which differ slightly from contractual areas.

³ Stora Enso's divisional structure was changed as of 1 January 2015. The former Renewable Packaging division was split into two separate divisions and reporting segments: Consumer Board and Packaging Solutions. The name of the Building and Living division was changed to Wood Products and the name of Printing and Reading division to Paper.

in Finland to voluntarily conserve forest sites that have a personal meaning for them, and pass them on to future generations intact.

In 2014 Stora Enso and WWF Finland signed a related cooperation agreement and held a joint workshop in September. The objective is to improve the communication channels that target forest owners and professionals. In this context Stora Enso will soon launch a new website named MetsäPolku to let forest owners know how they can join Stora Enso's PEFC and FSC forest certification groups or voluntary forest conservation programmes such as METSO and Perintömetsä. The website will also feature information on alternative forest management measures. Our own personnel have received training on these topics, and the site will be launched in 2015.

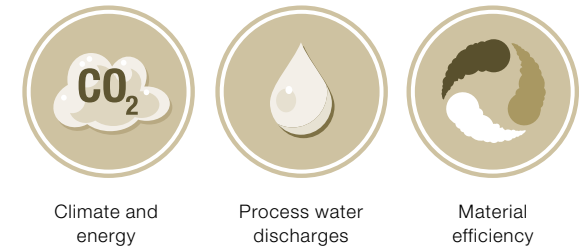
We have also been involved in the development of a new harvesting planning procedure incorporating a geographical database designed to safeguard endangered species. This procedure has already been adopted for our operations in Finland.

STRATEGIC LEAD AREA

Environment and Efficiency

- » Environmental management
 - » Climate actions
 - » Energy
 - » Emissions to air
 - » Environmental impacts from logistics
 - » Water
 - » Material efficiency
 - » Product responsibility
 - » Paper for recycling
 - » Data by unit
-

In our Environment and Efficiency Lead Area we strive to ensure that our resource efficient operations and products have superior environmental performance throughout their life cycle. We work to continuously improve the energy, material and water efficiency of our operations and business models, in order to enhance business benefits and save natural and financial resources.



	Key Performance Indicator	2014	2013	Targets	Progress	
Environment and Efficiency	Climate and energy	Reduction of CO ₂ emissions per saleable tonne of pulp, paper and board (kg/tonne)	-26%	-28%	-35% from 2006 benchmark level by the end of 2025	In progress
	Process water discharges	Reduction of process water discharges per saleable tonne of pulp, paper and board (m ³ /tonne)	-4%	-7%	-10% from 2005 benchmark level by the end of 2015	In progress
		Reduction of Chemical Oxygen Demand (COD) per saleable tonne of pulp, paper and board (kg/tonne)	-6%	-11% ¹	-10% from 2007 benchmark level by the end of 2015	In progress
	Material efficiency	Material efficiency index	n/a	n/a	To establish a Group-wide measurement process and target during 2014.	Not achieved
				To establish a Group-wide measurement process and target by the end of 2015.	In progress	

¹ Recalculated due to reporting errors.

Environmental management

We believe that many key solutions for mitigating climate change and overcoming other environmental challenges will be based on the use of renewable raw materials, cleaner and more energy efficient production processes, and sustainable forest management practices.

Our ultimate “Vision Zero” is of an industry with no waste to landfill, no harmful air emissions, and no wastewater discharges. We realise that this ideal cannot be achieved soon, but this vision nevertheless helps us to take the right steps forward through continuous improvements.

The key performance indicators (KPIs) and targets defined in our Environment and Efficiency Lead Area direct us to reduce our carbon dioxide (CO₂) emissions and process water discharges, while also steering us towards continuous improvements in material efficiency. In 2015 we will start to monitor our progress on these key indicators and targets at the Group-level on a monthly basis instead of a quarterly basis.

We have already commenced reporting on progress towards the Group’s key environmental targets quarterly in our Interim Reviews, as of the fourth quarter of 2014. Other indicators of our environmental performance are followed at the Group-level on a quarterly basis.

The consolidated results of all material environmental indicators are additionally reported every year in this Global Responsibility Performance Report.

Responsibilities and management systems

Stora Enso’s divisions and other key functions have their own respective environmental specialists who coordinate environmental issues, manage environmental liabilities, and cooperate with the respective environmental authorities, federations and relevant associations.

All of our units have operational responsibility for their own environmental management. Stora Enso has management systems in place to ensure that all our units adopt the relevant best environmental practices. All Stora Enso’s pulp, paper and board production units are certified according to the ISO 14001 management system standard. For a full list of our mills and their certifications see [pages 64–66](#) or storaenso.com/certificates.

Our mills regularly provide training on environmental issues for their employees. Stora Enso’s Code of Conduct reminds our employees of their environmental responsibilities in their everyday work. We also frequently organise broader sustainability training sessions for our employees, and information sessions for our customers and local communities in our operational areas.

Environmental permits

Each of our mills is regulated by environmental permits based on the national, regional and local legislation applicable in each location. Our mills continuously monitor their own compliance with these permits, as do the appropriate environmental authorities. All of the environmental incidents at Stora Enso mills in 2014 that resulted in significant permit violations, claims, compensations or media coverage are detailed in the table on [page 46](#).

The European Commission published and adopted an updated Best Available Techniques (BAT) Reference Document (BREF) for the Pulp and Paper Industry during 2014. The document’s conclusions on BATs are to be incorporated into national environmental permit processes, and associated emission limits have to be met within four years of their publication. During 2014 Stora Enso started a project that will assess the Group’s mills in Europe in order to ensure their future compliance with the new BREF. This assessment will continue during 2015. Stora Enso was involved in the preparation phase of the BREF through the Confederation of European Paper Industries (CEPI) and national industry federations, and we also provided related information about our operations to the European Commission.

Impacts along value chains

While our own operations play a major role in the value chains of our pulp, paper, board and solid wood products, we also strive to enhance environmental performance along entire value chains in order to continuously improve our sourcing and the overall environmental performance of our final products.

Environmental impacts along value chains are assessed in our product life cycle inventories and analyses, for eco-labelling and environmental performance declaration schemes see [page 44](#), for carbon footprint calculations [page 50](#), and in our assessments related to forests and land use [page 33](#).

Several of Stora Enso’s mills use recycled material, paper for recycling (PFR) (see [page 62](#)), as a key raw material in their production. Stora Enso’s business model is well in line with the European Commission’s key initiatives, including the concept of the Circular Economy, where the key aim is that materials are

repeatedly recycling for as long as possible, creating maximum environmental and financial added value. Stora Enso follows the related legislative developments, and participates in related stakeholder dialogues, especially through national industrial federations and CEPI.

Our Supplier Code of Conduct includes strict environmental requirements for our suppliers. Our pre-evaluations of suppliers conducted as a basis for supplier risk profiles also take into account environmental criteria. For more information on our approach to responsible sourcing see [page 30](#).

In 2014 Stora Enso's comprehensive human rights assessments (see [page 18](#)) included an evaluation of the procedures we have in place to address and mitigate the environmental impacts of our operations and supply chains on local communities.

Environmental provisions, costs and investments

Whenever a mill or production line is closed down, Stora Enso ensures that the mill site and the surrounding area are properly cleaned and restored in accordance with local laws, regulations, and environmental permits.

For more information on Stora Enso's provisions for environmental remediation and environmental legal cases see our Financial Report (Note 22 and Note 29) [📄](#).

For more information on the Group's total environmental costs and investments, see Report of the Board of Directors in our Financial Report [📄](#).

ENVIRONMENTAL INCIDENTS IN 2014

Unit	Incident	Corrective actions
Ala Sawmill, Sweden	A malfunction was discovered in the new electrostatic precipitator of a bark boiler during a maintenance break in 2013. The malfunction was causing guideline values for dust particles for this boiler type to be exceeded.	A detailed investigation into the cause of the malfunction was launched immediately in 2013. The investigation has now resulted in an action plan. The supervisory authority has been continuously informed about progress on the investigation and the action plan. The authority required follow-up measurements to be taken periodically or on-line. The electrostatic precipitator was repaired in the summer of 2014 to meet all the requirements of the supervising authority.
Anjalankoski Mill, Finland	The mill's monthly permit limit for phosphorus releases was exceeded in August due to oxygen shortages in the wastewater treatment plant.	Actions taken to ensure correct oxygen levels are maintained in future, including additional sampling and written reports, were accepted by the authorities. No fines or additional requirements were imposed by the authorities after these corrective measures.
Heinola Fluting Mill, Finland	The mill's monthly permit limits were exceeded for COD and BOD in February, for suspended solids in March and April, and for total phosphorus in August	Heinola Fluting Mill has submitted reports on all of these incidents to the authorities describing the situations and the corrective actions taken. The authorities accepted the mill's proposals for corrective actions in all cases. Permit limits were not exceeded on a yearly level.
Hylte Mill, Sweden	Dioxin emission limits were found to be exceeded at the mill's boiler 4 when periodic measurements were taken in May 2014.	The Country Administrative Board (CAB) requested details of the corrective actions to be taken. A report was sent to CAB describing the mill's ongoing study of potential reasons for the higher levels of dioxin formed in boiler 4, and suggestions for acquisitions of suitable cleaning equipment. The results of new sampling and measurements, taken on boilers 2 and 4 before and after emissions passed through scrubbers, showed dioxin levels below emission limits even when boiler 4 was run at a high load in October 2014. Additional sampling and measurements conducted under different incineration conditions in late November showed all emissions to be within limits. A final report is due to be sent to CAB in February 2015, describing possible actions to be taken in the short and long term. No fines were requested by the authorities.
Langerbrugge Mill, Belgium	Soil and groundwater contamination, caused by leakages of transformer oil after the breakdown of an old transformer, was detected in June/July.	Remedial work on the contaminated soil and groundwater was completed by 19 December and approved by the supervisory authorities. No fines or additional requirements were subsequently imposed by the authorities.

Narew Mill, Ostrołęka, Poland	The authorities' inspection report indicated that temperature limits were exceeded in treated effluent discharged into the River Narew.	The wastewater treatment plant's extension project involves increasing the capacity of the anaerobic stage in order to decrease aerobic stage loads, and also increasing the capacity of the plant's heat exchangers. These actions should solve the temperature issue. A corrective actions report was submitted to the authorities in January 2015.
Oulu Mill, Finland	The mill's permit limits for total phosphorus emissions were exceeded in August 2014 due to the malfunction of the wastewater treatment plant.	After investigation it was discovered that faulty meter gauges had caused the problems. These defects were corrected and procedures were changed to improve the preventive maintenance of the meter gauges in the future. The authorities were kept duly informed, and requested no further actions.
Wood Supply Finland	Wood Supply Finland's harvesting operations were found by the environmental authorities to have resulted in one accidental infraction of Finland's Nature Conservation Act during logging operations in Tervola; and one infraction of the Forest Act in Lieksa, involving insufficient reporting and the clearing of a stock area in an area of listed habitat type.	No claims for compensation were filed by the authorities, as the infringements were considered to be minor. Corrective actions were implemented according to instructions from the authorities. Logging residues were removed manually from the area protected by Nature Conservation Act, and also removed from the cleared stock area which was then planted with spruce and birch seedlings. The authorities have approved these corrective actions and both cases are now closed.
Guangxi, China – mill construction site	In July muddy water flooded from the site onto a neighbouring road and into nearby shrimp ponds after torrential typhoon rains which occurred before sufficient drainage networks had been installed.	The company have paid compensation to the owners of the shrimp ponds following negotiations.

Climate actions

Stora Enso is constantly working to reduce carbon dioxide (CO₂) emissions along the company's value chain. This involves promoting sustainable forestry, creating innovative products based on renewable raw materials, and developing cleaner and more efficient operations.

Stora Enso also actively follows and participates in global discussions related to climate change. In 2014 we participated in the Forest Solutions Group of the World Business Council for Sustainable Development (WBCSD) to help develop key messages and reports that will support the forest products industry and highlight how our industry can be part of the solution in terms of combating climate change.

During 2014 both the UN climate summit in New York and the 5th assessment report of the Intergovernmental Panel on Climate Change (IPCC) highlighted the need for global action on mitigating and adapting to climate change in preparation for the 2015 UN climate summit in Paris. Stora Enso supports the development of a global climate agreement that will help to mitigate climate change, facilitate adaptation measures, and ensure a stabilised energy market.

Reducing carbon dioxide intensity by 35% by 2025

Most of the greenhouse gas emissions generated by our operations come from the energy we purchase and produce at our mills. The most effective ways for us to reduce our fossil CO₂ emissions are to further improve our energy efficiency, and to keep increasing the share of bioenergy in our total energy use.

Our target is to reduce our fossil CO₂ emissions per saleable tonne of pulp, paper, and board by 35% from 2006 levels by the end of 2025. This CO₂ intensity target covers both emissions generated directly by our own facilities (Scope 1), and indirect emissions produced during the generation of the electricity and heat we purchase (Scope 2). In 2014 our CO₂

emissions per saleable tonne of pulp, paper, and board were 26% lower than the 2006 benchmark level.

Reductions in our CO₂ intensity in previous years have been achieved through investments in biomass boilers that have reduced our use of fossil fuels, and through increases in our internal production of power and heat. Other contributing factors have included improved productivity, the use of more efficient equipment, and streamlined processes.

On the other hand the Group's CO₂ intensity has been adversely affected by the use of fossil fuels at our Ostrołęka Mill in Poland, where energy price trend have not been favorable for biomass-based fuels.

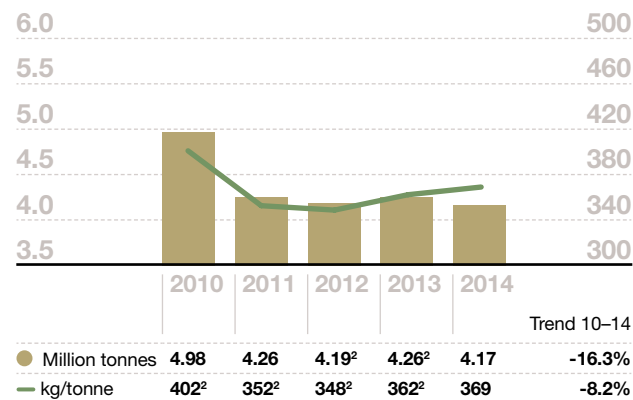
In 2014 our direct fossil CO₂ emissions increased both in absolute terms and per unit of sales production. The Group's decreased production impacted negatively on energy efficiency per unit of sales production.

Another contributing factor was an increase in CO₂ emissions during the startup phase of Kabel Mill's new combined heat and power plant. The mill's CO₂ emissions are expected to decline after this startup phase.

Since 2006 we have reduced direct CO₂ emissions from stationary combustion sources at our pulp, paper and board mills by 9% per unit of sales production (14% by 2013).

Our indirect CO₂ emissions are significantly influenced by the energy mixes used in the national grids of the countries where we operate. The fossil CO₂ emissions resulting from the generation of the energy we purchased for electricity and heat during 2014 were 45% lower than in 2006 (43%).

OUR FOSSIL CO₂ EMISSIONS¹



¹ Covering direct and indirect fossil CO₂ emissions (Scope 1 and 2) from pulp paper and board production facilities. Normalised figures are reported per unit of sales production.

² Figures recalculated due to changes in baseline or reporting errors.

Partnerships reducing fossil CO₂ emissions

We offer our local partners innovative ways to use resources to benefit communities around our mills.

In 2014 our Langerbrugge Mill started to work with the Volvo Car Group to reduce carbon emissions at Volvo's plant in Belgium by providing a district heating connection fuelled by renewable energy. Stora Enso will install an underground hot water pipeline during 2015 to transport hot water at a temperature of 125 degrees Celsius to a neighbouring Volvo car production facility, where it will be used to heat buildings and paint booths. The first hot water will be delivered in autumn 2016. It is estimated that 100 GWh of heat will be delivered in this way annually, reducing fossil CO₂ emissions by 15 000 tonnes a year.

Twelve of Stora Enso's pulp, paper, board and wood products mills are currently linked to local district heating systems. In most cases the heat supplied from these mills directly reduces the use of oil and other fossil fuels. In 2014 a total of 868 850 MWh of heat was sold to these district heating systems. Using this amount of renewable energy instead of light fuel oil for heating results in estimated emission reductions amounting to 232 000 tonnes of CO₂.

Forests and the climate

Wood is our most important raw material, and the benefits of using forest biomass are manifold. Sustainable forest and plantation management plays a vital role in mitigating global warming. Trees absorb carbon dioxide from the atmosphere and store the carbon it contains. Carbon is also stored in harvested wood products. If forests and plantations are managed sustainably, new generations of trees will grow back after mature trees are logged, absorbing more CO₂ from the atmosphere.

Wood can also be used as a substitute for carbon-intensive and non-renewable raw materials.

Sustainable forest management also helps to maintain other valuable features of forests, such as biodiversity.

We promote forest certification and chain-of-custody certification schemes to guarantee that all our wood originates from sustainably managed forests and tree plantations. We also actively combat illegal logging, which is one of the main causes of global forest loss and degradation, threats to biodiversity and distortions in timber markets.

Our tree plantations sequester more carbon than the previous land uses, especially in Latin America, where our plantations have almost entirely been planted on converted grasslands and degraded pasturelands. We also actively restore and conserve areas of Atlantic rainforest in and around the tree plantations we own through our joint venture Veracel in Brazil.

For more information about our approach to sustainable plantation management see [page 36](#).

Managing climate risks

Due to the energy-intensive nature of our operations, we are subject to risks related to climate change and costs related to energy and climate regulations. Climate change is expected to increase the frequency of extreme weather events such as storms, flooding and droughts in many regions. Storms can result in serious wind damage to forests, often leading to the short-term oversupply of timber, but reduced supply in the medium term.

Global efforts to combat climate change also present certain strategic opportunities for Stora Enso. All of our products are based on renewable materials with a comparatively low carbon footprint. Good examples include our renewable packaging and wood-based construction solutions, which help our customers and society at large to reduce CO₂ emissions by providing a favourable alternative to solutions based on fossil fuels and non-renewable materials.

Compared to our benchmark level 2006 we have reduced our CO₂ emissions per saleable tonne of pulp, paper and board by

26%

The EU's climate and energy policies, such as the Renewable Energy Directive, emphasise the potential for biomass-based energy production in sectors including industry, transport and housing. Stora Enso works widely with forest biomass, and we can be an important contributor in this context by enabling new forms of biomass-based energy production.

For a full description of the climate-related risks and opportunities seen as most material to our operations see our full response to the Carbon Disclosure Project's Investor Questionnaire, available at storaenso.com/climate.

Stora Enso evaluates risks and opportunities related to climate change by applying the Enterprise Risk Management process as part of our Group-wide risk and opportunity assessment work (see [page 5](#)), which forms an integral part of our whole management approach.

Stora Enso's business units also meet regulatory requirements regarding environmental risk assessments. Through third-party-certified management systems like ISO 14001 each mill has implemented procedures for the systematic identification of emergency situations and environmental risks, and for dealing with related effects.

EU emissions trading

The European Union Emissions Trading System (ETS) is a cornerstone of the EU's efforts to combat climate change, and a key tool for the cost-effective reduction


of industrial greenhouse gas emissions. The ETS in effect imposes a cost on all CO₂ emissions within the EU.

The ETS affects Stora Enso in two main ways. Firstly, it can be expected to further intensify the competition for biomass, which may lead to higher wood prices. Secondly, the ETS will also indirectly increase energy generation costs for our electricity suppliers when emission allowances have been completely purchased from 2013 onwards.

During the Kyoto Protocol's second commitment period, 2008–2012, the ETS impacted Stora Enso indirectly through European energy prices. At the same time we were able to profit by selling emission allowances allocated to us under the system, due to the forest industry's carbon leakage status and the high share of biomass in our internal energy production.

Carbon leakage status is granted to industries where it is considered that costs related to climate policies might cause businesses to transfer production to countries with laxer constraints on greenhouse gas emissions. During 2014 a decision was made to grant carbon leakage status to the forest industry for the period 2015–2019.

We routinely calculate the financial impacts of potential price increases in relation to emission allowances, including the financial impacts on our business in case of consequent increases in energy prices.

For more information see our Financial Report (Note 5) .

Tracking our carbon footprint

Since 2007 we have estimated our Group-wide carbon footprint on an annual basis, with the aim of identifying the main sources of CO₂ emissions across our operations.

Stora Enso was included for the fifth consecutive year in the [Carbon Disclosure Project's \(CDP\) Nordic Carbon Disclosure Leadership Index \(CDLI\)](#) in 2014 for our Group-level reporting on carbon emissions. Company disclosures to CDP are marked out of a total of 100, and this year Stora Enso achieved the maximum score. This annual index highlights companies listed on Nordic stock exchanges who have demonstrated a robust approach to the disclosure of information regarding climate change.

We base our carbon footprint accounting on guidelines provided by the Greenhouse Gas Protocol of the World Resource Institute and the World Business Council for Sustainable Development. Our accounting concentrates on CO₂, which is the dominant greenhouse gas in our carbon footprint, but emissions of other greenhouse gases are also included where data is available.

We report on our greenhouse gases in three categories:

- Scope 1: Emissions from sources we directly own or control, including on-site energy generation and processes, power boilers, lime kilns, paper-drying processes, vehicles, engines and harvesting equipment.
- Scope 2: Emissions related to the purchased electricity and heat consumed in our operations.
- Scope 3: Emissions from other indirect sources along our value chain, reported as CO₂ equivalent estimates.

The main sources of our Scope 3 emissions are:

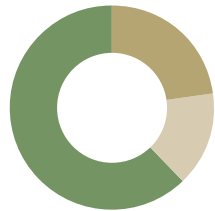
- the transportation and harvesting of wood by our contractors
- the manufacturing and transportation of other raw materials we use
- the transportation of our products to customers
- the further processing of our products by customers

During 2014 we updated the methodology used to calculate our Scope 3 emissions, and the factors used in calculations related to the further processing of our products by customers. This resulted in an overall increase of over 1 million tonnes of CO₂ equivalent in our total carbon footprint for the whole value chain. These results will be used to analyse the most significant emission sources in our value chain in more detail.

To identify and continuously improve the environmental performance of our products, and to inform our stakeholders accordingly, we also work with product life cycle inventories and analyses (LCIs and LCAs), Paper Profiles, eco-labels, forest certification labels, and environmental footprints. For more information, see Product responsibility, [page 62](#).

TOTAL CARBON FOOTPRINT 2014¹

12.23 million tonnes of fossil CO₂ equivalent



- Scope 1: Direct emissions from production 23%
- Scope 2: Indirect emissions related to production (purchased electricity and heat) 15%
- Scope 3: Other indirect emissions along our value chain 62%

¹ Covers all Stora Enso production units.

TOTAL CARBON FOOTPRINT 2010–2014¹

			Fossil CO ₂ equivalent (million tonnes)				
Emission source			2014	2013	2012	2011	2010
Stationary and mobile combustion sources (direct)	Scope 1		2.80	2.79 ²	2.70 ²	2.90	3.19
Purchased electricity and heat (indirect)	Scope 2		1.82	1.97 ²	1.97 ²	1.85	2.26
Other sources (indirect)	Scope 3		7.61	7.92 ²	8.13 ²	8.16 ²	8.32
			12.23	12.68 ²	11.27 ²	12.91 ²	13.77

¹ Covers all Stora Enso production units.

² Figures recalculated due to changes in baseline or reporting errors.

Energy

The cornerstone of Stora Enso's energy efficiency strategy is our global energy target. Our Group-wide target is to reduce our specific electricity and heat consumption per tonne of pulp, paper and board production by 15% by 2020, compared with the baseline year of 2010. In 2014 this indicator was 4% lower than 2010 benchmark level (3% in 2013).

Energy procurement and generation

Stora Enso's operations are based on the processing of renewable resources. The most energy intensive phase in Stora Enso's value chain is the production processes of our paper and board products. Mechanical pulp production and paper and board machines particularly consume vast amounts of heat and electricity. It is therefore essential for our success that we have access to a reliable energy supply at reasonable cost.

Our energy procurement and generation strategy focuses on our long-term needs. Stora Enso's energy supply is managed utilising long-term contracts, direct market access through energy exchanges, our own efficient combined heat and power production, and our partnerships in competitive power generation such as shareholdings in Pohjolan Voima Oy and Teollisuuden Voima Oy.

For more information on these partnerships see our Financial Report (Note 31) .

Existing contracts and our own internal electricity generation capacity are estimated to cover around 80% of our electricity needs for the next 5 years (84% in 2013). In 2014 our total energy self-sufficiency figure was stable at 60% (60%).

In 2014 our electricity self-sufficiency level increased to 41% (39%). The share of biomass in our internal energy production remained at 77% (77%). Pulp and paper production results in by-products such as black liquor, bark, and different kinds of sludge. These materials together with harvesting residues and recovered wood all constitute important biomass sources for our internal energy generation.

Procurement and partnerships

Stora Enso strives to secure and enhance access to cleaner energy through strategic partnerships with external energy suppliers. In 2014 some 80% (82%) of our purchased electricity was generated from low-carbon sources including nuclear energy and renewable energy.

Our approach to energy procurement and energy generation is described in detail in our Energy Guidelines, which are available at storaenso.com/sustainabilitypolicies.

Energy generated by Stora Enso

Energy accounted for 12% of Stora Enso's variable costs in 2014 (13% in 2013).

Our energy consumption is the greatest source of our carbon dioxide emissions, so improving our energy efficiency is a vital way to reduce our environmental impact.

Stora Enso follows a structured approach to energy management. Stora Enso's Energy Services team is responsible for procuring energy, including fossil

fuels, as well as hedging with regard to energy prices, trading in green certificates and following emission trading trends. The team also ensures that our energy efficiency strategy is duly implemented.

Our mills are ultimately responsible for optimising and rethinking their existing processes so as to maximise their energy efficiency. The energy efficiency work done at our mills is guided by our internal tools and certified environmental and energy management systems. For a comprehensive list of our certificates see [pages 64–66](#) or storaenso.com/certificates.

Our online energy efficiency tool aims to spotlight energy efficiency issues. The tool was first taken into use at our Sachsen Mill in Germany in 2012. In 2014 the system was adopted at Veitsiluoto, Oulu, Anjala and Heinola mills in Finland.

Energy forums

To further improve our energy efficiency we have created a network of forums for the largest production units among our Nordic and Continental European pulp, paper and board mills. These forums work together systematically to share knowledge and best practices, and to find ways to improve energy efficiency with regard to targets set for each Division. During the year we also shifted the focus from wider energy audits more towards topic-specific energy efficiency campaigns.

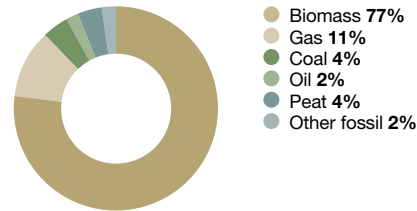
Energy efficiency fund

Another cornerstone of our energy work is our centralised energy efficiency investment fund. This fund was set up in 2008 to support our mills' energy efficiency projects. In 2014 the fund amounted to 10 million euros available for allocation to energy saving investments on an annual basis. It was used to support 43 projects during the year. These projects should generate reductions in energy consumption totalling at least 296 GWh per year (86 GWh electricity and 210 GWh heat) when in full effect. These figures are equivalent to 0.6% of our annual electricity consumption and 0.8% of our annual heat consumption.

Major investments to improve energy efficiency

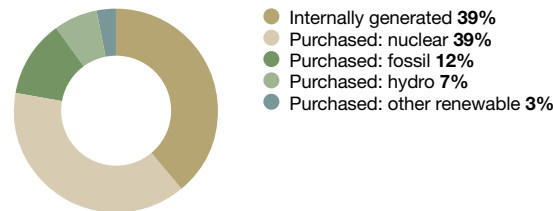
Stora Enso has continued to make strategic investments targeting improved cost efficiency and energy efficiency. In 2014 a new combined heat and power plant was taken into operation at Kabel Mill, realising investments amounting to EUR 19 million. Energy efficiency investments at Enocell Mill and Sunila Mill in Finland were also completed during the year. Significant investments in energy efficiency were also made in our 35%-owned joint venture operations at Bulleh Shah in Pakistan.

FUELS¹



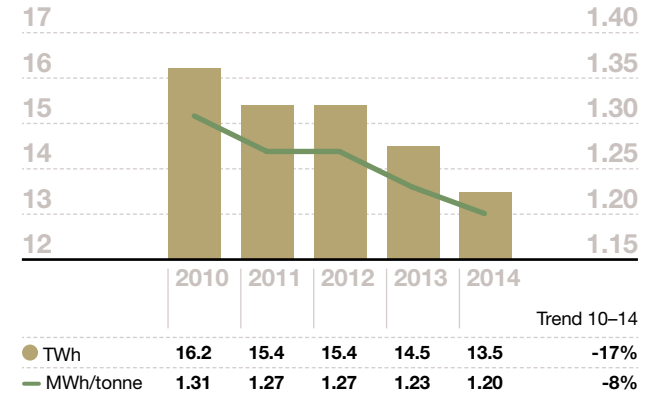
Our total annual fuel consumption was 154 309 terajoules (TJ) in 2014 (155 511 TJ in 2013). 1 TJ = 10¹² joules.

ELECTRICITY¹

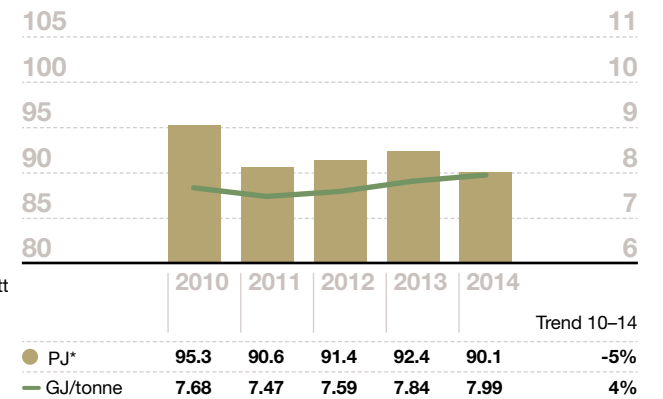


We generated and purchased 14.2 terawatt hours (TWh) of electricity in 2014 and consumed 13.5 TWh. 0.7 TWh was sold. TWh (terawatt hour) = 10⁹ kilowatt hours.

ELECTRICITY CONSUMPTION¹



HEAT CONSUMPTION^{1 2}



¹ Figures cover pulp, paper and board production facilities. Normalised figures are reported per unit of sales production.

² Excluding heat used for electricity generation.

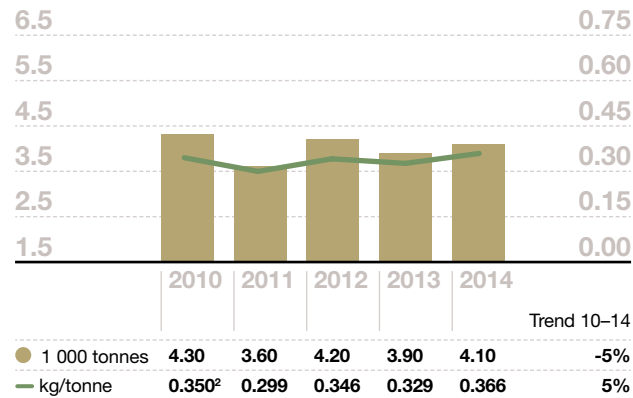
* 1 PJ = 10¹⁵ joules.

Emissions to air

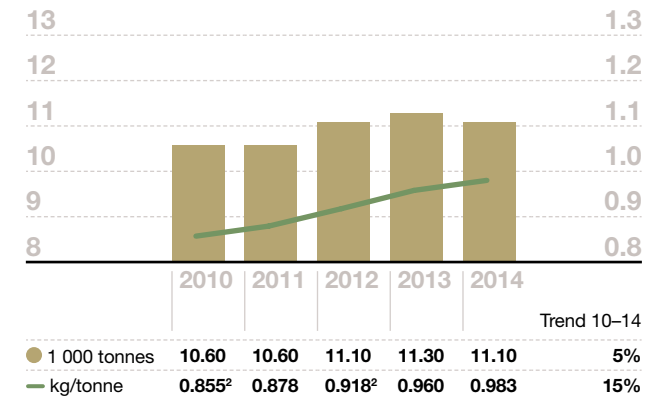
Our atmospheric emissions mainly result from the combustion of fuels used in energy generation. These emissions include carbon dioxide (CO₂), sulphur dioxide (SO₂) and nitrogen oxides (NO_x).

We are working to reduce our emissions to air by using more renewable energy and by increasing our energy efficiency. Emissions of SO₂ and NO_x, which affect air quality and cause acid rain and soil acidification, are also controlled through advanced technologies such as scrubbers and boiler process control systems.

TOTAL SULPHUR AS SO₂¹



NO_x¹



¹ Figures from pulp, paper and board production facilities. Normalised figures are reported per unit of sales production.

² Figures recalculated due to changes in baseline or reporting errors.

Environmental impacts from logistics

The most significant environmental impacts associated with our logistical operations are the carbon dioxide emissions generated during the transportation of our raw materials and products.

According to our Group-wide carbon footprint calculations (see [page 54](#)), the transportation of our final products accounts for 10% of our total carbon footprint. The transportation of wood to our production

facilities accounts for 3%, while the transportation of other raw materials accounts for a further 2%.

Other environmental impacts related to our logistical operations include emissions of sulphur compounds, nitrogen oxides and noise.

Our logistical operations are mainly performed by external logistics service providers. During 2014 we started to establish a new set of specific sustainability requirements for logistics service providers, to complement our Supplier Code of Conduct.

Our final products are transported by sea, road and rail. Taking into account the weights of

product shipments and transportation distances, transportation by sea accounted for 86% of all product transportation in 2014 (83% in 2013), while road and rail transportation constituted 11% (13%) and 3% (4%), respectively.

Water

Water management is covered by key performance indicators in our Global Responsibility work. Our key environmental targets include quantitative and qualitative targets for process water discharges.

In 2014 we continued to actively participate in international initiatives related to water. These initiatives included the development of an international ISO standard for water footprint assessment, which was finalised and published in 2014, as well as the [CEO Water Mandate's Corporate Water Disclosure Guidelines](#) published in September 2014.

Our assessments of water-related risks in our operations indicate that almost all of Stora Enso's production units are located in regions where water is a relatively abundant resource. In these assessments our Barcelona Mill and Dawang Mill are exceptional, as they are in regions where water is a relatively scarce resource, so our use of water in these locations requires specific actions.

Water use at our mills

Water plays a central role in our pulp, paper and board production processes. The structure of paper is dependent on water, as hydrogen bonds are needed to keep the wood fibres together. Water is also used for cooling machinery at the mills, for cleaning, as a carrier of energy in the form of steam, and as a medium to carry fibres through production processes.

Almost all of the water we use directly comes from lakes and rivers, and around 96% of this total volume is recycled back to the environment. This recycling occurs either after appropriate treatment (for process water), or without treatment where this is not

From 2007 benchmark level our normalised COD discharges have declined by

6%

necessary (for cooling water). Stora Enso's approach is also described in our Water Use Statement, available at storaenso.com/sustainabilitypolicies.

Water also plays a key role in creating the electricity we use and purchase, particularly in hydropower plants. Our mills producing solid wood products additionally need low volumes of water in their manufacturing processes.

Top-class wastewater treatment

All our wastewater streams are carefully purified in our treatment plants before being released back into the natural environment. This is essential, since impurities in water discharges can harm ecosystems in lakes, rivers and other natural water bodies. Stora Enso is committed to use top class wastewater treatment systems to ensure that the water we release is purified, ecologically safe, and meets all regulatory requirements.

Our water treatment systems also recycle water within mills where feasible, reducing the need for water intake.

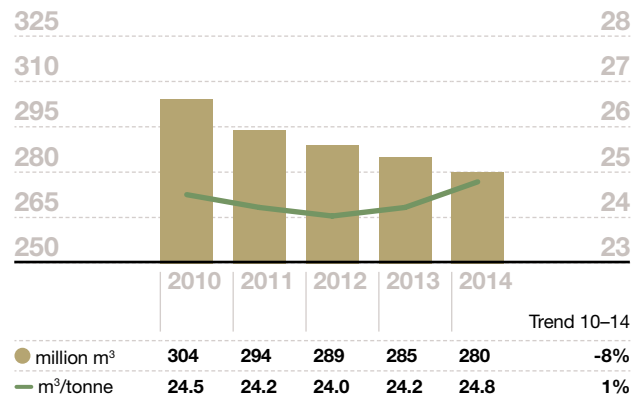
Our key performance indicator for the quality of treated process water is normalised discharges of chemical oxygen demand (COD), calculated per saleable tonne of pulp, paper and board. In 2014 our normalised COD discharges were 6% lower than the 2007 baseline level (11% in 2013). One reason for this was that while the Group's total production volume

WATER WITHDRAWAL AND CONSUMPTION¹

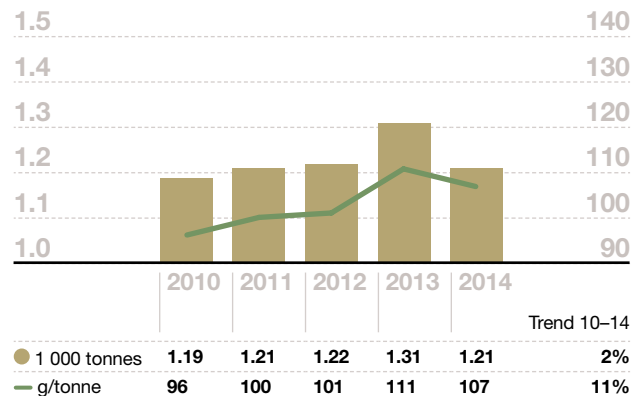
	2010	2011	2012	2013	2014	Trend 10-14
Total water withdrawal (million m³)						
Process water	320	309	306	303	303	-5%
Cooling water	358	364	322	335	323	-10%
Total	678	673	628	638	626	-8%
Process water withdrawal efficiency						
m ³ /tonne	25.8	25.5	25.4	25.7	26.8	4%
Total water consumption						
million m ³	28.1	27.2	25.1	26.5	25.5	-9%
m ³ /tonne	2.3	2.2	2.1	2.2	2.3	1.5%

¹ Including water withdrawals and consumption levels of our pulp, paper and board production units. Normalised figures are reported per unit of saleable product.

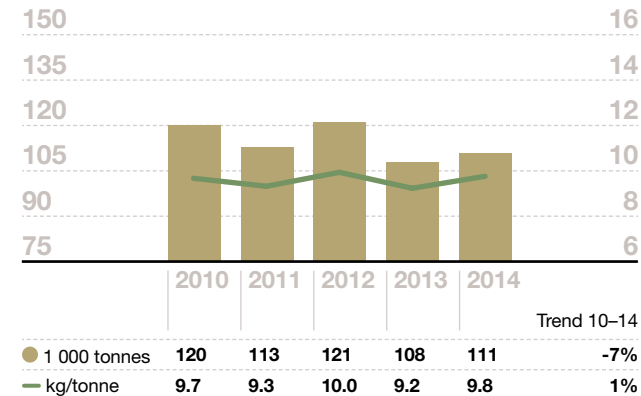
PROCESS WATER DISCHARGES¹



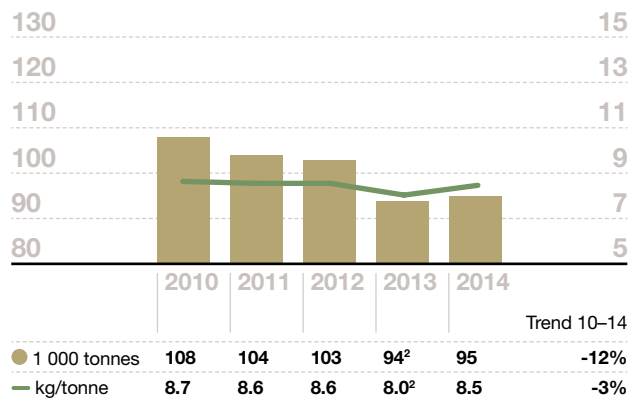
NITROGEN¹



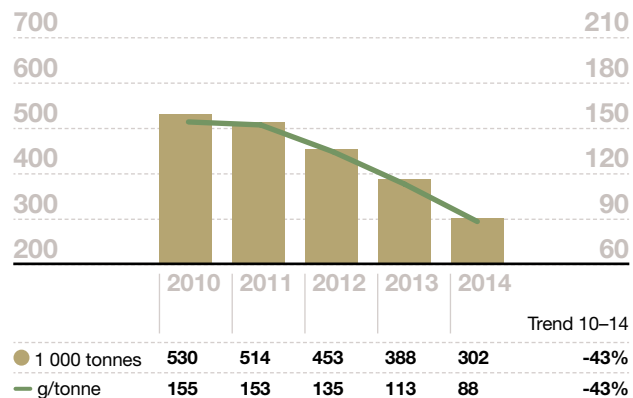
PHOSPHORUS¹



COD¹



AOX³



¹ Figures from pulp, paper and board production facilities. Normalised figures are reported per unit of sales production.

² Figures recalculated due to changes in baseline or reporting errors.

³ Figures from bleached chemical pulp production facilities only. Normalised figures are reported per unit of bleached chemical pulp production.

has decreased, since we have closed several paper machines over the past two years, COD discharges have not decreased correspondingly, as some mills have been left with oversized waste water treatment facilities.

In 2014 our normalised discharges of nitrogen decreased slightly whereas normalised discharges of phosphorus increased slightly compared to the previous year. Over the past five years our normalised discharges of phosphorus have increased by 1% and discharges of nitrogen have increased by 11%.

In 2014 our normalised discharges of adsorbable organic halogen compounds (AOX) continued to decrease. AOX is a collective term for the amounts of chlorine or other halogens derived from chemical pulp bleaching processes that end up bound to organic matter in wastewater. In recent years our discharges of AOX have fluctuated within a range that represents good performance (see [page 56](#)). This is largely because Stora Enso stopped using elemental chlorine in bleaching processes more than 20 years ago.

Using water efficiently

We strive to continuously reduce water use at our pulp, paper and board mills. Reducing the water demand of our mills also helps to improve the energy and material efficiency of our production.

During 2014 the Stora Enso Pulp Competence Centre continued to run a multi-year project on water use in our kraft pulp mills in Sweden and Finland, examining water-intensive processes to find ways to reduce their water demand.

In 2014 our normalised process water discharges per saleable tonne were 4% lower than the 2005 baseline level (7% in 2013). The increase in our normalised process water discharges was also partly due to recent paper machine closures, which mean that wastewater treatment facilities at some mills are oversized.

Water use along our supply chain

We require high quality water management from our suppliers as a part of our responsible sourcing policies (see [page 30](#)). Our expectations concerning suppliers' water management form part of our Supplier Code of Conduct. The environmental criteria in our supplier assessments also cover water-related issues.

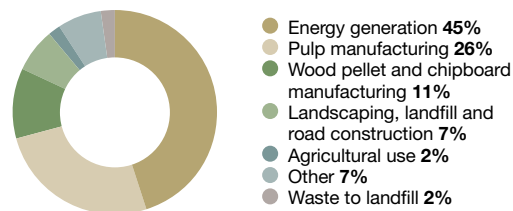
Water issues are also an integral element in our own sustainable forest management and land use practices (see [page 37](#)). During 2013 Stora Enso and Kemira launched a unique water stewardship project in Guangxi, China, aiming to create benefits for local communities (see [page 73](#)).

Material efficiency

In 2014 our waste and residuals reuse rate across the Group was 98% (97% in 2013), including both internal and external reuse. Stora Enso's production processes generate various residuals and wastes, the vast majority of which are reused. Such materials include biomass fibres, ash from energy production, lime solids from pulping processes, and wastewater treatment sludge.

Many of these materials are used for our internal bioenergy production; or for agricultural purposes, brick manufacturing and road construction by our stakeholders. We are constantly looking for new and innovative ways to reuse materials that would otherwise end up as wastes. In 2014 the Group's

UTILISATION OF RESIDUAL MATERIALS¹



¹ Covers all Stora Enso production units.

revenues from these wastes and residuals, including related environmental services provided by Stora Enso, amounted to EUR 77 million.

In 2013 Stora Enso decided to discontinue an earlier target on waste to landfill, but instead to focus on improving material efficiency as a broader concept. Process waste to landfill levels will remain as a performance indicator, however.

Our concept of material efficiency covers waste reduction, the efficient use of raw materials, and the creation of business opportunities and revenues from wastes and residuals. We strive to generate positive environmental impacts and boost business value from enhanced material efficiency throughout the Group's operations.

Our key performance indicator for measuring progress on materiality efficiency is a material efficiency index which we continued to develop during 2014. This index combines a set of identified relevant indicators, such as process waste to landfill, related financial impacts, and other operational efficiency parameters. Using a composite index helps us to monitor our broader performance in material efficiency taking into account different aspects. We aim to have the new material efficiency index and the related measurements in place by the end of 2015.

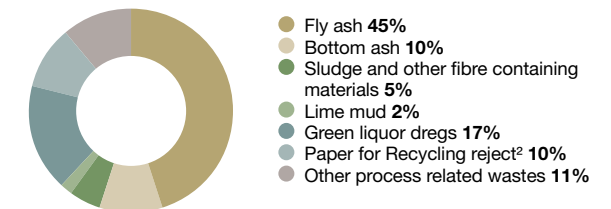
Hazardous wastes

Hazardous wastes from our production include used oils, solvents, paints, laboratory chemicals and batteries. In 2014 Stora Enso's production units created a total of 3 590 tonnes of hazardous waste, up from 2 884 tonnes in 2013.

We dispose of hazardous wastes by ensuring that they are safely processed at hazardous waste facilities or incinerators. We report on our disposal of hazardous wastes in line with respective national regulations.

PROCESS WASTE TO LANDFILL¹

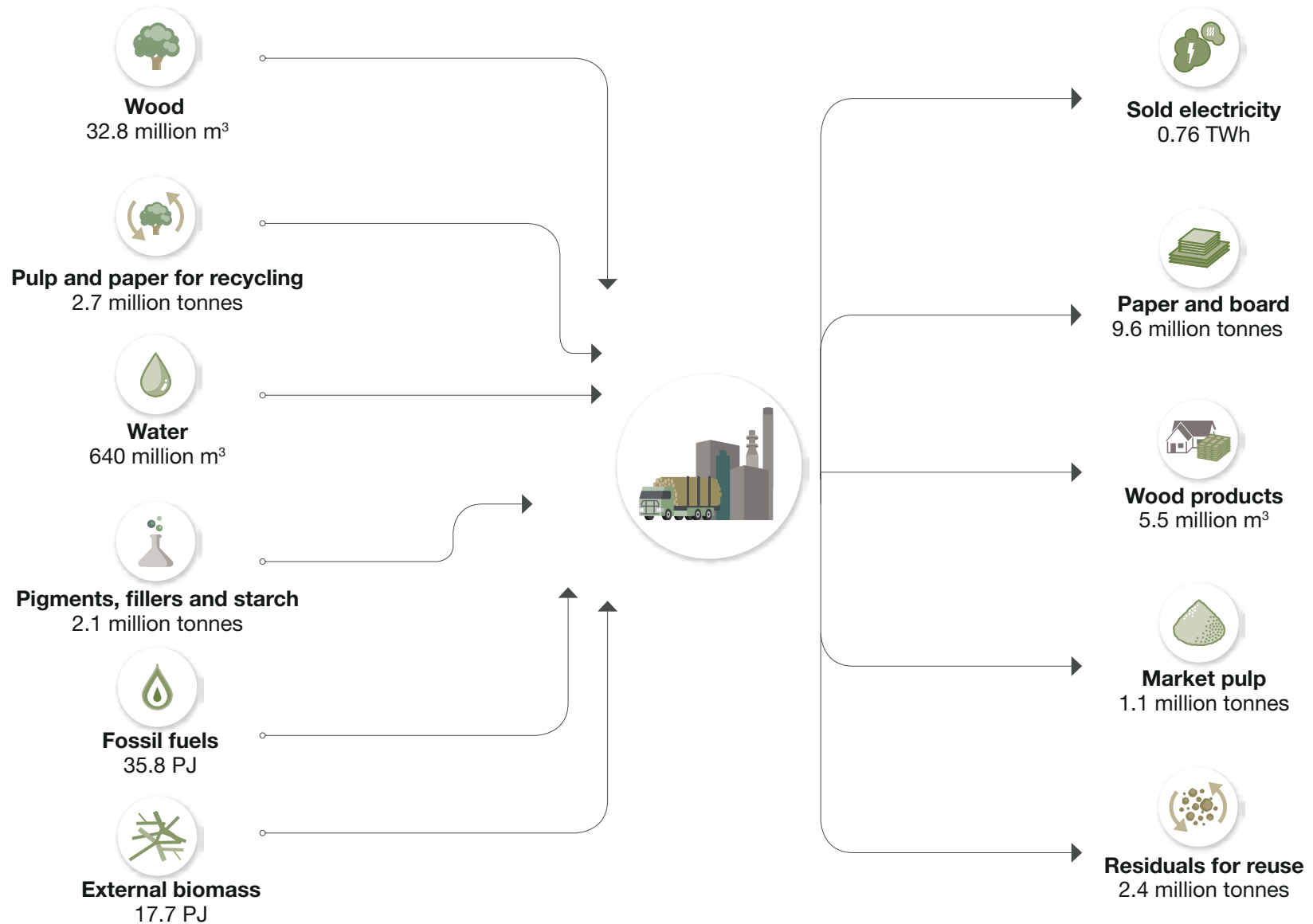
109 090 tonnes



¹ Covers all Stora Enso production units. In addition to process waste to landfill Stora Enso's production units created a total of 11 000 tonnes of non-process waste and 32 000 tonnes of waste to onsite storages.

² Non-pulpable materials like plastics and other wastes sorted from the recovered paper and board. When not suitable for utilisation in energy generation or elsewhere, this material goes to landfill.

MATERIAL USE IN 2014



Product responsibility

Ensuring product safety, providing product information on sustainability performance and promoting paper and packaging recycling schemes are key issues in Stora Enso's approach to product responsibility.

Our in-house product safety and quality control systems cover all our processes from the product development stage through raw material sourcing to the delivery of the finished products. We also oblige our suppliers to comply with our requirements related to product safety.

Ensuring product safety is especially fundamental for our packaging materials that come into contact with food or have other sensitive end uses such as toys or pharmaceuticals. In 2014 Stora Enso's Renewable Packaging Division¹ produced 2.2 million tonnes of packaging materials that will come into direct contact with food or pharmaceuticals, or be used for other hygiene- and consumer-sensitive purposes.

To guarantee that consumer demands and food safety regulations are fully met, all our units producing food contact materials and other sensitive packaging materials follow Good Manufacturing Practice. This set of widely recognised guidelines, which is also incorporated into EU regulations, aims to ensure safety and product quality in foods and pharmaceutical products. Food safety compliance statements for essential raw materials are also checked with our suppliers prior to any purchasing decision.

The same mills are additionally certified according to recognised hygiene management standards. For a full list of our mills' certificates see [pages 64–66](#) or storaenso.com/certificates. We also provide our customers with information on products' hygiene and safety aspects through compliance declarations, and we have effective processes in place for testing product compliance and safety. Product safety is also identified as one of the most significant short-term risks in Stora Enso's risk management.

Chemical safety

Ensuring the safety of our products starts with the purchasing and manufacturing of chemicals. Only chemicals specifically approved for purpose are used in our production of food contact materials, and their safety and legal compliance are always checked.

In this work we follow relevant legislation including the European Union's REACH, BPR and CLP regulations. These regulations have been designed to protect public health and the environment by comprehensively identifying the safety properties of chemical substances and determining how chemicals can be used safely.

Information on sustainability performance

To identify and continuously improve the sustainability performance of our paper, board, packages, pulp and solid wood products, and to inform our stakeholders accordingly, we work with product life cycle inventories and analyses (LCIs and LCAs), Paper Profiles, eco-labels, forest certification labels, and environmental footprints, in addition to our own mill-specific certificates.

Stora Enso's LCA experts compile LCI data on our products. We conduct LCI surveys on all of our main products, using calculations that are updated annually. LCIs are used in comprehensive life cycle studies to assess environmental impacts all along the value chain.

Our Printing and Reading Division¹ has reported on the environmental performance of paper products in line with the requirements of the Paper Profile and Paper by Nature initiatives. These voluntary schemes have been developed with the involvement of leading paper producers.

In 2014 our Building and Living Division¹ continued to participate in a project coordinated by Aalto University in Finland in order to create a standard data collection procedure for environmental product declarations on wood products, based on European and international product declaration standards.

Building on work previously done in other divisions, Stora Enso Building and Living¹ also started a multi-site certification process during 2014 to streamline certification management. This process covers the Division's sourcing, manufacturing and distribution

¹ Stora Enso's divisional structure was changed as of 1 January 2015. The former Renewable Packaging division was split into two separate divisions and reporting segments: Consumer Board and Packaging Solutions. The name of the Building and Living division was changed to Wood Products and the name of Printing and Reading division to Paper.

units, and encompasses certification schemes that address quality, environmental impact, occupational health and safety, energy and chain of custody.

Our Wood Products Division also manufactures a large variety of wood products labelled with the mandatory CE Marking for products delivered to consumers in the EU. CE Markings represent a manufacturer's declaration that products comply with the essential requirements of the relevant European health, safety and environmental legislation as defined in the related EU directives.

Eco-labels

Almost 90% of our Paper Division's own paper brands have been awarded with one or more recognised ecolabels, including the EU Ecolabel, the Nordic Ecolabel and the Blue Angel (Blauer Engel). Many of our Consumer Board Division's board brands for graphical end uses are also available with the EU Ecolabel. These eco-labels cover the whole life cycle of a product, from the extraction of raw materials through a product's manufacture, use and disposal. They each combine several aspects of environmental performance, including sustainable fibre sourcing, energy use, air emissions, water discharges, waste management and chemicals.

During 2014 we continued to participate in an initiative set up by the European Commission to create an EU Ecolabel for converted paper products. The criteria for awarding this new ecolabel were published in May, covering envelopes, carrier bags, and stationery products.

Many Stora Enso products are also covered by forest certification labels, showing that they have been produced using wood from certified forests and controlled sources, and that the whole journey of the raw material from the forest to the store shelf has been documented and verified by an external party.

Environmental standards and footprints

Stora Enso has calculated greenhouse gas emissions for the company's main products. For more information about Stora Enso's carbon emissions and carbon footprint see [page 48](#).

During 2014 we also worked with the European Committee for Standardization and International Organization for Standardization on the development of standards on water footprint, bio-based materials and environmental management; and with the Confederation of European Paper Industries and the European Commission to shape rules for a wider product environmental footprint for paper that will cover key environmental impacts throughout the product life cycle.

The Commission aims to create methodology for a harmonised Product Environmental Footprint (PEF) scheme based on quantitative assessments of the main environmental impacts of products. Several pilot projects have been launched to develop specific rules for product categories including food, animal feed and beverages. During 2014 Stora Enso participated in the Technical Secretariat of the Intermediate Paper Product pilot.

Product recycling

Our papers, boards, packages and solid wood products are based on renewable materials and safely recyclable. Stora Enso actively promotes and participates in recycling schemes, and is one of Europe's largest users of Paper for Recycling (PfR) (see [page 62](#)).

Paper for recycling

Stora Enso's papers, boards and packages are safely recyclable. In 2014 the utilisation rate of Paper for Recycling (PfR) in our paper and board production was 26% (28% in 2013). Maximising the reuse of fibres ensures the efficient use of raw materials, thus saving both natural and financial resources.

Stora Enso used 2.5 million tonnes of PfR in 2014 (2.7 million tonnes in 2013). This makes us one of the largest single PfR consumers within the European market, where approximately 49 million tonnes of PfR was utilised in 2014.

Stora Enso's business model is well in line with the EU Commission's concept of a Circular Economy, where the key aim is that materials are repeatedly recycled as long as possible, creating maximum environmental and financial added value. In addition to using a high share of PfR in our fibre use, we work continuously to improve other aspects of material efficiency in our industrial operations (see [page 58](#)).

Eight of Stora Enso's mills currently use PfR as raw material. Recycled newspapers and magazines are used at Langerbrugge in Belgium (where they account for 100% of sourced fibre), Sachsen (100%) and Maxau (75%) in Germany, Hylte in Sweden (50%), and Dawang in China (100%). Recovered board is used at Ostrołęka in Poland (80%), Barcelona in Spain (100%), and Heinola in Finland. These mills are mainly located in densely populated areas where high paper recovery rates are possible.

Stora Enso has additionally been using PfR as raw material in three Corenso board mills, at Soustre in France (100%), Pori in Finland (100%), and Wisconsin Rapids in the United States (100%). In 2014 Corenso's operations were divested from Stora Enso Oyj and transferred to Powerflute Oyj.

Utilising local sources

Through contracts with local authorities, communities and waste management companies, we secure viable volumes of paper and board collected from households, to be sorted and used as valuable raw material at our mills. This mixed paper is first transported by truck for short distances to sorting plants, either on our mill sites or close to residential areas.

The sorting process separates certain paper grades for paper manufacturing, corrugated paper and board grades for board manufacturing, and non-pulpable materials like plastics and other wastes that can partly be utilised in our mills' power plants to generate energy.

On top of this material originating from households, Stora Enso also directly sources used paper from industrial and commercial sources such as printers and retailers. In Poland, Stora Enso also runs a network of more than 20 depots of our own, where board is collected and baled for transportation to Ostrołęka containerboard mill in Northern Poland.

In Spain our Barcelona Mill largely utilises used beverage cartons (UBC) as raw material for board production. Beverage cartons are made of fibre, plastic and aluminium. The mill is able to reuse all of these materials.

The plastic is incinerated to generate energy, aluminium is recovered in brick form and sold to aluminium companies, and the fibres are used for board production.

In China demand for imported PfR has been growing as new paper machines have sprung up. Through our own political lobbying in Belgium and lobbying in cooperation with the Spanish National Paper Association in Spain we have encouraged local authorities to step up their efforts to ensure a local supply of PfR for economic and environmental reasons.

Reducing transportation distances

In October 2014 a new paper sorting line was inaugurated at Langerbrugge Mill in Belgium. This sorting line replaced an old sorting line located 60 kilometres away from the mill. This investment has reduced both operational costs and environmental impacts thanks to the related automation and reductions in transportation.

As a part of our optimisation of PfR transportation, we also strive to use return freight capacity wherever possible, with the same trucks taking paper, board and pulp products out of our mills and bringing PfR in.

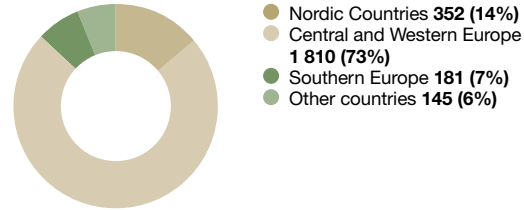
Europeans keen to recycle

Europe's PfR collection rate has been high for many years, and in 2013 it rose to a level of 72%. This is a remarkable achievement, especially since the European Recovered Paper Council (ERPC) estimates that 22% of all produced paper is of grades that cannot be recycled, such as tissue paper.

This nevertheless means that 6% more paper could still be recovered, and Stora Enso is actively collaborating with local authorities and communities to find ways to further increase the recycling rate. In one such case our Maxau Mill in Germany has been supporting and advising the authorities in the city of Karlsruhe regarding the launch of a new paper and board collection system.

PAPER FOR RECYCLING: PROCUREMENT BY ORIGIN

thousand tonnes



Data by unit

Unit	Number of employees ^{a)}	Production ^{b)}	Products	Recovered fibre ^{c)}	Certificates							Waste to landfill*	Hazardous waste ^{d)} *	SO ₂ *	NO _x as NO ₂ *	Direct fossil CO ₂ ^{e)} *	Indirect fossil CO ₂ ^{e)} *	Direct CO ₂ from biomass ^{f)} *	COD*	AOX*	Phosphorous*	Nitrogen*	Process water discharge**
					ISO 9001	ISO 14001	ISO 22000	ISO 50001	OHSAS 18001	FDA	FSC® CoC												
Belgium																							
Langerbrugge Mill	369	512 375	Ⓞ	x	x	x		x	x	x	15 406	54	14	243	84 471	49 623	572 054	887	1.5	6.2	14.0	6 381	
Brazil																							
Arapoti Mill	316	164 191	Ⓞ		x	x		x	x	x	0		0	60	15 131	24 149	103 161	472				2 657	
China																							
Dawang Mill	221	109 411	Ⓞ	x	x	x		x	x						125 534			81			1.6	1 429	
Dongguan Mill	733	13 074	Ⓞ		x	x		x					0	0	172	4 408		18	0.0	0.1	0.2		
Qianan Mill	1 743	40 371	Ⓞ		x	x		x			384	8			11 763							1	
Suzhou Mill	533	220 543	Ⓞ		x	x		x		x	0	17	322	373	125 203	84 756		42		0.3	3.3	1 247	
Jiashan Mill	394	2 893			x	x		x	x		350	5	0	0	0	1 804	0					78	
Estonia																							
Tallinn Mill	33	4 115	Ⓞ		x		x			x						764							2
Finland																							
Anjalankoski Mill	330	606 117	Ⓞ Ⓜ		x	x	x ^{o)}	x	x	x	0	39	12	266	160 359	181 022	122 534	2 234		3.9	132.1	9 357	
Enocell Mill	172 ^{k)}	427 515	Ⓞ		x	x		x	x	x	5 787	90	113	920	78 138		1 287 996	7 922	51.5	3.4	45.6	22 301	
Heinola Fluting Mill	171	257 905	Ⓞ		x	x	x	x	x	x	1 148	243	453	463	145 746	14 115	193 446	1 419		1.9	12.8	3 990	
Heinola Mill	150 ^{k)}	43 502	Ⓞ	x	x	x		x	x		42				1 861							31	
Imatra Mills	1 132 ^{k)}	1 144 770	Ⓞ Ⓜ		x	x	x	x	x	x	5 558	332	230	2 122	142 192	100 244	2 055 863	17 833	91.2	15.6	232.6	61 731	
Lahti Mill	153	14 802	Ⓞ		x	x	x	x	x		127				2 707							17	
Oulu Mill	606 ^{k)}	1 092 676	Ⓞ Ⓜ		x	x		x	x	x	0	89	389	1 242	243 231	52 421	1 302 041	8 575	36.0	8.3	84.8	18 873	
Sunila Mill	163	349 502	Ⓞ		x	x		x	x	x	3 719	74	43	758	45 746		860 319	6 756	40.1	7.8	40.4	16 194	
Kristiinankaupunki Mill	48	5 215	Ⓞ		x	x	x	x	x		1			103	108							1	
Varkaus Mill	251 ^{k)}	294 370	Ⓞ Ⓜ		x	x		x	x	x	863	464	180	608	71 983	17 063	659 482	3 043	16.5	6.3	72.9	11 852	
Veitsiluoto Mill	571 ^{k)}	704 344	Ⓞ		x	x		x	x	x	1 594	28	756	1 081	288 785	63 909	1 092 936	12 271	17.6	10.7	210.6	9 095	
France																							
Corbehem Mill ^{h)}	294	10 247	Ⓞ		x	x		x	x	x	0		0		4 635	1 197		21				632	
Germany																							
Kabel Mill	581	449 879	Ⓞ		x	x		x	x	x		130		15	130 613	301 667		717	0.3	3.5	17.8	7 015	
Maxau Mill	447	491 346	Ⓞ	x	x	x		x	x	x	0	365	4	273	162 448	181 532	355 361	1 643	0.2	3.8	13.4	5 470	
Sachsen Mill	260	296 748	Ⓞ	x	x	x		x	x	x	0	64	4	150	166 140	3 550	44 637	749	0.6	1.0	3.3	3 330	
Uetersen Mill	409	186 313	Ⓞ		x	x		x	x	x		69		20	56 221	43 307		33	1.1	0.0	1.4	918	
Hungary																							
Komárom Mill	110	5 248	Ⓞ		x	x	x				2 462				434	1 332							2
India																							
Chennai Mill	381	11 040	Ⓞ		x	x		x				10	2	5	1 386	739	4 320	0				0	
Latvia																							
Riga Mill	140	46 872	Ⓞ		x		x								1.99	4 475							8
Lithuania																							
Kaunas Mill	47	8 470	Ⓞ		x		x			x						1 466							1
Poland																							
Łódz Mill	208	59 986	Ⓞ		x	x	x		x	x	0	0	3	3 144	6 457								22
Mosina Mill	100	8 079	Ⓞ		x	x	x		x	x	57			374	1 876								
Ostrołęka Mill		234 998	Ⓞ	x	x	x	x		x	x ^{o)}	0	2	58	1	14 949	127 997	164 601	554		0.9	13.9	4 322	

Unit	Number of employees ^{a)}	Production ^{b)}	Products	Recovered fibre ^{c)}	Certificates							Waste to landfill [*]	Hazardous wasted ^{d)}	SO ₂ [*]	NOx as NO ₂ [*]	Direct CO ₂ fossil [†] [*]	Indirect fossil CO _{2g} [‡] [*]	Direct CO ₂ from biomass [§] [*]	COD [*]	AOX [*]	Phosphorous [*]	Nitrogen [*]	Process water discharge ^{**}
					ISO 9001	ISO 14001	ISO 22000	ISO 50001	OHSAS 18001	FDA	FSC@ CoC												
Tycho Mill	134	51 766	Ⓐ		x	x	x		x	x	x	6										8	
Ostrołęka Narew Mill	235	373 628	Ⓐ	x	x	x	x	x	x	x	5 658	43	205	307	366 469	3 999	78 620	560		1.7		2 415	
Russia																							
Arzamas Mill	173	34 895	Ⓐ		x		x				48		1	3	3 407	12 907						27	
Balabanovo Mill	324	43 332	Ⓐ		x		x				73		1	2	4 635	20 175						30	
Lukhovitsy Mill	129	30 820	Ⓐ		x		x				43		0	3	2 522	12 529						19	
Spain																							
Barcelona Mill	212	171 709	Ⓐ	x	x	x		x	x		8 154	32		107	185 497	0		269				1 243	
Sweden																							
Falu Rödfärg	1)	370	Ⓐ		x	x						45	1		459	8							
Fors Mill	581	361 460	Ⓐ		x	x	x	x	x	x	0	94	3	114	1 677	14 203	225 113	1 818	0.4	1.5	25.4	4 335	
Hylte Mill	466	453 767	Ⓐ	x	x	x		x	x	x	39 310	106	0	110	13 756	13 767	228 036	992	0.8	2.1	24.2	5 250	
Jönköping Mill	182	25 634	Ⓐ		x	x					5	36	1		280	440							
Kvarnsveden Mill	636	550 868	Ⓐ		x	x		x	x	x	0	162	24	132	39 085	47 542	245 418	1 777	1.2	1.1	47.1	9 465	
Nymölla Mill	565	424 817	Ⓐ Ⓞ		x	x		x	x	x	0	76	595	583	-23 253	13 519	594 152	10 543	0.8	7.0	57.0	26 964	
Skene Mill	147	32 112	Ⓐ		x	x					30		0		13	570							
Skoghall Mill	762	687 073	Ⓐ		x	x	x	x	x	x	3 511	204	143	437	51 353	25 320	809 785	8 468	13.7	7.4	78.5	21 937	
Skoghall Mill Forshaga	85	81 799	Ⓐ		x	x	x	x	x	x	5				90								
Skutskär Mill	348	519 266	Ⓐ		x	x		x	x	x	612	8	585	706	10 325	6 739	1 581 151	5 096	34.9	16.6	78.3	19 644	
Vikingstad Mill	56	17 658	Ⓐ		x	x					8		2		1 124	13							
Corenso[¶]																							
Corenso Pori Coreboard Mill	76	108 093	Ⓐ	x	x	x		x			287	28	0		0	23 487		186		0.1	2.5	689	
Corenso Soustre Coreboard Mill	79	73 314	Ⓐ	x	x	x		x			3 588	0			16 583	1 292		86				590	
Corenso North America Coreboard Mill	61	76 325	Ⓐ	x	x	x		x			0				29 533			373				705	
Corenso core factories	639	156 112	Ⓐ								37	14			3 730	11 574						4	
Total pulp, paper, board and converted products		12 091 735									98 635	3 179	4 141	11 107	2 621 808	1 649 553	12 581 026	95 438	308.4	111.2	1 213.7	280 282	
Stora Enso Building and Living^{¶)}																							
Sawmills ^{§)}		1)			m)	m)	m)	m)	m)	m)	m)	m)	m)	m)	m)	m)	m)	m)	m)	m)	m)	m)	m)
											10 456	413	28	409	3 184	174 328	362 049	527	0.0	4.8	0.2	193	
Grand total											109 091	3 592	4 169	11 516	2 624 992	1 823 881	12 943 075	95 965	308.4	116.0	1 213.9	280 475	

^{a)} Yearly average.

^{b)} Sales production. Sawn timber is reported in m³, other products in metric tonnes.

^{c)} Mills using recovered fibre as raw material (fully or partly).

^{d)} Reported on the basis of country-specific definitions applied in national regulations.

^{e)} Total sulphur is reported as sulphur dioxide (SO₂) equivalent, but includes all sulphurous compounds.

^{f)} All CO₂ figures are calculated using the WRI/WBCSD Greenhouse Gas Protocol. Direct emissions from internal transport are excluded.

^{g)} Indirect emissions from purchased heat and electricity.

^{h)} Production at the mill ceased in January 2014.

ⁱ⁾ Divested. Figures cover the period until divestment in Nov 2014.

^{j)} Includes all Building and Living units, except Hartola and Pälkäne units.

^{k)} Sawn Timber 5 455 445 m³, Wood Pellets 252498 t.

^{l)} This figure does not include service company personnel.

^{m)} Does not have its own personnel, but hires personnel from Stora Enso AB.

ⁿ⁾ See the separate table for Building and Living Units.

^{o)} Covers consumer board production at Ingerois Mill.

^{p)} Covers kraft paper production.

^{q)} Stora Enso's divisional structure was changed as of 1 January 2015. The former Renewable Packaging division was split into two separate divisions and reporting segments: Consumer Board and Packaging Solutions. The name of the Building and Living division was changed to Wood Products and the name of Printing and Reading division to Paper.

Products: Ⓐ paper Ⓑ board and packaging paper Ⓒ market pulp Ⓓ converted products (e.g. cores, corrugated board) Ⓔ wood products Ⓕ red paint pigment

* tonnes ** 1 000m³

The figure 0 (zero) in the table signifies that such discharges, emissions or wastes do not occur or only occur below detection limits. Where cells are left blank this signifies that the parameter is considered as not relevant for that unit.

Unit	Capacities 2014					Certificates					Waste to landfill*	Hazardous waste ^{dj} *	SO ₂ *	NO _x *	Direct CO ₂ fossil ^e *	Indirect CO ₂ fossil ^f *	CO ₂ renew*	CO ₂ onsite transport*
	Number of employees	Sawn products**	Further processed products**	CL [†] **	Pellets***	ISO 9001	ISO 14001	OHSAS 18001/AUVA	FSC®	PEFC™								
Non-integrated sawmills																		
Austria																		
Bad St. Leonhard Sawmill	222	390	290	60		X	X		X		0	45		4		2 848		1290
Brand Sawmill	203	470	290			X	X		X		0	35			1 158		1972	
Sollenau Sawmill	49	150	135			X	X		X			24			1 099		382	
Ybbs mill	317	590	420	60		X	X	X	X			50			1 847		2330	
Czech republic																		
Zdirec Sawmill	256	550	290		X	X	X		X		2 736	20	1	101		1 480	85 873	2282
Plana Sawmill	213	340	270			X	X		X		244	45	1	46		7 647	30 641	1942
Estonia																		
Näpi Sawmill	98	75	130		15	X	X	X	X		0	2	0	4		10 360	4 506	329
Imavere Sawmill	313	350	190		100	X	X	X	X		2 219	36	1	43		50 556	48 693	1867
Finland																		
Honkalahti Sawmill	116	310	90			X	X	X	X			3		31	304	5 784	52 358	736
Uimaharju Sawmill	54	260	20			X	X	X	X			39		1	1 696	2 142	300	697
Kitee Sawmill	75	260	120		25	X	X	X	X		10	12		27		4 011	35 750	
Germany																		
Pfarrkirchen Mill	94		140			X	X	X		X	20	2	2	15		3 006	6 920	242
Latvia																		
Launkalne Sawmill	113	215	10			X	X	X	X	X	134	2		28	146	11 243	17 710	900
Lithuania																		
Alytus Sawmill	180	200	90			X	X	X	X		24	19		12		12 322	20	1038
The Netherlands																		
Amsterdam Planing Mill	41		110			X	X	X	X	X						1 025		23
Poland																		
Murow Sawmill	156	70	20						X	X	4	1	1	4		2 461	2 346	513
Russia																		
Impilahti Sawmill	107	120	10		15	X	X	X	X		170	0	0	4		15 432	9 891	30
Nebolchi Sawmill	180	220	30		30			X	X		4 891	0	0	22	122	28 910	19 342	
Sweden																		
Ala Sawmill	137	380	45				X	X	X	X		58		31		196	47 700	1753
Gruvön Sawmill	79	420	150		100		X		X	X		14	0		916	5 558	1516	
Non-integrated mills total		5 370	2 850	120	285						10 452	407	6	373	3 184	169 085	362 050	19 842
Sawmills																		
Veitsiluoto Sawmill ^{a)}	20	200				X	X	X	X	X		0	19	21		2 933		
Varkaus Sawmill	50	260				X	X	X	X	X	4	1	3	15		2 310		
Pälkäne unit ^{b)}	40					X	X	X	X	X								
Hartola unit ^{c)}	47					X	X	X	X	X								

a) In addition, Veitsiluoto Sawmill in Finland with sawing capacity of 200 000 m³ is reported in the Printing and Reading Segment. Stora Enso's divisional structure was changed as of 1 January 2015. The former Renewable Packaging division was split into two separate divisions and reporting segments: Consumer Board and Packaging Solutions.

The name of the Building and Living division was changed to Wood Products and the name of Printing and Reading division to Paper.

b) Element construction capacity at Pälkäne 120 000 m³

c) Module construction capacity at Hartola 800 modules and Pälkäne 400 modules.

d) Reporting is based on country-specific definitions applied in national regulations

e) All CO₂ figures are calculated using the WRI/WBCSD Greenhouse Gas Protocol

f) Indirect emissions from purchased electricity and heat

* tonnes ** 1 000 m³ *** 1 000 tonnes

Regional focus:

Asia and South America

- » **Building up our business in Asia**
 - » **Progress in Guangxi**
 - » **Promoting agroforestry and human rights in Laos**
 - » **Bulleh Shah Packaging – our joint venture in Pakistan**
 - » **Working with local communities in South America**
-

Building up our business in Asia

Asia and particularly China are among the most important markets for strategic investments for Stora Enso.

Stora Enso's operations in China include fine paper and magazine paper mills in Suzhou and Dawang; our Inpac packaging units in Qian'an, Dongguan and Jiashan; and a major industrial project in Guangxi Province with associated eucalyptus tree plantations. Stora Enso's core plants in Hangzhou and Foshan were divested to Powerflute Oyj as part of the Corenso divestment in November 2014.

Elsewhere in Asia, Stora Enso has a packaging mill in Chennai, India; 35% ownership in the equity-accounted investment Bulleh Shah Packaging in Pakistan (see [page 78](#)), and a small-scale tree plantation operation in Laos (see [page 76](#)).

Stora Enso's investment project and tree plantation operations in Guangxi have their own dedicated Global Responsibility team, while our China country organisation is responsible for the implementation of the Group's strategy, policies and guidelines in our other Chinese units. This work encompasses sustainable supply chain management, providing solutions for key Global Responsibility issues, and facilitating internal and external reporting and communications.

In 2014 a new Global Responsibility Director was nominated for our China country organisation, which is based in Shanghai.

During 2014 our Global Responsibility work in China particularly focused on the roll-out of our new Supplier Code of Conduct (see [page 30](#)) and human rights

assessments (see [page 18](#)). Supplier assessments involving 56 third party audits were carried out on the premises of our direct suppliers in China during 2014. As part of Stora Enso's human rights assessments the non-profit human rights auditing and assessment organisation Fair Working Conditions additionally visited our Chinese units.

The most significant responsibility issues for Stora Enso in China relate to our ongoing investments in Guangxi (see [page 70](#)), which are also the focus of considerable interest among our stakeholders.

Stora Enso Inpac in China and India

Stora Enso Inpac's units in China and in Chennai, India, became Stora Enso subsidiaries in July 2011 when Stora Enso acquired a majority ownership share in Inpac International. Our units in Qian'an, Dongguan and Jiashan produce consumer packaging products for high-end customers in the consumer electronics, foodstuff, pharmaceutical, healthcare, and beauty care industries. In Chennai Stora Enso produces consumer packaging and transport packaging.

Stora Enso has been improving the Inpac units' sustainability performance on the basis of the findings of a pre-investment due diligence process. Important actions taken since 2011 include: training provided for all employees on [Stora Enso's Code of Conduct, Business Practice Policy and safety procedures](#); the inclusion of all employees in collective bargaining agreements; implementation of environmental management systems; improvements in material efficiency; and upgrades in staff facilities and working conditions.

Enhancing responsibility work at Chennai Mill

During 2014 Chennai Mill continued to implement the Group's approach to responsible sourcing (see [page 30](#)), and 5 third party audits were conducted on the premises of the mill's direct suppliers. Chennai Mill also conducted a comprehensive human rights assessment as part of the ongoing Group-wide approach (see [page 18](#)).

Due to the prevalence of child labour in India in general, Stora Enso made an agreement with Save the Children in 2014 initiating an evaluation of potential child rights violations in Chennai Mill's supply networks. By the end of the first quarter of 2015, Save the Children will map the relevant local stakeholders in the mill's supply networks, and analyse any potential child rights violations.

This evaluation is focusing on the prevalence and root causes of possible violations, while also examining gaps in legislation and relevant policy frameworks, related attitudes and practices. It has also been designed to find ways for all relevant stakeholders to together combat any identified child rights violations.

This collaboration with Save the Children (see [page 19](#)), reflects our strong commitment to the Children's Rights and Business Principles developed by UNICEF, the UN Global Compact and Save the Children.

No lost-time accidents have occurred in Chennai Mill's operations during the past two years. Improvements in working conditions continued during 2014 with the completion of investments designed to reduce workplace temperatures and noise levels.

During 2014 Chennai Mill was granted the OHSAS 18001 safety management certificate and the ISO 14001 certificate for its environmental management system.

In 2013 Chennai Mill increased its entry-level wages to well above statutory minimums, and reduced the proportion of contracted employees to about 2%.

Progress in Guangxi

Stora Enso's operations in Guangxi consist of tree plantation operations and the ongoing construction of a consumer board mill in the municipality of Beihai. Stora Enso sees responsible operations as a prerequisite for the success of these investments.

Forestry is one of the major industrial sectors in Guangxi Province in southern China. Some 13.6 million hectares of Guangxi's total land area is classified as forestland, of which 7.8 million hectares is set aside for commercially managed forests. The province's forestry development plans have for many years been linked to expansion targets for China's pulp, paper and wood processing industries.

Stora Enso's operations in Guangxi consist of tree plantation operations and the ongoing construction of a consumer board mill in the municipality of Beihai. Stora Enso owns 83% of the project. The International Finance Corporation has a 5% shareholding, and the remainder is owned by Guangxi Forestry Group Co. Ltd. and Beihai Forestry Investment and Development Company Ltd.

In 2013 Stora Enso announced that the earlier planned integrated pulp and paperboard production facility would now instead be implemented in two phases. The first phase involves the construction of a consumer board mill scheduled to become operational in mid-2016. The decision on the investment in the pulp mill will be made after the start-up of the board mill.

In 2014 we received the permits needed for the board mill construction site, and piling work started in the Tieshangang Industrial Zone in Beihai in November.

Stora Enso currently leases a total of 85 768 hectares of land in various regions in Guangxi. Eucalyptus trees are grown on 73 000 hectares of this land. These plantations have been established to provide pulpwood for the planned pulp mill. Before the mill is up and running the wood will be sold locally on the open market.

Stora Enso sees responsible operations as a prerequisite for the success of these investments. Our aim is to help create an advanced forest industry cluster in the region. The raw material supply, human capital and other vital criteria for success are dependent on how the local communities see us.

Our responsibility agenda in Guangxi is based on Stora Enso's Global Responsibility Strategy and key performance indicators (see [page 5](#)). Sustainability issues are integrated into the operation's top management level. Our organisation in Guangxi includes a responsibility team working with forestry operations, social responsibility issues and industrial operations, as well as field staff and social engagement officers responsible for relations with local communities.

Building up industrial operations

The possible sustainability impacts of the construction project were duly identified in advance, in order to enable us to manage and mitigate them. The mapped sustainability issues include: the environmental impacts of the mill construction, including dust and noise from construction work and traffic; construction employees' working conditions, living conditions and social impacts; stakeholder relations with the local community and government representatives; and the business practices of contractors and partners.

The environmental and social management plans for the mill construction are in line with the applicable national standards, Stora Enso's sustainability requirements for suppliers, the World Bank's Environmental Health and Safety Guidelines, and the International Finance Corporation's Performance Standards.

The main environmental impacts of the work at the site during 2014 have been the dust and noise generated by intense truck traffic. We have taken action to suppress dust using watering trucks. Noise from the piling work also has a potential impact on local residents' comfort. The piling phase started in November 2014, and is expected to go on until February 2015.

The mill construction project will result in an influx of workers that will peak at approximately 4 000 workers. Our focus is on promoting local employment as much as possible, both to maximise the positive economic impacts of the construction work for the local community, and to reduce negative social impacts related to the influx of workers.

Since 2012 we have assigned our staff working in the area around the mill site to communicate with local villagers and community leaders, and we have held regular meetings to discuss issues and gather feedback. We also use a variety of ways to disseminate information to local people, including websites, automated SMS communications, an electronic reader board and a notice board displaying printed bulletins by our office in the relocation village. For more information on our community engagement see [page 73](#).

Resettlement Action Plan

During 2014 we continued to support people who have been relocated in areas close to the mill site. The Tieshangang Industrial Zone has been established by the local authorities in an area previously used by local village communities. Stora Enso's mill site is one of some 50 different production sites in this industrial zone. As a result of local industrial development approximately 6 000 people have been relocated from their previous homes to nearby locations, with the authorities offering the relocated communities new housing and compensation. Out of these people 1 236 were displaced from Stora Enso's mill construction site. Including people relocated from adjoining areas acquired by the authorities for road-building, this number rises to 1 530 people classed as *Relocated People*.

In addition to supporting these *Relocated People*, Stora Enso is also supporting and monitoring the well-being of people who have lost part of their land and are left with less than 0.3 mus of land (0.02 hectares). This means we are helping a total of 2 332 people classed as *Affected People*, including the *Relocated People*.

Stora Enso has also calculated a wider figure for *Impacted People*, also including people who have lost part of their land but still possess more than 0.3 mus of land. The total number of *Impacted People* is 7 670.

Even though Stora Enso is not directly involved in the relocation process, we have maintained a continuous dialogue with the people most affected, and offered them support through a Resettlement Action Plan that aims to help them improve their livelihoods. This plan has been implemented together with the local authorities and the Beihai Citizen Volunteers Association, a local non-governmental organisation.

This Resettlement Action Plan currently has three main focuses:

- Promoting the education of local children and young people by financially supporting a kindergarten and subsidising local schoolchildren and students aged 6–21
- Helping people to improve their livelihood by providing job training, hiring locally and supporting local business development
- Giving *Relocated People* security of land tenure by providing them with documentation

Biodiversity and responsible plantation forestry

Stora Enso currently leases 85 768 hectares of forestland in Guangxi. This whole area is certified according to the Forest Stewardship Council's Forest (FSC) Management scheme, and also certified by the Chinese Forest Certification Council. These certificates verify that our plantations operations meet recognised standards for sustainable plantation management (LINK) and biodiversity protection.

One of the key elements in ensuring responsible plantation operations is the continuous monitoring of environmental impacts and biodiversity. During 2014 we improved this process by reviewing all current and previous surface water and erosion monitoring results. We also continued to cooperate with Guangxi University on a water and soil monitoring programme launched in 2011.

We have additionally expanded the biodiversity programme that we are running together with Fauna & Flora International to examine the impacts of tree plantations on vegetation, insects, bird species

diversity and bird population numbers over a seven-year monitoring period. Migratory bird species are an important element of biodiversity in our plantation operations, which are located on the East Asia-Australasian Migratory Bird Flyway.

In connection with our monitoring work we have taken further action to protect birds by addressing the problem that local people often set up nets to trap wild birds for sale or for food. In 2014 we worked together with Fauna & Flora International, a non-governmental organisation and the local authorities to raise awareness of the importance of protecting migratory birds.

Land contracting and contract correction

One key element of our community relationships is land contracting and ensuring that land contracts are legitimate. This has been a concern for Stora Enso and our local stakeholders in Guangxi for several years, resulting in a long contract correction process.

Land contracting and contract correction issues were also brought up in a study conducted by The Rights and Resources Initiative and Landesa in April, when they published a report about Stora Enso's operations in Guangxi entitled "Forestland Acquisition by Stora Enso in South China: Status, Issues and Recommendations". This report, based on field research carried out in February 2013, discusses Stora Enso's land leasing practices, contract screening and correction, the effects of land reform on the contracts, and Stora Enso's overall approach to responsible land tenure. The full report, together with Stora Enso's detailed response can be read at www.rightsandresources.org.

Stora Enso has been leasing lands in Guangxi since 2002. These lands consist of both state lands and

social lands. Areas classified as social forestland, totalling 32 591 hectares (30% of all leased land), are mainly leased from village collectives and households, though they also include limited areas belonging to local state-owned farms. A total of 22 615 hectares of the social lands are located in the municipality of Beihai. These lands are leased by Stora Enso for varying periods, with an average contract length of 23 years.

The collectively owned lands have often previously been sub-leased, sometimes repeatedly, resulting in chains of sub-leases. In many cases the original owners of land use rights have not benefited from the subsequent increases in land rental prices. Another complicating factor results from the several changes in agricultural and forest land use rights that have occurred in China since the 1950s.

The land lease contract corrections presently being realised stem from the discovery in 2009 of irregularities in the chains of local land lease contracts. Stora Enso responded to these findings by starting an extensive legal screening and correction process covering all contracts for social forestlands. The company is currently involved in 1 598 land lease contracts related to social forestlands, some of which were identified to have different levels of legal defects. By the end of 2014, 61% of these contracts were considered to be free from contractual defects (54% by the end of 2013).

The primary reason for the relatively slow progress in the contract correction process relates to the time required for legal negotiations with the parties involved in land lease chains, often including various intermediaries and villagers who all need to agree on the terms of new contracts.

SOCIAL FORESTLANDS LEASED BY STORA ENSO IN GUANGXI

	31 Dec 2014	31 Dec 2013
Social forestland leased, ha	32 591	32 990
Leased area without contractual defects ¹ , ha	16 003	14 366
Leased contracts without contractual defects, % of all contracts	61%	54%

¹ In the contracts without defects the ownership of land is clear or resolved, and contracting procedures have proven to be legal, authentic and valid.

One important approach to contract correction involves reducing the numbers of intermediaries in land lease chains. During 2014 we reduced the numbers of intermediaries in 23 contracts, resulting in benefits for the original holders of the land rights.

In cases of irreconcilable conflict that our contract correction procedures cannot resolve, we have to terminate the contracts in a responsible way. This involves identifying the risks involved in the termination process, trying to settle historical claims or issues in the contract chain, deciding how to deal with any timber belonging to Stora Enso on the land concerned, and finding ways to minimise our losses.

During 2014 we identified 109 contracts that may be fully or partly irreconcilable. In terms of area this corresponds to 1 178 hectares or 4% of the leased social forestland. Evaluations of potentially irreconcilable contracts and the impacts of their possible termination will continue during 2015.

Stora Enso has a local team of around 20 employees, most of whom are lawyers, working full-time on the correction of social land lease contracts with additional external legal assistance.

Our contract correction process includes:

- a desktop documentation review
- field investigations
- legal and operational risk analysis
- stakeholder consultations
- the collection of missing documentation
- the signing of new agreements or amendments directly with the villages or households concerned
- in some cases contract termination.

Each village from which Stora Enso is contracting land has been visited for the purposes of face-to-face interviews with villagers' representatives. Stora Enso has so far compiled almost 3 000 written contract investigation reports, including follow-up reports that describe initial legal screening and contract improvements and corrections. The reports contain summarised information about the villages concerned, the dates of investigations, the people met and interviewed, the main findings, and proposals for improvements if risks have been identified in the original lease chains.

During the initial contract screening visits to each village Stora Enso's representatives typically interview 7–8 people, including village leaders and farmers. The information collected from these interviews is duly documented.

During 2014 the global non-profit organisation Business for Social Responsibility carried out an external review of our contract correction process, the existing grievance mechanism, and the whole conflict resolution processes. Their recommendations for improvements include a better tracking system for grievances, which will be implemented in 2015. The review also gave positive feedback on actions including our proactive stakeholder engagement work.

In 2014 we also took steps to further develop our approach to free, prior and informed consent

(FPIC) on forestry and land contracting issues. We are cooperating on this issue with the FSC by providing one of five test sites around the world for the development of this new social element of the forest certification standards.

The Netherlands Centre for Indigenous People is also participating in this process by interviewing land rights holders, people with land rights correction problems, ethnic minority groups and government officials, and then reporting their findings to FSC.

Community engagement

Engagement with our local stakeholders is a key element of our everyday field operations. Our field staff and social engagement officers talk regularly with local villagers, informing them about Stora Enso's operations, and asking them about their concerns or for their suggestions. Stora Enso's staff been trained to distribute information about our operations in local villages, and to duly process any grievances, even in cases where a village is not in any kind of contractual relationship with the company.

We work constantly to ensure that this work promotes gender inclusivity, and that less vocal villagers are also consulted.

During 2014 digital channels became increasingly important in our community engagement work. Through our local websites we invite people to discuss and comment on our operations. To build on dialogues already established through digital channels, we arranged a field trip in June enabling citizens from Beihai to visit our tree plantations and the ShanKou tree nursery, and discuss issues related to responsible plantation management.

We have also continued to support local villages around our tree plantations through our Community Development Fund. In 2014 we reviewed the funding process to enhance the support it provides for people creating new livelihoods. Our aim is to connect the

supported projects with wood harvesting operations so that they also strengthen our related stakeholder engagement.

Funding amounting to EUR 164 000 (EUR 252 000 in 2013) was allocated to various projects including road construction and maintenance work in villages, a drinking water management scheme and tea cooperatives. During 2014 we supported altogether 92 projects in 67 villages in Guangxi through the fund. The application of more stringent project selection criteria meant that fewer projects were supported compared to the previous year.

Creating shared value

Our overall vision for Guangxi is for the region to become a leading example for sustainable forestry globally. As part of this vision we aim to explore and identify new opportunities to create shared value with local communities in the long term through our operations in Guangxi. For Stora Enso, creating shared value means improving our competitiveness while simultaneously meeting the needs of local communities.

In 2014 we continued dialogue with two interested contractors in our Forest Contractor Development Project. This capacity building project targets selected local contractors aiming to help them improve the safety, quality and efficiency of their forestry operations by increasingly utilising mechanised harvesting techniques. Local forestry contractors' interest in mechanised harvesting methods has so far been lower than expected, however.

Responsible water stewardship

Stora Enso and a global chemicals company [Kemira](#) have run a joint project in Guangxi since 2013 to promote responsible water management and community engagement. This project aims to find new solutions for responsible water management through stakeholder surveys, community work and water-related capacity building.

The project brings together Kemira's wide-ranging knowhow on water chemistry and quality management, Stora Enso's expertise on tree plantation management, and local communities' practical knowledge and experiences related to water issues in Guangxi. The project will enhance local competence in water management and increase awareness of water issues among industries and communities in the Guangxi region.

During 2014 we carried out a baseline study for this project by conducting an extensive stakeholder survey to investigate local water concerns. Well over 1 000 people completed the interview survey, including villagers and representatives of the local authorities and local non-governmental organisations (NGOs). This survey has given us useful information about various aspects of water stewardship including: the sources of the villages' domestic water supply; water quantity, quality and usage issues; sewage treatment processes; the environmental conditions in local villages; and prospects for future development.

Our future water quality monitoring activities will be carried out together with the non-governmental organisation Greenovation Hub and Guangxi Marine Environmental Monitoring Central Station. Related monitoring and training activities started in December 2014.

Based on the survey findings, Stora Enso and Kemira will launch pilot projects in local villages to address specific concerns such as sewage treatment, drinking water supply, livelihood support, irrigation water supply and community water plant management. The feasibility studies for these projects were finalised by the end of 2014, and their implementation will start in 2015.

Local recruitment

Stora Enso strives to provide competitive wages and benefit schemes for all of our employees in Guangxi.

We work to ensure that all of our own staff and our contractors' employees are paid wages above the stipulated minimum levels. Salary levels are therefore regularly benchmarked. Due to the region's rapid economic development and the competitive local labour market, salaries have generally been increasing substantially in recent years.

Succession plans have been drawn up for all expatriates recruited for the project. In 2014, 5% of our employees in Guangxi were expatriates. At the end of the year 80% of the employees were considered as local hires resident in Guangxi based on their personal residential status, or that of their family members.

We are also putting extra effort into making our management team more local. At the end of 2014 our management team included 3 managers of Chinese origin and 8 expatriates.

Addressing the impacts of increasing traffic

Heavy traffic from our forestry operations and the mill construction site increases the risks of traffic accidents for local residents. We mitigate such traffic impacts through traffic management plans that cover both forestry operations and traffic related to the mill construction.

We have also identified the traffic generated by our forestry operations as having potential human rights impacts. This is because timber trucks have a greater potential to impact peoples' lives since they drive through rural communities where roads tend to be close to houses, schools and farms.

Responsibility for contractors' employees

Safety management at Stora Enso Guangxi is based on international standards and our own global health and safety policies. Local forestry operations have been certified to the OHSAS 18001 standard since 2011. The safety management system for the mill construction is based on the OHSAS standard, and

the future mill operations will be similarly certified within two years of the commencement of commercial operations. Stora Enso's safety toolbox is also being utilised throughout the organisation.

Stora Enso's contractors employ a large number of people in forestry operations and in the mill construction site. Stora Enso's responsibility agenda in Guangxi prioritises the health and safety of these employees, as well as their human and labour rights. Our starting point is that our contractors' employees should be treated as well as our own, so all contractors must adhere to Stora Enso's responsibility requirements, with no exceptions allowed.

To improve the safety of contracted employees, and especially to address accident risks in manual harvesting, loading and transportations, we launched the new Project Transform in July. This programme aims to establish stronger forestry site supervision, to increase our forestry managers' presence in the field, and to improve their capabilities to take appropriate action where working conditions are observed to be unsafe. Although safety statistics did not show any clear progress during the project partly due to difficult conditions caused by severe typhoons, safety awareness levels were clearly raised in the field and our managers now run operations with safety more clearly as a top priority.

Despite our efforts, 2014 was a challenging year in terms of occupational health and safety (OHS) with two fatalities involving contractor workers in forestry operations. Both of these fatalities occurred during manual tree felling, when a contractor worker was hit by a falling tree.

During 2015 we will intensify our focus on preventive measures that help and encourage everyone to notice and take action on unsafe practices and processes, through timely reporting and follow-ups on corrective actions. A special focus will be put on understanding the root causes behind accidents,

near-misses and hazard observations, and ensuring that the right corrective actions are taken.

Monitoring safety standards

Most of the workers on the construction site are contractors' employees. All construction work follows the same standards we have set for the site, starting from a common safety manual and plan, and going right down to specific safety procedures.

Our Supplier Code of Conduct and the project's OHS management plan and standards are all integrated into the contracts Stora Enso makes with contractors, so any breaches of these elements are considered as breaches of the entire contract. In this way we are striving to ensure that all the work done on the site follows clearly defined standards. This also enables us to audit operations more easily against our specific expectations, which cover everyone working on the construction site.

Work safety is supervised daily by construction management and project safety teams. Construction management representatives conduct regular safety inspections and audits both to check that work is done according to standards, and to ensure that the contractors working on-site are also following the relevant standards and procedures in their management practices.

Findings on the impacts of our OHS work are so far limited, since the construction is still in its early phases. Safety risks including low levels of safety awareness and competence have nevertheless been successfully identified and addressed among the contractors working on site. Safety issues are promoted on an everyday basis through behavioural and hazard observations, daily start-up meetings and safety toolbox talks, in addition to visual instructions and other on-site communications.

Any identified non-compliances are addressed through re-training, the possible removal of individuals

from the worksite, and even possible financial sanctions for the contractor concerned. Since the mill construction work has begun there have been no lost-time accidents.

Meeting workers' needs

The mill construction project results in a considerable influx of workers creating potential for negative social and health impacts. The International SOS organisation was commissioned at an early stage to conduct a health impact assessment locally to give us a better understanding of the possible health risks caused by the incoming labour force, and to help us plan activities to control these risks. Such activities range from information and communication campaigns realised in partnership with the local health authorities to the provision of high quality medical services accessible to all contractor labour working on-site.

In addition to treating illness and injuries, the on-site medical clinic also monitors the general health situation, and is able to flag and take action on any disease outbreaks.

During 2014 we took action to increase our understanding of the social backgrounds, needs and conditions of our forestry contractors' employees. We initiated a project with the [Chinese Center for Child Rights and Corporate Social Responsibility \(CCR CSR\)](#), who studied the social backgrounds, needs and conditions of Stora Enso's contractor employees working in forestry in Guangxi, and the related children's rights.

In September CCR CSR submitted recommendations to Stora Enso including proposals to establish child-friendly spaces in selected camps for contract workers' families wishing to live at the forestry site and to arrange awareness workshops on child rights for key personnel. For safety reasons the company's policy has so far been that the workers' families are not allowed to stay at the forestry camps.

Human and labour rights related to our contractor workforces were also studied in a separate human rights mapping process carried out by [the Danish Institute for Human Rights](#) in 2014. The key recommendations of this mapping for management action related to the need for further improvements in security arrangements, safety issues in log loading and transport, workforce influx management and procurement pertaining to mill construction, our approach to migrant workers, living conditions in the workers camp, and actions to mitigate corruption and bribery.

Stakeholder reports and recommendations

In 2014 Stora Enso commissioned several external assessments and reports focusing on the different sustainability aspects of our operations in Guangxi. These included:

- Human Rights Issues Mapping & Community Grievance Channel review, conducted by the Danish Institute for Human Rights
- Review of the contract correction process, our Community Development Fund, our Stakeholder Engagement Plan, our conflict resolution mechanism and our grievance channel, conducted by Business for Social Responsibility
- Assessment of our Biodiversity and Bird Conservation Programme, realised by Fauna & Flora International
- Study of Children's Issues and Rights, conducted by the Center for Child Rights and Corporate Social Responsibility
- Assessment of Free Prior and Informed Consent in Contract Correction and Forestry, conducted by the Netherlands Centre for Indigenous Peoples

STORA ENSO GUANGXI IN NUMBERS

	2014	2013
Direct employment		
Stora Enso employees	1 122	1 116
Total remuneration for Stora Enso employees (EUR million)	23.1	9.7
Lost-time accidents rate for Stora Enso employees ¹	1.7	3.8
Contractor management in forestry operations		
Number of contractors	138	188 ²
Number of contractor employees ³	1 562	833
Lost-time accidents rate for contractor workers in forestry operations ⁴	9.8	3.1
Contractor management in mill construction		
Number of contractors	26	16
Contractor employees ⁵	490	223
Lost-time accidents for contractor workers in mill construction	0	0
Community engagement		
Investment in social programmes (EUR million)	0.5	0.5
Number of beneficiary projects ⁶	92	204

¹ Number of lost-time accidents per one million hours worked.

² Figure for 2013 based on different data compilation system.

³ Working hours estimates converted to full-time equivalents. Forestry contractors' employees worked an estimated 3 074 022 hours during 2014.

⁴ Number of accidents per one million hours worked based on the working hours estimate.

⁵ Working hours estimates converted to full-time equivalents. Contractors' employees worked an estimated 963 832 hours during 2014.

⁶ Including projects financed from the Community Development Fund (CDF).

Promoting agroforestry and human rights in Laos

Stora Enso has continued developing a trial plantation concept that combines tree-growing with food production in Laos. The company's trial plantation encompasses 2 200 hectares of plantations, of which 2 029 are planted with eucalyptus. Stora Enso Laos has approximately 140 employees.

The area where the plantations are located was used by Viet Kong troops during the Vietnam War, and heavily bombed. This means that before establishing plantations Stora Enso must ensure that any remaining unexploded ordinance is cleared from large areas of land. This also helps local villagers by creating safe farming land.

Stora Enso Laos first started to adopt an intercropping system in collaboration with local villagers in 2007. In 2014 this system was further developed into a rotation scheme similar to the villagers' traditional shifting cultivation cycle. For the two first years, the villagers grow rice between the trees. Cash crops like cassava can then be grown for a few years, and during the last years of the cycle the area can be used for cattle grazing. This agroforestry model will be further developed, with potentially suitable cash crops studied during 2015. The model devised for these plantations intentionally makes intensive use of manual labour in order to create local jobs and support the local economy.

Assessing human rights issues

The non-profit organisation Business for Social Responsibility (BSR) conducted a customised human rights impact assessment (HRIA) of Stora Enso's trial plantation and agroforestry project in Laos between July and December 2014.

The assessment was designed to identify existing and potential human rights impacts, both negative and positive, with regard to six categories of human rights: labour rights; the right to security; land and property acquisition rights; environment and community health and safety rights; economic, social, cultural and civil rights; and the rights of indigenous peoples. The assessment duly considered all of the relevant human rights included in the Universal Declaration of Human Rights and related human rights conventions.

The assessment process involved a 10-day field trip in October, as well as desktop research and personal interviews with key stakeholders, government actors, rights-holders, and Stora Enso Laos personnel. BSR's interviewees included 16 external stakeholders based in the Lao capital Vientiane abroad, as well as members of local communities and workers from five villages where Stora Enso has operations. BSR also met officials from six local government offices, and key members of Stora Enso Laos's leadership team, including the Chief Operating Officer and Chief Financial Officer.

Identified human rights impacts and opportunities

Five significant issues were identified during the assessment:

- A lack of formalised contracts for field workers informally hired from neighbouring villages
- The informal nature of the selection procedure used by Stora Enso's contractors at the village level when hiring workers to participate in daily work in the fields, which increases the risk of discriminatory hiring
- Evidence that not all members of local communities understand the experimental agroforestry model, undermining their capability to give their free, prior, and informed consent
- Under-utilisation of safety equipment and the lack of a robust safety culture
- Children over the age of 12 are legally permitted to work in Laos, and cultural norms with regard to child labour are permissive. This represents a challenge in the context of Stora Enso Laos's active efforts to prevent child labour in the fields. BSR has additionally provided specific guidance to help Stora Enso prevent child labour

The assessment also identified several positive opportunities to advance human rights in direct relation to the project including:

- Stora Enso's robust village development programme
- Employment opportunities for local people
- Measures that will promote food security in connection with forestry operations
- The preservation of traditional indigenous land use practices
- Clear evidence that Stora Enso Laos has obtained the social license to operate

Support for local community projects

To establish open and fruitful stakeholder dialogue Stora Enso's technical staff make regular visits to nearby communities. The company also organises excursions for groups of farmers to establish a forum for discussing local developments and exchanging ideas and experiences in relation to the agroforestry model. This has also enabled farmers to bring up their concerns directly with the company.

As part of the related land compensation scheme, Stora Enso has set up a village development fund which aims to distribute benefits fairly and equally amongst all villagers, and further support local development and livelihoods. Most of the EUR 168 000 of funding allocated during 2014 was directed to projects related to the construction of a water tower and water supply connections, road construction, and purchases of livestock. These projects are designed together with the villagers according to their needs and requirements, in line with Stora Enso's guidelines.

In 2014 Stora Enso and the Technical University of Hamburg jointly ran a pilot project in Laos called Terrawell. The project examined opportunities to utilise local waste streams to create biological fertilisers for composting use in tree plantations. The initial results of this project were promising, though further studies on the business model and scalability of this project are still needed. In 2015, Stora Enso will be looking into options for the potential continuation of the project.

Bulleh Shah Packaging – our joint venture in Pakistan

For Bulleh Shah Packaging, ensuring responsible supply chain management is a top priority, not least because human rights violations including child labour are prevalent in the agricultural sector in Pakistan, and also exist in the recycled fibre collection in urban areas.

Stora Enso has a 35%-minority shareholding in Bulleh Shah Packaging (Private) Limited in Pakistan, which we own together with the Pakistani company Packages Limited. The joint venture was formed in 2013.

Bulleh Shah is Pakistan's largest fibre-based packaging producer and the country's only liquid packaging board producer. Bulleh Shah's offices and production facilities are located in Lahore, Karachi, and Kasur in Punjab Province. For more information see [Bulleh Shah Packaging's](#) own website.

Bulleh Shah Packaging sources various raw materials, such as fibre, chemicals, fillers and agricultural residuals, mostly from Pakistani markets. For reasons related to end-product quality Bulleh Shah Packaging also imports some pulp from abroad. The domestic fibre used for packaging production consists of recycled paper and board, and wheat straw.

The recycled paper and board is largely sourced from post-consumer sources, i.e. vendors who procure it from suppliers who in turn typically source it from shops

and households. Wheat straw is a residual of wheat farming sourced from vendors, who collect it from farms.

In addition to being used as fibre in the production process, wheat straw will also be utilised as fuel for energy generation in the mill's biomass boiler, which is due to start to operate by mid-2015. Other agricultural residuals to be sourced from the agricultural sector in Punjab Province for the biomass boiler include corn stalks, rice straw and cotton stalks.

According to official statistics, out of 101 million people living in Punjab Province, 67 million live in rural areas where agriculture is the mainstay of the economy. For Bulleh Shah Packaging, ensuring responsible supply chain management in the sourcing of domestic fibre and agricultural residuals is a top priority, not least because human rights violations including child labour are prevalent in the agricultural sector in Pakistan, and also exist in the recycled fibre collection in urban areas. This issue also was a major concern for Stora Enso's stakeholders in 2014 (see [pages 10–11](#)).

Human rights and responsible sourcing

The root causes of problems in Pakistan with child labour and other human rights violations include widespread poverty and a lack of education and awareness. Bulleh Shah Packaging does not accept child labour in its operations or in its suppliers' operations. The company has put processes in place to identify and eliminate child labour in the operations of its direct suppliers.

During 2014 Bulleh Shah conducted or commissioned a total of 288 supplier audits, including 190 audits of suppliers of domestic fibre

and agricultural residuals. These audits were mostly conducted by Bulleh Shah Packaging's audit team, but some were third party audits realised by the external assurance provider SGS. In addition to auditing direct suppliers the company also audits the second tier sub-suppliers of agricultural residuals. Out of all the audits 44 were these sub-supplier audits.

During these audits seven child labour cases and five young worker cases were identified in the operations of direct suppliers of old corrugated containers, based on the International Labour Organisation's definitions. Bulleh Shah Packaging has been able to remedy the situations of six of these twelve underaged workers by enabling them to attend school, by maintaining dialogue with them and their guardians, and by carefully conducting follow-up procedures. Engagement with the rest of the identified children was not possible as the families had moved for personal reasons.

Other non-conformances observed during the audits particularly related to occupational health and safety and working conditions.

By the end of 2014 Bulleh Shah Packaging had audited 87% of the company's direct suppliers of domestic fibre and residuals, and 97% of direct non-institutional vendors of old corrugated containers (OCC).

Bulleh Shah Packaging initiates auditing work with direct suppliers by raising awareness and providing training. These sessions involve discussions about child labour, forced labour, occupational health and safety, and working conditions.

Once a supplier fully understands Bulleh Shah Packaging's sustainability requirements they are asked to show their commitment to working with company

by signing the company's supplier sustainability requirements. By the end of 2014 all of Bulleh Shah Packaging's direct fibre and agricultural residual suppliers and 80% of all direct suppliers had signed these requirements.

Ensuring responsible business practices

Global Responsibility is integrated into Bulleh Shah Packaging's management. The company has a total of 17 employees working on environmental issues, occupational health and safety, responsible business practices, responsible sourcing and stakeholder engagement. The joint venture partners discuss and make decisions on responsibility issues regularly in the company's Sustainability Committee, which was established in 2014.

Bulleh Shah Packaging's Global Responsibility targets and performance are shared on a regular basis with the World Bank's Multilateral Investment Guarantee Agency (MIGA). Bulleh Shah Packaging is also a signatory to the United Nations Global Compact, and a member of the Supplier Ethical Data Exchange (Sedex), participating on a voluntary basis in the Sedex Members Ethical Trade Audit scheme every year.

Code of Conduct and grievance mechanism

The employees of Bulleh Shah Packaging are encouraged to submit any grievances anonymously via a Code of Conduct whistle-blowing number, or through letters or emails sent to the CEO, the Audit Committee Chair or the Global Responsibility Director. Potential non-compliance cases revealed through this whistle-blowing process are then conveyed to Bulleh Shah Packaging's Financial and Audit Committee and investigated to resolve whether any action needs to be taken.

By the end of 2014, 68% of employees had undergone awareness training on Bulleh Shah

Packaging's Code of Conduct and Business Practice Principles, which cover issues ranging from human rights and environmental impacts to safety and ethical business practices.

Occupational health and safety issues

During 2014 Bulleh Shah Packaging focused increasingly on improving health and safety and working conditions in its operations, and the company now has an integrated Environment, Health and Safety Policy in place. In 2014 the lost-time accident rate fell to 1.5 per million working hours (4.1 in 2013).

Despite these efforts two fatal accidents occurred during the year involving contracted workers at the mill. One of these fatal accidents occurred when a supplier was unloading wheat straw at the mill site. The other involved the electrocution of a contracted worker.

Stora Enso's human rights assessments

As part of Stora Enso's human rights assessments scheme (see [page 18](#)), a separate assessment was carried out at Bulleh Shah Packaging during 2014. The assessment supported by an independent human rights consultant, and conducted in line with a template created by Stora Enso and the Danish Institute for Human Rights.

In addition to examining our ongoing efforts to support and respect the rights of children, the assessment also recommends future actions. Its key recommendations relate to: the provision of human rights awareness training for employees; the training of security service providers; further improvements in occupational health and safety and working conditions among the contracted workforce; and the strengthening of the company's grievance mechanism. Bulleh Shah Packaging will take these recommendations into account when planning actions during 2015.

BULLEH SHAH PACKAGING IN NUMBERS

	2014
Employment	
Bulleh Shah Packaging employees	1 102
Contractors' employees ¹	1 999
Sourcing of domestic fibre and agricultural residuals	
Number of direct active ² suppliers	143
Cumulative audit coverage, direct suppliers of OCC ³	97%
Cumulative audit coverage, direct suppliers of OCC and agricultural residuals	87%
School support initiative	
Number of children in school programme	125
Number of schools	2

¹ Contractors' employees working onsite at the production facilities in Kasur and Karachi, and at biomass collection sites.

² Direct suppliers of domestic fibre and agricultural residuals during the fourth quarter of 2014.

³ Excluding institutional OCC suppliers identified as low risk.

The assessment's additional observations covered issues related to potential bonded labour relationships in supplier networks where families have worked for the same wheat farm owner for long periods of time; the importance of collective bargaining among the contracted workforce; and a review of the wages of contracted employees. For more information see the summary of the assessment's findings at www.storaenso.com.

Engaging with local communities

In April Stora Enso announced the termination of all supplier relationships in Bulleh Shah Packaging's used cartonboard (UCB) supply chain. Stora Enso is continuing to support 640 children who were discovered working for sub-suppliers in the collection of UCB, through a long-term plan providing education

for children and developing the skills of parents and young workers.

Stora Enso is committed to enable all these children to go to school by the end of the first quarter of 2015. In this initiative Stora Enso is working together with the Pakistani non-governmental organisation Idara-e-Taleem-o-Aagahi.

Due to the time needed to find suitable partners and practical solutions, this support initiative proceeded more slowly than expected. By the end of 2014 a total of 125 children aged 6–14 were attending school thanks to of the initiative.

Other community engagement actions taken in 2014 included preparations for launching mobile health care clinics in local communities in collaboration with Yunus Center AIT and Shalimar Hospital.

Although the families in local communities who work with the supply of domestic fibre or in agricultural residual collection are not Bulleh Shah Packaging's direct business partners, the company promotes human rights awareness, health and education in these communities through community work realised together with local partners.

Creating value from agricultural residuals

Bulleh Shah Packaging is currently constructing a new bioenergy boiler, which is due to start operating in mid-2015. The new boiler will have a thermal capacity of 120 MW, and use approximately 250 000 tonnes of renewable agricultural residuals annually.

The direct business benefits of this investment will include energy cost savings and better energy security, leading to improvements in operational reliability. At the same time, the local sourcing of agricultural residuals represents a significant opportunity for creating shared value that will also benefit local communities.

Bulleh Shah Packaging's total annual spend on the collection of biomass is expected to rise to an estimated USD 20 million by 2017, most of which will flow into the local agricultural sector of Punjab Province. The harvesting of agricultural residues will typically comprise 2–10% of farmers' total income. The sourcing activity will directly and indirectly create several thousand jobs in collection and transportation during the harvesting season.

The investment will also help to reduce the use of imported fossil fuels for energy production in Pakistan. When the bio-boiler is running at full capacity its use of renewable agricultural residuals instead of fossil fuels will bring an estimated annual reduction in fossil CO₂ emissions of 250 000 tonnes.

The sourcing of residual agricultural biomass also entails potential negative environmental impacts in the form of soil deterioration, the potential additional need for fertilisers, and the associated use of fossil fuels. Bulleh Shah Packaging believes that the impacts of this removal of residual biomass should be examined in comparison with the current method of disposal, which involves burning or the use of biomass as animal feed and in animal husbandry.

Working with local communities in South America

Our Biomaterials Business Division's competitive pulp production, based on commercial-scale eucalyptus plantations in Brazil and Uruguay, is one of the cornerstones of the Group's strategy. Our 50%-owned joint operations in both countries are putting a lot of effort into social responsibility and the creation of value shared with local communities.

Stora Enso's operations in South America include: joint operations at Veracel in Bahía, Brazil and Montes del Plata in Uruguay, together with the corresponding eucalyptus plantations; Arapoti Paper Mill in Paraná, Brazil; eucalyptus plantations in Rio Grande do Sul, Brazil; and our sales office and Biomaterials Division head office in São Paulo, Brazil. The Rio Grande do Sul plantations are not actively managed at the moment as Stora Enso is examining different strategic options for their future.

The environmental and operational aspects of these tree plantations, including issues related to water use, are covered in this report's Forest and Land use section (see [page 33](#)). This section of the report will concentrate on social aspects and the creation of value shared with local communities.

Our joint operations in Latin America and the plantations in Rio Grande do Sul form part of Stora Enso's Biomaterials Division, while Arapoti Mill belongs to our Paper Division. [Veracel](#) is a 50/50 joint operation shared with the Brazilian company Fibria, and [Montes del Plata](#) is a similarly structured joint operation where Stora Enso's partner is the Chilean company [Arauco](#).

Both of these joint operations are governed by boards of directors where each partner is equally represented. These boards oversee management and make all important operational decisions, including decisions on issues related to sustainability. The sustainability approaches of both of these joint operations are in line with Stora Enso's Global Responsibility approach.

We are aware that different stakeholders may have varied land use interests due to local history and traditional practices. Our engagement with local stakeholders is based on participatory planning, clearly defined models for cooperation, and mutual learning and development.

Veracel, Brazil

The joint venture company Veracel runs a state-of-the-art pulp mill and eucalyptus plantations in southern Bahia.

Major stakeholder concerns in Brazil relate to land ownership and land use, landless and indigenous people's rights, the water use of plantations, and local social and development issues related to poverty. Veracel's large-scale land ownership and the consequent elevation of land prices have particularly been a major concern among some stakeholders. We strive to engage actively with all local stakeholders, to be an active member of local communities, and to help to address these challenges.

Veracel's own externally assigned GRI sustainability reports can be downloaded at www.veracel.com.br.

Dialogue with landless people's movements

In 2014 Veracel remained in dialogue with the Government of the State of Bahia and the representatives of seven social landless movements:

- the Movement of Landless Workers (MST)
- the Federation of Agricultural Workers (Fetag)
- the Movement for the Struggle for Land (MLT)
- the Front of Free Workers, the Peasant Resistance Movement (MRC)
- the Front of Free Workers (FTL)
- the Association Unidos Venceremos (Aprunve).

As part of this dialogue the Sustainable Settlement Initiative was launched in 2012, aiming to provide farming land and technical and educational support to help hundreds of families improve their incomes. This initiative is facilitated by the Government of the State of Bahia through the Secretariat of Institutional Relations (SERIN), and conducted in cooperation with

landless people's social movements and the National Institute of Colonisation and Agrarian Reform (INCRA).

Through this initiative, the social movements have pledged to leave areas occupied since July 2011, while Veracel have agreed not to seek to repossess areas occupied before that date. The initiative involves a total of 16 500 hectares of Veracel's lands designated for the settlements, including 14 000 hectares covered by the recent negotiations and 2 500 hectares covered by an earlier agreement with MST. In terms of the number of people assisted and its geographical scope this will be the most significant land reform project in Brazil over the last 25 years.

During 2014 INCRA conducted inspection visits to selected areas in order to finalise the land transfers. Further visits will be organised in 2015. Compensation for the land transfers will be paid to Veracel by INCRA in line with Brazilian legislation.

During the second quarter of 2014 the Agricultural College of the University of São Paulo completed an assessment of the areas that would form the sustainable settlements. This assessment also included studies of regional markets for agricultural products, with the aim of ensuring that for families in the future settlements farming will be economically, environmentally and socially sustainable.

At the end of 2014, an additional 2 219 hectares (1 453 at the end of 2013) of Veracel's land were still occupied by social landless movements not involved in the Sustainable Settlement Initiative. The repossession of these areas is being sought through legal processes. The occupied area has increased due to new occupations by the social movement FETRAF (Federation of Family Agriculture Workers) as part of its efforts to be included in the Sustainable Settlements Initiative. In 2014 Stora Enso resolved that this additional occupied area will be reported on in the Global Responsibility section of the Group's Interim Reviews, on a quarterly basis.

VERACEL IN NUMBERS

	2014	2013	2012
Employment			
Own employees	692	700	705
Permanent partners' employees	2212	2 556	2 652
Remuneration, own employees (million EUR)			
Tax payments (million EUR) ¹	27	27	31
Local sourcing, total (million EUR)			
- Sourcing in ten local municipalities	85	86	140
- Sourcing in the State of Bahia	142	131	155
Agroforestry activities			
Partner farmers in the Forest Producer Programme	87	90	102
Partner farmers with certified tree plantations	83	51	39
Honey producers on the company's land	171	100	108
Land occupied by social landless movements not involved in the Sustainable Settlement Initiative			
Area occupied by social movements not involved in the Sustainable Settlement Initiative, ha	2219	1453	n/a
Roads in the operational area			
Km of road constructed during the year	333	327	330
Total investment in roads during the year (million EUR)	8	6	7

¹ Including federal, state and municipal taxes and pension and social security payments.

Supporting family farming

In 2012 Veracel launched a major initiative with the state government known as the Pact for the Development of the Discovery Coast. Under this agreement the government has committed to reimburse Veracel ICMS tax credits paid by the company between 2011 and 2015, in return for a commitment made by Veracel to invest in local development programmes.

With investments expected to total 9 million Brazilian Reals (EUR 2.9 million) by the end of 2015, the pact will greatly benefit family farmers in several communities near Veracel. The Pact's projects contribute to the sustainable development of family farming by forming associations for small producers and indigenous communities.

Veracel also enables local beekeepers to keep their beehives on the company's land. In 2014 a total of 171 honey producers organised in eight cooperatives participated in this scheme, producing more than 110 tonnes of honey.

Veracel and its partner farmers are continuing to pioneer the concept of group forest certification in southern Bahia. Partner farmers enjoy concrete benefits from the forest certification process, since it streamlines farm management, enhances working conditions, and facilitates the establishment of conservation areas. For more details see [page 37](#).

The Agrovida family farming programme was launched in 2009 as a pilot project in the community of Ponto Central in the municipality of Santa Cruz Cabralia. The project aims to produce food for the community and to trade surplus production in regional markets, especially for school lunches and municipal institutions.

To scale up this programme, Veracel has decided to propose a family farming programme based on a participatory concept, where areas of Veracel's land are contractually assigned by Veracel to each

Veracel's key projects with neighbouring communities

The Sustainable Settlement Initiative

- In accordance with a government initiative, Veracel maintains dialogues with local landless people's movements aiming to create sustainable settlements with farming land and technical and educational support, in order to provide income for hundreds of families.

Programmes supporting family farming

- The Pact for the Development of the Discovery Coast, realised together with the state government, aims to promote family farming and associations of small producers and indigenous communities in areas near Veracel's operations. Other initiatives include tree farming by third parties, honey production on company lands and family programmes.

Atlantic Rainforest Conservation

- Veracel actively participates in the government's initiative to restore Atlantic Rainforest habitats and connect surviving fragments of natural rainforest to create ecological corridors. The Veracel Station, which consists of preserved rainforest and a visitor centre, conducts scientific research, conserves native ecosystems and endangered species, and provides environmental education for visitors.

Childhood project to combat child abuse

- Cooperation between the NGO Childhood, Stora Enso and Veracel form part of the Territory Protection Programme, which integrates government initiatives, private companies' schemes and civil society projects aiming to promote and defend the human rights of children and adolescents in areas near Veracel's operations.

Work with indigenous communities

- Together with the NGO Tribo Jovens, Veracel is working with local indigenous communities to foster social, economic and environmental development.

Training of local development agents

- In collaboration with the NGO Mãe Terra, Veracel has trained young people to act as development agents in their own communities. Some of these young people also work with the Monitoring Network for Transport, which is mapping the needs of communities with regard to investment opportunities.

neighbourhood association. Veracel additionally provides technology transfer and technical assistance, based on the company's accumulated knowledge on the intercropping of eucalyptus trees with other crops such as cassava, beans, corn and squash.

The initiative has been developed together with the regional Forest Dialogue, which brings local stakeholders together to discuss issues related to forestry. Each project is defined by the community involved. By the end of 2014 the Agrovida initiative involved 59 farmers cultivating 125 hectares.

Addressing social issues

In 2013 Veracel started cooperation with the NGO Instituto Mãe Terra on a project that will train 46 selected young people – one from each of the communities located within the area influenced by Veracel's forestry operations – to act as agents for local development in their own communities. The project will help them to network and gain support from partners and public policies. The training covers topics such as identity, citizenship, human rights, education, environment, community development, drugs, violence, sexuality, family issues and information technology. The scheme was completed in August 2014.

In addition, 32 of these young people were trained to participate as volunteers in the Monitoring Network for Transport, which maps the needs of communities with regard to local investment opportunities that could improve infrastructure, education, health, quality of life, agriculture and community organisation. The initiative aims to build up social capital, facilitate community leadership and enhance local development, while also strengthening the active ongoing dialogue between the communities and Veracel.

Since 2012, Stora Enso and Veracel have been working together with the NGO Childhood to combat child abuse and exploitation in nearby municipalities. The project, which also involves the NGO Tribo Jovens, aims to help formulate, implement and strengthen related public policies, and provide related training for professionals. This cooperation has become part of the wider Territory Protection Programme, which is facilitated by Veracel. The programme brings together government initiatives, private companies and civil society projects aiming to promote and defend the human rights of children and adolescents.

In 2014 the programme was extended to the tourism sector. Especially during the carnival season many tourists from different parts of Brazil and around the world visit the city of Porto Seguro, 50 kilometres from Veracel Mill. This influx of visitors boosts local businesses, but also increases the exposure of children and adolescents to possible sexual abuse and exploitation. During 2014 the training of professionals continued, and a new Steering Committee to Combat Sexual Violence was created to bring together representatives from the departments of Social Welfare, Education and Health, and various other local stakeholders.

In the tourism sector, a partnership involving Veracel, Instituto Tribo Jovens, and the municipalities of Porto Seguro and Santa Cruz Cabralia created a campaign to increase awareness among tourists and residents of southern Bahia on the importance of protecting of children and adolescents.

As part of its annual social investments during 2014 Veracel helped to finance a new ferry line for the municipality of Mascote, which is divided by the River Pardo, restricting the mobility of local residents. The new ferry line will reduce costs and travel times for

many of the municipality's 16 000 inhabitants, and also improve their access to educational, health and social facilities.

Engaging with indigenous communities

Veracel is continuing to engage actively with the area's 17 indigenous Pataxó and Tupinambás communities, and work closely with the NGO Tribo Jovens to improve the conditions of indigenous people. This cooperation programme has been fostering social, economic and environmental development since 2006.

Tribo Jovens is also one of Veracel's main cooperation partners in the above-mentioned Childhood project and Discovery Coast Pact projects.

Grievance channels for stakeholders

Veracel offers many ways for stakeholders to express their concerns and questions. Channels including a special section of the company's website and a postal address enable stakeholders to file any concerns, while regular meetings with communities neighbouring Veracel's forestry operations, an odour perception network, and letter boxes placed in busy locations are also available for people with no personal internet connection.

During 2014 Stora Enso conducted an assessment of Veracel's human rights impacts as part of Group-wide human rights assessments. The key findings of this assessment related to the availability of grievance mechanisms, and further study is required to ascertain how well local communities are aware of the existing channels for expressing concerns and questions. Another key finding concerns the need to further verify and audit the compliance of suppliers with Veracel's Code of Conduct. Action plans for these issues will be drawn up during 2015.

Montes del Plata, Uruguay

Montes del Plata, a 50/50 joint venture between Stora Enso and the Chilean company Arauco, runs a state-of-the-art, 1.3 million tonne eucalyptus pulp mill at Punta Pereira in southwestern Uruguay, together with associated eucalyptus plantations. The mill started production on 6 June 2014.

Montes del Plata's sustainability approach is based on the company's management policy and values, which are in line with Stora Enso's Global Responsibility approach, as well as international forest certification schemes, standards and principles including the UN Global Compact, which Montes del Plata signed in 2010.

The potential impacts of the construction project and the mill's future operations were first assessed in detail in an extensive economic and social impact analysis conducted back in 2010. During 2014 sustainability work at Montes del Plata particularly focused on issues related to the start-up and operational stage of the mill.

Actions following the end of construction work

During 2014 the construction of the pulp mill was completed and the mill started operations in June. More than 6 000 workers had been employed on the construction site during the peak phase, and the demobilisation of these construction workers was planned carefully.

During 2013 Montes del Plata started to request documentation from contractors about how their workers' contracts would be terminated. A contracted law firm oversaw this process to verify that the rights of the workers were duly observed. By the end

of 2014, 70% of the labour contract terminations presented by the contractors were analysed, with no major issues detected.

In 2014 a database listing workers whose labour contracts had been terminated was drawn up, containing information on 1 157 workers. A sample of 402 randomly selected workers were interviewed by a consultancy service between May and July 2014, to assess their situation after the mill construction, and to obtain their views on Montes del Plata during the construction period. More than 90% of the respondents gave a good or very good rating to the infrastructure services and social, sports, entertainment and training activities provided during the construction period.

Donations to address local needs

The lodging centres built in Carmelo, Colonia and Punta Pereira for the mill construction phase were closed during 2014. Their furniture was either donated to local schemes or stored for future use.

In April Montes del Plata announced that infrastructure and furniture from the Punta Pereira lodging centre would be donated to Plan Juntos, a programme initiated by the Uruguayan President José Mujica. This donation involved 544 housing modules that will be used to house 15 000 impoverished people in 24 neighbourhoods around Uruguay. Mattresses, bedclothes and furniture were also donated to this plan.

In September the Carmelo and Colonia lodging centres were handed over to the local authorities. In Colonia two-thirds of the 150 houses will be sold to create a fund for future local housing programmes. The remaining third will serve as relocation homes for people presently living in sub-standard conditions in a nearby settlement.

Montes del Plata has additionally signed an agreement with the Ministry of Housing in Carmelo to

MONTES DEL PLATA IN NUMBERS

	2014	2013	2012
Employment			
Montes del Plata's own employees	661	684	585
Contractors' employees	2 590	1 317	1 107
Construction workers at the mill site	835	3 436	5 603
Number of local suppliers¹	1 186	590	1 493
Agroforestry activities			
Partner farmers in Forest Producer Programme	258	166	149
Honey producers on the company's land	26	26	30
Cattle farmers on the company's land	177	188	239
Hectares of company land used for cattle grazing	139 119	117 610 ²	167 279
Roads, construction or maintenance			
Roads near the mill site (km)	18	18	18
Forestry roads (km)	250	284	150
Total investment in roads during the year (EUR million)	5.2	15.0	1.4
Social programmes			
Investment in social programmes (EUR million)	0.4	0.4	0.6
Number of beneficiary projects	8	12	16

¹ Local suppliers in the Department of Colonia, where Montes del Plata Mill is situated.

² This figure decreased since the company lands were sold on the local market during 2013.

finance the construction of 30 houses for families in need.

More than 8 700 items of furniture were donated to local social, sporting, cultural, health associations and charities in Conchillas, Colonia and Carmelo. Mattresses and bedclothes were donated to the National Emergency Service.

Promoting socio-economic development in local communities

During 2014 Montes del Plata started to shift the focus of its responsibility work towards a more strategic, long-term approach aiming to develop the local workforce and local communities, and to mitigate potential negative impacts.

Productive Integration Programme

Montes del Plata is one of the biggest landowners in Uruguay. The company's Production Integration Programme aims to make more efficient use of land and share benefits with local farmers. The programme has two main elements: local farmers will become more involved in tree planting to complement their main activity; while they will also be able to use areas owned by the company but not designated for tree-planting.

In order to increase future purchases of wood from independent tree farmers, and reduce the need to acquire land, Montes del Plata assists independent farmers who decide to plant eucalyptus trees in areas that are not suitable for other farming activities. At the end of 2014 a total of 139 119 hectares of land was rented out to local farmers and to honey, dairy and beef production cooperatives.

To identify the programmes socio-economic impacts diagnostic study was launched in 2014 by the Faculty of Agriculture of Universidad de la República in collaboration with the rural youth group Movimiento de Juventud Agraria. An additional Ecosystem

Montes del Plata's key projects with neighbouring communities

Donations of houses and furniture used by construction workers

- After the construction work ended 150 houses in Colonia and the lodging centre in Carmelo were donated to the local authorities for a housing programme for families in need. The total value of this donation was USD 14 million (EUR 11 million). An agreement was also made with the Ministry of Housing in Carmelo to finance the construction of 30 houses with an estimated value of USD 1.3 million (EUR 1 million). Infrastructure and furniture from the Punta Pereira lodging centre with an approximate total value of USD 4 million (EUR 3 million) was donated to the national programme Plan Juntos to help impoverished people.

Productive Integration Programme for farmers

- This programme aims to enhance land use and help local farmers by giving them additional income from tree planting, and enabling them to use company land for activities such as cattle grazing and bee-keeping.

Programmes for local workforce development

- Several vocational orientation programmes and workshops have been organised for local young people during 2014. A young entrepreneur programme run in collaboration with the NGO DESEM Junior Achievement aims to promote entrepreneurial spirit and facilitate the growth of existing companies. The pilot programme Opportunities for Everyone helps to integrate disabled people into the nursery workforce. Other employees are also trained on how to work with disabled people.

Community Forum

- This permanent consultation process enables people from the local community around the mill site to get involved initiatives designed to improve local conditions.

Road Safety Programme and Community Health Programme

- The local Road Safety Programme is run to reduce risks associated with transportation. A Community Health Programme is meanwhile supporting public health providers' efforts to improve local health care standards.

Services Valuation study was launched together with the Interamerican Development Bank, with consulting support from Environmental Resources Management, to assess the shared value benefits of the Productive Integration Programme. The results of both studies are expected during 2015.

Workforce development and equal opportunities

In forestry operations Montes del Plata promotes the hiring, education and training of locally recruited workers.

During 2014 Montes del Plata and an external consultant drew up a training plan for the tree nursery workforce, and established a candidate profile system to facilitate staff selection. In the second phase of this scheme, the consultant worked on management coordination, management support, work organisation, staff selection, an induction process and the revision of the company's organisational structure.

The Opportunities for Everyone programme at Montes del Plata's tree seedling nursery aims to increase the inclusion of handicapped persons and promote equal opportunities by helping to build up the personal skills of disabled people and give them a chance to realise their full potential. A specialised consultancy firm was hired to evaluate work positions in the various sub-areas of the nursery during 2014, and Montes del Plata's other staff were trained to raise their awareness of issues related to working alongside disabled people.

At the end of 2012 Montes del Plata launched a scheme in Conchillas, the closest community to the mill site, to assess future job opportunities that would arise during the operational phase of the mill. By the end of 2014 some 51% of residents in Conchillas were directly employed by Montes del Plata or its contractors' operations.

Vocational orientation programmes with a longer-term perspective have also been set up to encourage

young people from neighbouring municipalities to continue their education, aim high, and dare to follow their dreams even if this implies moving out of their comfort zone. These workshops held in local high schools attracted almost 100 students.

A previously established programme set up to encourage local entrepreneurship entered a new phase with the mill start-up. The programme focuses on promoting entrepreneurial spirit in the area, while also facilitating the growth of existing companies. Montes del Plata is also working in a Young Entrepreneur programme set up by the NGO DESEM Junior Achievement for young people in Conchillas.

Community forum

The local Community Forum community development programme is based on a permanent consultation process launched during the construction of the mill. During 2014 Montes del Plata started working with the community of Puerto Conchillas on initiatives to improve living conditions. Local residents have initiated several significant projects including a street-naming scheme, the restoration of a local beach, a new school for Puerto Conchillas, new street lightning, and improvements to a local park.

All such projects are discussed and resolved by local people through the Community Forum, assisted by Montes del Plata's social sustainability team.

Addressing health and safety issues

During 2014 our work mitigating the potential negative impacts of Montes del Plata's forestry operations and wood transportation particularly focused on road safety and community health.

The Community Health Programme aims to enhance the capacity of local public health service providers through measures including training, awareness campaigns and acquisitions of equipment, all funded as part of Montes del Plata's annual social investments.

The Road Safety Programme aims to contribute to the sustainable and safe supply of raw materials and products, while minimising the negative impacts of transportation. As part of the programme Montes del Plata's Social Sustainability Team organises activities designed to increase local communities' awareness of issues related to the transportation of wood by road.

In 2014 these activities included the identification of hot spots along transport routes, training provided for truck drivers, road safety education sessions held at local schools for both adults and children, and workshops for truck drivers related to the sexual exploitation of children. A road safety pilot scheme Train the Trainers was carried out in Campana and Ombúes de Lavalle, with training provided for four weeks in each town for primary and high school teachers, students, the local police, health institutions, local NGOs and other residents, aiming to enable them to educate others on road safety issues.

Montes del Plata's basic traffic safety work is supported by a GPS tracking system. All the trucks are monitored in this system so as to design optimal routes and ensure that drivers do not exceed speed limits or use routes that would compromise traffic safety.

Human rights assessment

In 2014 Stora Enso conducted a human rights impact assessment at Montes del Plata as part of the Group-wide assessment process. The assessment highlighted safety issues that have arisen due to the inexperience of the personnel, even though suitable programmes and controls are in place. It also pointed out that increasing traffic and related traffic safety issues represent a major impact for the local community.

The assessment additionally recommended that Montes del Plata should initiate supplier audits and further develop related procedures. All Montes del

Plata suppliers and contractors are obliged to sign the company's Code of Ethics and Conduct, which is available at www.montesdelplata.com.uy.

Environmental education

Montes del Plata's M'Bopicuá Biopark is a centre for the conservation and breeding of native fauna that also has a regionally renowned visitor centre, visited each year by hundreds of primary school, high school and university students.

The Project Learning Tree programme, backed by Montes del Plata, provides material packages covering environmental issues for use by teachers.

Active stakeholder dialogues

Montes del Plata conducts active dialogues with communities and stakeholders through various channels, including face-to-face meetings, communications in the national, regional and local media, bulletin boards and email bulletins.

The Good Neighbour Programme aims to ensure that people living near eucalyptus plantations get better acquainted with Montes del Plata and its activities, with the help of appointed local representatives.

Several channels enable members of local communities to bring up their concerns. These channels range from phone numbers and web pages to open house events and letter boxes in busy locations. All messages received from stakeholders are entered into our Communications Registry System. Specific personnel are assigned to track each issue through to acceptable resolution. Related training is provided for all personnel in contact with third parties.

Formal grievance mechanism

In 2014 Montes del Plata introduced an anonymous grievance channel on the company's website to address topics related to the company's Code of

Ethics and Conduct. This channel has been well publicised and is available to Montes del Plata employees, the employees' of contractors and suppliers, and members of local communities.

All submitted claims are handled by Montes del Plata's Ethics Committee, and anyone who has submitted a claim may follow-up the related process online. Potential misconduct cases are reported to Montes del Plata's board-level Financial and Audit Committee.

Sugar cane sourcing for a demonstration plant in Louisiana, US

In June 2014 Stora Enso bought a small start-up company Virdia in the US. Virdia have devised technology that facilitates the efficient separation of the different parts of any biomass, including fibres, lignin and sugars.

In September Stora Enso announced a related investment in a demonstration and market development plant to be built at Raceland, Louisiana.

The plant will be used for the industrial validation of the newly acquired extraction and separation technology developed by Virdia to enable cellulosic biomass such as wood or agricultural waste to be converted into highly refined sugars. It is hoped that the new technology may be used on an industrial scale in the future, possibly in some of Stora Enso's existing pulp mills.

The demonstration plant will be located in the vicinity of existing sugar cane plantations, and use bagasse waste as feedstock. An audit was conducted in the plantations in December 2014 to verify that the feedstock supplier's operations comply with Stora Enso's Supplier Code of Conduct.

The sugar cane industry in Louisiana uses migrant workers in harvesting and production, and this was one the major issues examined in the audit. The H-2A visa program, administered by the US Citizens and Immigration Services agency of the Department of Homeland Security, allows farmers to hire migrant workers with suitable visas to fill jobs that are not taken by US workers.

Other topics investigated during auditing included water use, usage of fertilisers and pesticides, impacts on biodiversity, health and safety issues and the equal treatment of all workers.

Report scope

- » **Verified reporting in accordance with the Global Reporting Initiative**
 - » **Supporting the UN Global Compact**
 - » **GRI-G4 content index**
 - » **Independent assurance statement**
-

Verified reporting in accordance with the Global Reporting Initiative

This report has been prepared in accordance with the G4 sustainability reporting guidelines defined by the Global Reporting Initiative (GRI). The report corresponds to the 'Comprehensive' level in the G4 reporting guidelines.

This means that our reporting covers all the Standard Disclosures of the G4 framework and all the sustainability aspects we have identified as material in our operations. In our materiality review we have identified all the aspects of G4 reporting framework, except the aspect on customer privacy, as material to the Stora Enso Group's Annual Report in 2014.

The index table on the following pages lists our Standard Disclosures with reference to G4 categories, aspects and indicators, and refers to the pages where these issues are addressed in our annual reporting and/or other information channels.

We believe that following the GRI guidelines supports our reporting on all material sustainability topics. Stora Enso has applied the GRI guidelines in the Group's annual sustainability reporting since 2003.

Report scope and data boundaries

Unless otherwise stated, the Group's consolidated performance data as expressed in this report covers the parent company, Stora Enso Oyj, and all companies in which we hold over 50% of voting rights directly or indirectly.

The Group's consolidated sustainability performance data does not cover equity-accounted investments where Stora Enso's ownership is between

20% and 50%, or companies in which our ownership share is less than 20%.

The report does, however, describe issues directly relating to companies in which Stora Enso's ownership is 50% or below, when these issues have been identified as material considering the sustainability impacts of the Group and related interest among our stakeholders.

For this reason the report covers material issues from our joint operations in South America, Veracel and Montes del Plata, on [pages 81–88](#). Similarly, sustainability issues related to our 35%-owned equity-accounted investment Bulleh Shah Packaging in Pakistan (see [pages 78–80](#)) are also considered material to Stora Enso Group's sustainability reporting.

The Group's majority-owned operations in Asia (see [page 68](#)), and especially our investment project in Guangxi, China (see [pages 70–75](#)), are also described in detail due to their materiality and related interest among our stakeholders.

Our consolidated environmental performance data covers all of our production units. Scope limitations in connection with the respective environmental indicators are stated in footnotes. For instance, the Group's consolidated key performance indicators (KPIs) (see [page 8](#)) include reductions in fossil CO₂ emissions and process water discharges per saleable tonne of pulp, paper, and board. The Group's sawmills are excluded from these KPIs due to their lower materiality.

Certain smaller staff functions and sales offices are not included in the Group's consolidated occupational health and safety (OHS) data. Human resources (HR)

data is derived from separately collected HR statistics, except for numbers of employees, which are derived from financial accounting. All the presented HR data covers permanent and temporary employees as of 31 December 2014.

On 1 December 2014, Stora Enso completed the divestment of its Corenso business operations to Powerflute Oyj. Corenso's sustainability performance during the period January–November is included in Stora Enso's sustainability reporting and consolidated performance data.

Aspect-specific data boundaries

Impacts that make sustainability issues relevant for us may occur outside of Stora Enso, or they may be material only for some of our operations or locations, as indicated in the G4 reporting guidelines. When our reporting on a sustainability aspect or indicator only concerns specific units or geographical regions (or other specific data collection boundaries), based on its identified materiality, this is specified in the comment field in the G4 index table or in connection to the respective disclosure.

Disclosure on management approach

Stora Enso's generic management approach to Global Responsibility (see [page 5](#)) covers all of the aspects of the G4 framework identified as material. We also report specific information on our management approach for those aspects where we see this additional information as relevant for assessing our approach and impacts. The index table refers to the

pages of this report where any additional relevant information is provided on our aspect-specific management approach.

Scope of external assurance

This report has been assured by an independent third party assurance provider, in accordance with the voluntary external assurance practices of sustainability reporting. The assurance statement for the report appears on [page 101](#).

The scope of this external assurance includes assessments of compliance with the G4 'In accordance' criteria at the 'Comprehensive' level, all standard disclosures of the G4 framework identified as material, the materiality review process of this report, and all the statements and data related to the sustainability aspects identified as material. Reported quantitative data and the process applied to compile data on joint ventures do not come within the scope of this assurance.

Supporting the UN Global Compact



Stora Enso supports the [ten principles of the UN Global Compact](#), a United Nations initiative to encourage businesses worldwide to embed responsibility into business operations. We respect and promote these principles throughout our operations.

During 2014 we were also involved in the development of the [Food and Agriculture Business \(FAB\) Principles](#), facilitated by the UN Global Compact.

The table on right lists the ten principles of the UN Global Compact and specifies where information on how we address these issues can be found in this report.

The CEO Water Mandate

Stora Enso is a signatory to the [UN Global Compact's CEO Water Mandate](#), a public-private initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices. The table below lists the six core elements of the CEO Water Mandate and specifies where information on how we address these issues can be found in this report.

Element	Read more
Direct Operations	33–47, 55–57
Supply Chain and Watershed Management	30–45, 55–57
Collective Action	33–45, 55
Public Policy	50–51
Community Engagement	67–88
Transparency	55–57

UN GLOBAL COMPACT PRINCIPLES

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	18–24, 30–32
Principle 2: Businesses should make sure that they are not complicit in human rights abuses.	18–24, 30–32

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	18–24, 27, 30–32
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.	18–24, 30–32, 75–80
Principle 5: Businesses should uphold the effective abolition of child labour.	18–21, 30–32, 78–80
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.	18–24, 27, 30–32

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.	30–58, 67–88
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.	30–58, 67–88
Principle 9: Businesses should encourage the development and diffusion of environmentally	30–58, 67–88

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	22–24
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GRI-G4 content index

GR - Stora Enso Global Responsibility Performance 2014 ● Fully reported
 FR - Stora Enso Financial Report 2014 ◉ Partially reported
 PB - Stora Enso Progress Book 2014 x Externally assured. For the assurance statement, see page 101.

		Location and comments	External assurance	Level
GENERAL STANDARD DISCLOSURES				
STRATEGY AND ANALYSIS				
G4-1	Statement from the most senior maker of the organisation	PB 8–11, FR Report of the Board of Directors	x	●
G4-2	Description of key impacts, risks, and opportunities	PB 51, 59–61, GR 5–7, FR Report of the Board of Directors	x	●
ORGANIZATIONAL PROFILE				
G4-3	Name of the organization	PB 2	x	●
G4-4	Primary brands, products, and services	PB 3	x	●
G4-5	Location of headquarters	PB back cover	x	●
G4-6	Countries in which operations are located	PB 4–5, GR 25, 65–67	x	●
G4-7	Nature of ownership and legal form	PB 2	x	●
G4-8	Markets served	PB 4–5	x	●
G4-9	Scale of the reporting organization	PB 4–5, 52, GR 66–68	x	●
G4-10	Breakdown of workforce	GR 25–26, 28	x	●
G4-11	Coverage of collective bargaining agreements	GR 27	x	●
G4-12	Description of supply chain	GR 30	x	●
G4-13	Significant changes during the reporting period	FR Note 4, The Report of Board of Directors (Share capital)	x	●
G4-14	Addressing the precautionary approach or principle	GR 5–9, 68–88 PB 51–54, 59–61, FR Report of the Board of Directors	x	●
G4-15	External charters, principles or initiatives endorsed	GR 11, 12, 18, 36–42, 45, 49, 51, 56, 61–62, 68–88, 92	x	●
G4-16	Memberships in associations	GR 11	x	●
IDENTIFIED MATERIALS ASPECTS AND BOUNDARIES				
G4-17	Report coverage of the entities in the consolidated financial statements.	FR Notes 30 and 31. All entities in our Financial Report also are covered by our Global Responsibility Report. Joint Operations are not consolidated in the Group's sustainability data but their impacts are addressed as material.	x	●
G4-18	Process for defining the report content and the aspect boundaries	GR 3, 6–7, 90–91	x	●
G4-19	Material aspects identified	We have identified all the aspects in the G4 framework except customer privacy as material in Stora Enso's operations.	x	●
G4-20	Aspect boundary within the organisation	GR 90–91	x	●
G4-21	Aspect boundary outside the organisation	GR 90–91	x	●
G4-22	The effect of restatements of information provided in previous reports	No major restatements.	x	●
G4-23	Significant changes in the scope and aspect boundaries from previous report	FR Note 4, GR 90–91. The scope of the Global Responsibility Performance Report has been extended to provide further detailed information on our equity accounted investment Bulleh Shah Packaging in Pakistan of which Stora Enso acquired 35% ownership in 2013.	x	●

		Location and comments	External assurance	Level
STAKEHOLDER ENGAGEMENT				
G4-24	List of stakeholder groups engaged	GR 9, PB 52	x	●
G4-25	Identification and selection of stakeholders	GR 6, 9, PB 52	x	●
G4-26	Approaches to stakeholder engagement	GR 9, PB 52	x	●
G4-27	Response to key topics and concerns raised through stakeholder engagement	GR 10–11	x	●
REPORT PROFILE				
G4-28	Reporting period	1 January 2014–31 December 2014	x	●
G4-29	Date of most recent previous report	17 February 2014	x	●
G4-30	Reporting cycle	Annual. As of the second quarter of 2014, Stora Enso additionally started to provide quarterly updates on the most material sustainability issues in the Global Responsibility section of the Group's Interim Reviews.	x	●
G4-31	Contact point for questions	PB back cover	x	●
G4-32	'In accordance' option, the GRI content index and external assurance	GR content index for 'In accordance' - Comprehensive. GR 93–101	x	●
G4-33	Policy and current practice regarding external assurance	GR 93–101	x	●
GOVERNANCE				
G4-34	Governance structure	GR 5–6, PB 63–67	x	●
G4-35	The process for delegating authority for sustainability topics	GR 5–6, PB 63–67	x	●
G4-36	Executive-level positions with responsibility for sustainability topics	GR 5–6, PB 70–71 . All the Group's Leadership Team members are responsible for sustainability topics in their area of responsibility.	x	●
G4-37	Processes for consultation between stakeholders and the highest governance body	GR 5–7, 23–24, PB 79 . All shareholders have the right to make proposals to the shareholder meeting agenda within authority of the Annual General Meeting (AGM). All shareholders also have the right to present questions to the Board of Directors (BOD) and executive management at the AGM. The employee representatives meet the chairman and the vice chairman of the BOD and the CEO in connection with board meetings on a regular basis.	x	●
G4-38	Composition of the highest governance body and its committees	GR 5–6, 25, PB 62–67	x	●
G4-39	Position of the chair of the board of directors	The chair of the Board of Directors is independent from the company's executive management.	x	●
G4-40	Nomination and selection processes for the highest governance body and its committees	PB 63 . The company has a nomination board assigned to propose new board members. When preparing proposals the nomination board evaluates the specific needs of the Board of Directors, including also possible needs for sustainability related competencies, and takes those specific qualifications into account in their proposals.	x	●
G4-41	Avoiding conflicts of interest	PB 62–67		●
G4-42	The role of the highest governance body and senior executives in setting purpose, values and strategy	GR 5–6, PB 62–65	x	●
G4-43	Measures taken to enhance the Board of Directors' collective knowledge of sustainability topics	GR 5–7, 22, PB 62–67	x	●
G4-44	Evaluating board performance with respects to sustainability topics	GR 5, PB 62–67 . The evaluation of the board's performance is generic in its nature and focuses mostly on working methods and not on any specific area in particular. However, if concerns relating to sustainability issues arise, the Global Responsibility and Ethics Committee's role is to identify those issues and bring them to the agenda of the Board of Directors.	x	●
G4-45	The role of Board of Directors in the identification and management of economic, environmental and social impacts, risks and opportunities	GR 5–6, FR Report of the Board of Directors	x	●
G4-46	The role of Board of Directors in reviewing the risk management processes for economic, environmental and social topics	GR 5–6, FR Report of the Board of Directors	x	●

		Location and comments	External assurance	Level
G4-47	The frequency of the Board of Directors' review of sustainability impacts, risks, and opportunities	GR 5-6, 24, FR Corporate Governance in Stora Enso	x	●
G4-48	The highest committee or position to formally approve this report and its materiality review	GR 5-6	x	●
G4-49	Process for communicating critical concerns to the highest governance body	GR 5-7, 24, FR Information for Shareholders . All shareholders have the right to make proposals to the shareholder meeting agenda within authority of the Annual General Meeting (AGM). All shareholders also have the right to present questions to the Board of Directors (BOD) and executive management at the AGM. The employee representatives meet the chairman and the vice chairman of the BOD and the CEO in connection with board meetings on a regular basis.	x	●
G4-50	Nature and number of critical concerns communicated to the highest governance body	GR 6, 10-11, 24	x	●
G4-51	Remuneration policies for the Board of Directors and senior executives	FR Note 7, PB 66-67	x	●
G4-52	Process for determining remuneration	FR Note 7, PB 66-67 . External consultants, independent of the company and the management, were used to provide guidance on the remuneration.	x	●
G4-53	Inclusiveness of stakeholders' views regarding remuneration	PB 66-67		●
G4-54	Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation	GR 29. Based on annual basic salaries.	x	●
G4-55	Ratio of percentage increase with regards to G4-54	GR 29. No significant differences in salary increases between highest paid individual and median salary increases, except in Germany where the median salary increased by 3% while the highest salary increased by 0,5%.	x	●
ETHICS AND INTEGRITY				
G4-56	Values, principles, standards, code of conduct and code of ethics	PB 19, GR 5-7, 22-23 . Our Code of Conduct is currently available in 17 languages.	x	●
G4-57	Mechanisms for finding advice on ethical and lawful behavior, and matters related to organizational integrity	GR 22-24	x	●
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	GR 23-24	x	●
SPECIFIC STANDARD DISCLOSURES: MANAGEMENT APPROACH AND PERFORMANCE INDICATORS				
GENERIC DISCLOSURES ON MANAGEMENT APPROACH				
ECONOMIC				
Economic performance				
G4-EC1	Direct economic value generated and distributed	PB 52	x	●
G4-EC2	Risks and opportunities due to climate change	GR 49-50, FR Report of the Board of Directors (Climate change risks)	x	●
G4-EC3	Coverage of defined benefit plan obligations	FR Note 20	x	●
G4-EC4	Financial assistance from government	FR Report of the Board of Directors (Share capital), Note 5, Note 9	x	●
Market Presence				
G4-EC5	Entry level wage by gender compared to minimum wage	GR 28. Significant locations of operation defined by social risk assessments.	x	●
G4-EC6	Proportion of senior management hired locally	GR 27. Our large-scale projects in investment phase in Guangxi, China and Uruguay currently considered as significant locations of operations in the proportion of senior management hired.	x	●
Indirect Economic Impacts				
G4-EC7	Development and impact of infrastructure investments and services supported	PB 51-52, GR 67-88	x	●
G4-EC8	Significant indirect economic impacts	PB 51-52, PB 55-57, GR 67-88	x	●

	Location and comments	External assurance	Level
Procurement Practices			
Specific information on management approach to procurement practices			
G4-EC9	Spending on local suppliers	GR 30–32, 34–41, 54, 62, 67–88, PB 51–52	X ●
		GR 62, 67–88. Wood and Paper for Recycling (PFR) deliveries to our mills are largely based on local supply.	X ●
ENVIRONMENT			
Specific information on management approach to environment			
		GR 44–45	X
Materials			
G4-EN1	Materials used by weight or volume	GR 59	X ●
G4-EN2	Recycled materials used	GR 59, 62–63	X ●
Energy			
Specific information on management approach to energy			
G4-EN3	Energy consumption within the organisation	GR 52–53	X ●
G4-EN4	Energy consumption outside of the organization	GR 50–51. The scope 3 calculation of our carbon footprint is based on CO ₂ equivalents, not on energy consumption outside the organisation.	X ⊙
G4-EN5	Energy intensity	GR 52–53	X ●
G4-EN6	Reduction of energy consumption	GR 52–53	X ●
G4-EN7	Reductions in energy requirements of products and services	GR 50–51, 60–61, PB 26–30, 33–36, 41–42, 45	X ●
Water			
G4-EN8	Total water withdrawal	GR 55, 59	X ●
G4-EN9	Water sources significantly affected by withdrawal of water	See table at www.storaenso.com/water	X ●
G4-EN10	Total recycling and reuse of water	GR 55–57. Around 96% of our total water withdrawal is recycled back to the environment. This water is typically reused in our processes before recycling, but figures on the volumes reused are not available.	X ⊙
Biodiversity			
Specific information on management approach to biodiversity			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	GR 39–41	X ●
G4-EN12	Significant impacts of biodiversity	GR 40–41	X ●
G4-EN13	Habitats protected or restored	GR 35–41	X ●
G4-EN14	Number of vulnerable species affected by operations	GR 40–41. Applicable for owned and managed lands by Stora Enso.	X ●
		GR 39–41. Number of species not reported, but biodiversity conservation efforts described.	X ⊙
Emissions			
G4-EN15	Direct greenhouse gas (ghg) emissions (scope 1)	GR 48, 51	X ●
G4-EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2)	GR 48, 51	X ●
G4-EN17	Other indirect greenhouse gas (ghg) emissions (scope 3)	GR 50, 51	X ●
G4-EN18	Greenhouse gas (ghg) emissions intensity	GR 48	X ●
G4-EN19	Reduction of greenhouse gas (ghg) emissions	GR 48–54	X ●
G4-EN20	Emissions of ozone-depleting substances (ods)	No ozone-depleting substances are used in Stora Enso's manufacturing processes.	X ●
G4-EN21	Nox, sox, and other significant air emissions	GR 54	X ●

		Location and comments	External assurance	Level
Effluents and Waste				
G4-EN22	Total water discharge	GR 55–57, 64–66	x	●
G4-EN23	Total weight of waste by type and disposal method	GR 58–59, 64–66	x	●
G4-EN24	Significant spills	GR 46–47	x	●
G4-EN25	Hazardous waste transported, imported, exported or treated	GR 58. Data not available on internationally exported or imported hazardous waste by our authorised service providers. In addition to the reported figures for hazardous waste, 8 871 of tonnes of sludge containing heavy metals, and therefore classified as hazardous waste, was generated at the disused Falun Copper Mine in Sweden, for which Stora Enso is liable (13 120 tonnes in 2013). The sludge is generated during a treatment process that removes metals from mine drainage water. It is collected for local safe disposal by authorised contractors.	x	⊙
G4-EN26	Water bodies and related habitats significantly affected by water discharges and runoff	See table at www.storaenso.com/water	x	●
Products and Services				
Specific information on management approach to products and services		GR 60–61, PB 23–47 , FR Report of the Board of Directors (Research and development)	x	
G4-EN27	Mitigation of environmental impacts of products and services	GR 43–66	x	●
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	GR 60–63. The packaging materials we produce and use to protect our pulp, paper and paper board deliveries during their transportation are mainly of our own fibre-based products, and they are fully recyclable according to European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste and its amendments.	x	●
Compliance				
G4-EN29	Fines and sanctions for non-compliance with environmental regulations	GR 46–47	x	●
Transport				
Specific information on management approach to transportation		GR 54, 62–63	x	
G4-EN30	Significant environmental impacts of transportation	GR 50–51, 54	x	●
Overall				
G4-EN31	Environmental expenditures and investments	FR Report of the Board of Directors (Environmental issues)	x	⊙
Supplier Environmental Assessment				
Specific information on management approach to supplier assessment		GR 18–21, 30–32, 35–41, 44–45, 54	x	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	GR 30–42. Our Key Performance Indicator on responsible sourcing is based on the coverage of our Supplier Code of Conduct on supplier spending.	x	●
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain	GR 31–41, 44–45, 50–51, 55	x	●
Environmental Grievance Mechanisms				
G4-EN34	Grievances about environmental impacts through formal grievance mechanisms	GR 36, 72, 84, 88. All our production units register and monitor complaints received from stakeholders in relation to the units' environmental performance as an integral part of their respective environmental management systems. In 2014 our production units' environmental management systems across the Group recorded a total of 149 stakeholder complaints (230 in 2013).	x	⊙

	Location and comments	External assurance	Level
LABOR PRACTICES AND DECENT WORK			
Specific information on management approach to labor practices and decent Work	GR 27, 67–88	x	
Employment			
G4-LA1	New employee hires and employee turnover	GR 25, 29	x ●
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or parttime employees	GR 27	x ●
G4-LA3	Return to work and retention rates after parental leave	GR 29	x ●
Labor/management Relations			
G4-LA4	Minimum notice periods regarding operational changes	GR 27	x ●
Occupational Health and Safety (OHS)			
Specific information on management approach to OHS			
G4-LA5	Percentage of workforce represented in formal joint management–worker health and safety committees	GR 15–17	x ●
G4-LA6	Injuries, lost days, absenteeism and fatalities	GR 16	x ●
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	GR 15–17. We consider consolidated reporting of gender-specific data on safety incidents as not material from a safety management point of view in our operations, so such figures are not centrally compiled or communicated in our Group figures.	x ●
G4-LA8	Health and safety topics covered in formal agreements with trade unions	GR 74–75	x ●
G4-LA9	Health and safety topics covered in formal agreements with trade unions	GR 27. Health and safety issues are additionally covered in our collective bargaining agreements as a separate topic at the local level.	x ●
Training and education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	GR 26–27	x ●
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	GR 25	x ●
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	GR 26	x ●
Diversity and equal opportunity			
G4-LA12	Composition of governance bodies and employee breakdown	PB 62–71, GR 25. The collection of information on minority group membership not applicable.	x ●
Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men	GR 29	x ●
Supplier Assessment for Labor Practices			
Specific information on management approach to supplier assessment			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	GR 18–21, 30–32, 35–41, 67–88	x ●
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	GR 30–42. Our Key Performance Indicator on responsible sourcing is based on the coverage of our Supplier Code of Conduct on supplier spending.	x ●
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	GR 18–21, 30–32, 35–41, 67–88	x ●
Labor Practices Grievance Mechanisms			
G4-LA16	Grievances about labor practices through formal grievance mechanisms	GR 24	x ●

	Location and comments	External assurance	Level
HUMAN RIGHTS			
Specific information on management approach to human rights			
GR 18–21			
Investment			
		x	
G4-HR1	Human rights screening or clauses included in significant investment agreements	GR 18–21, PB 52	x ●
G4-HR2	Employee training on human rights	GR 18–21	x ●
Non-discrimination			
G4-HR3	Actions taken in incidents of discrimination	GR 18–21, 23–24	x ●
Freedom of Association and Collective Bargaining			
G4-HR4	Supporting right to freedom of association and collective bargaining in risk areas	GR 18–21, 22–24, 27, 30–32	x ●
Child Labor			
G4-HR5	Measures taken to eliminate child labor in risk areas	GR 18–21, 22–24, 30–32, 67–88	x ●
Forced or Compulsory Labor			
G4-HR6	Measures taken to eliminate forced or compulsory labor in risk areas	GR 18–21, 22–24, 30–32, 67–88	x ●
Security Practices			
G4-HR7	Percentage of security personnel trained in human rights policies or procedures	GR 21	x ○
Indigenous Rights			
G4-HR8	Violations of indigenous peoples' rights and actions taken	GR 20	x ●
Assessment			
G4-HR9	Operations subject to human rights reviews or impact assessments	GR 18–21	x ●
Supplier Human Rights Assessment			
Specific information on management approach to supplier assessment			
GR 18–21, 30–32, 67–88			x
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	GR 30–32. Our Key Performance Indicator on responsible sourcing is based on the coverage of our Supplier Code of Conduct on supplier spending.	x ●
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain	GR 18–21, 30–32, 67–88, PB 51–54	x ●
Human Rights Grievance Mechanisms			
G4-HR12	Grievances about human rights through formal grievance mechanisms	GR 21, 23–24	x ●
SOCIETY			
Specific information on management approach to society			
GR 22–24, PB 51–52			x
Local Communities			
Specific information on management approach to local communities			
GR 18–21, 67–88, PB 51–57			
G4-SO1	Local community engagement, impact assessments, and development programs	GR 18–21, 67–88, PB 51–52	x ●
G4-SO2	Operations with significant negative impacts on local communities	GR 18–21, 67–88, PB 51–52	x ●
Anti-corruption			
G4-SO3	Operations assessed for risks related to corruption	GR 22–24	x ●
G4-SO4	Anti-corruption training	GR 22–24	x ●
G4-SO5	Actions taken in response to corruption incidents	GR 22–24	x ●
Public Policy			
G4-SO6	Political contributions	As a general rule, Stora Enso does not make political contributions. Guidance and rules for political contributions are defined in our Business Practice Policy, available at www.storaenso.com/sustainabilitypolicies .	x ●
Anti-competitive Behavior			

		Location and comments	External assurance	Level
G4-SO7	Anti-trust and monopoly court cases	FR Note 29	x	●
Compliance				
G4-SO8	Fines and sanctions for non-compliance	Stora Enso has not been subject to any significant fines or significant monetary sanctions due to non-compliance with laws and regulation during 2014.	x	●
Supplier Assessment for Impacts on society				
Specific information on management approach to supplier assessment		GR 18–21, 30–41, 67–88		
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	GR 30–32. Our Key Performance Indicator on responsible sourcing is based on the coverage of our Supplier Code of Conduct on supplier spending.	x	●
G4-SO10	Significant actual and potential negative impacts on society in the supply chain	GR 18–21, 30–41, 67–88	x	●
Grievance Mechanisms for Impacts on society				
G4-SO11	Grievances about impacts on society through formal grievance mechanisms	GR 23–24	x	●
PRODUCT RESPONSIBILITY				
Specific information on management approach to product responsibility		GR 60–61		
Customer Health and Safety				
G4-PR1	Assessment of health and safety impacts of products	GR 60	x	●
G4-PR2	Compliance with regulations and voluntary codes concerning the health and safety impacts of products	No significant incident of non-compliance during 2014.	x	●
Product and Service Labeling				
G4-PR3	Product information required by procedures	GR 60–61	x	●
G4-PR4	Compliance with regulations and voluntary codes concerning product information	No significant incident of non-compliance during 2014.	x	●
G4-PR5	Results of surveys measuring customer satisfaction	GR 9	x	●
Marketing Communications				
G4-PR6	Sale of banned or disputed products	No significant incident of non-compliance during 2014.	x	●
G4-PR7	Compliance with regulations and voluntary codes concerning marketing communications	No significant incident of non-compliance during 2014.	x	●
Customer Privacy				
G4-PR8	Complaints regarding breaches of customer privacy and data	Not material		Not reported
Compliance				
G4-PR9	Compliance with regulations concerning the provision and use of products and services	No significant incident of non-compliance during 2014.	x	●

Independent assurance statement



To the Management of Stora Enso

We have been engaged by Stora Enso to provide a limited assurance on Stora Enso's global responsibility information for the reporting period of January 1, 2014 to December 31, 2014. The information subject to the assurance engagement is the Global Responsibility Performance 2014 and pages 2-21, 48-57 of the Progress Book (hereafter: Global Responsibility Reporting).

Management's responsibility

Management is responsible for the preparation of the Global Responsibility Reporting in accordance with the reporting criteria as set out in Stora Enso's reporting principles, the Sustainability Reporting Guidelines (G4 Comprehensive) of the Global Reporting Initiative and principles of inclusivity, materiality and responsiveness as set out in the AA1000 AccountAbility Principles Standard 2008 (AA1000APS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Global Responsibility Reporting that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate criteria and making estimates that are reasonable in the circumstances. The scope of the Responsibility reporting depends on Stora Enso's Strategic Lead areas and as well as the reporting principles which are set out on pages 66-67 of the Global Responsibility Performance.

Auditor's responsibility

Our responsibility is to express a limited (moderate) assurance conclusion on the Global Responsibility Reporting based on our engagement. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 to provide limited assurance on performance data and statements within the Global Responsibility Reporting. In addition, we have used the criteria in AA1000 Assurance Standard 2008 to evaluate adherence to principles as set out in AA1000APS for type 1 assurance engagement. This requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Global Responsibility Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria.

We did not perform any assurance procedures on the prospective information, such as targets, expectations and ambitions, disclosed in the Responsibility Information. Consequently, we draw no conclusion on the prospective information. Reported quantitative data and the process applied to compile data on joint ventures do not come within the scope of this assurance. This assurance report has been prepared in accordance with the terms of our engagement. We do not assume responsibility to anyone else, except to Stora Enso for our work, for this report, or for the conclusions we have reached.

A limited assurance engagement with respect to responsibility related data involves performing procedures to obtain evidence about the Global Responsibility Reporting. The procedures performed depend on the practitioner's judgment, but their nature is different from, and their extent is less than, a reasonable assurance engagement. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls and consequently they do not enable us to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement.

Our procedures on this engagement included:

- Evaluating the application of the AA1000 AccountAbility Principles of stakeholder inclusivity, materiality and responsiveness;
- Conducting interviews with senior management responsible for corporate responsibility at Stora Enso to gain an understanding of Stora Enso's targets for global responsibility as part of the business strategy and operations;
- Reviewing internal and external documentation and verifying to what extent these documents and data support the information included in the Global Responsibility Reporting and evaluating whether the information presented in the Global Responsibility Reporting is in line with our overall knowledge of global responsibility at Stora Enso;
- Conducting interviews with employees responsible

for the collection and reporting of the information included in the Global Responsibility Reporting and reviewing of the processes and systems for data gathering, including the aggregation of the data for the Global Responsibility Reporting;

- Performing analytical review procedures and testing data on a sample basis to assess the reasonability of the presented responsibility information;
- Performing site visits to selected sites in Guangxi, China and Maxau Mill in Germany to review compliance to reporting policies, to assess the reliability of the global responsibility data reporting process as well as to test the data collected for the Global Responsibility Reporting purposes on a sample basis;
- Assessing that the Responsibility Information has been prepared in accordance with the Sustainability Reporting Guidelines (G4 Comprehensive) of the Global Reporting Initiative.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Observations & Recommendations

Based on our limited assurance engagement, we provide the following recommendations in relation to the AccountAbility Principles AA1000APS (2008). The recommendations are to improve management and reporting of global responsibility in future and do not affect our conclusions:

- Inclusivity – Stora Enso has a stakeholder inclusiveness processes in place and promoting good stakeholder relations is a top priority for Stora Enso. Throughout its stakeholder engagement process Stora Enso has identified several relevant stakeholder groups, with whom the company is in regular contact. Additionally, Stora Enso offers

diverse channels for stakeholder feedback. We recommend that Stora Enso further develops the process of analyzing stakeholder concerns to ensure that all issues raised by different stakeholders are recognized.

- Materiality – Stora Enso has a process in place to identify and define the matters that are important and material for Stora Enso's stakeholders. Results of the stakeholder engagement are utilized in daily management and across the organization, on Group and on individual level, there is a wide understanding of the relevance of the Global Responsibility agenda. We recommend that Stora Enso further develops incorporation of the outputs of different engagement activities and relevant internal processes into the materiality determination process.
- Responsiveness – Stora Enso is committed to respond to stakeholder concerns, of which the Group-wide human rights assessment is a strong example. We encourage Stora Enso to continue to address the identified issues and proactively communicate on the progress achieved through the actions.
- Other recommendations: Stora Enso has increased transparency of its performance by including Global Responsibility as an integral part of the quarterly Interim Reviews and by extending its reporting on tax footprint. We recommend to further develop the reporting by determining and systematizing the information from the joint ventures included in the Global Responsibility Reporting.

Our independence and competences in providing assurance to Stora Enso

We complied with Deloitte's independence policies which address and, in certain cases, exceed the requirements of the International Federation of Accountants Code of Ethics for Professional Accountants in their role as independent auditors

and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality and from any involvement in the preparation of the report. We have maintained our independence and objectivity throughout the year and there were no events or prohibited services provided which could impair our independence and objectivity. This engagement was conducted by a multidisciplinary team including assurance and sustainability expertise with professional qualifications. Our team is experienced in providing sustainability reporting assurance.

Conclusion

On the basis of the procedures we have performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4 Comprehensive) of the Global Reporting Initiative and the AA1000 AccountAbility Principles or that the Global Responsibility Reporting is not reliable, in all material respects, with regard to the Reporting criteria.

Helsinki 16 February 2015
Deloitte & Touche Oy



Jukka Vattulainen
Authorized Public Accountant



Lasse Ingström
Authorized Public Accountant