



storaenso

Progress Book



About this report

The Stora Enso Annual Report 2014 consists of four reports: this Progress Book, which is printed and available in three languages (English, Finnish and Swedish); the Financial Report, which is also printed; the Global Responsibility Performance, prepared in accordance with Global Reporting Initiative (GRI) guidelines; and the Corporate Governance Report. All are available in PDF format at storaenso.com/annualreport.

We created the Progress Book to explain Stora Enso's strategy, how we create value and how our work is progressing.

Materiality

Stora Enso annually conducts a materiality analysis for topics related to our Global Responsibility. This helps us to define material topics to address in the development of our Group-level strategy, while also facilitating our Global Responsibility performance reporting. When defining material topics for the Progress Book, we also considered the questions frequently asked by our investors.

The Stora Enso Annual Report 2014 is made up of:



Progress Book



Financial Report



Global Responsibility Performance



Corporate Governance Report

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Our strategy is to transform into a renewable materials growth company.

Read about our progress.

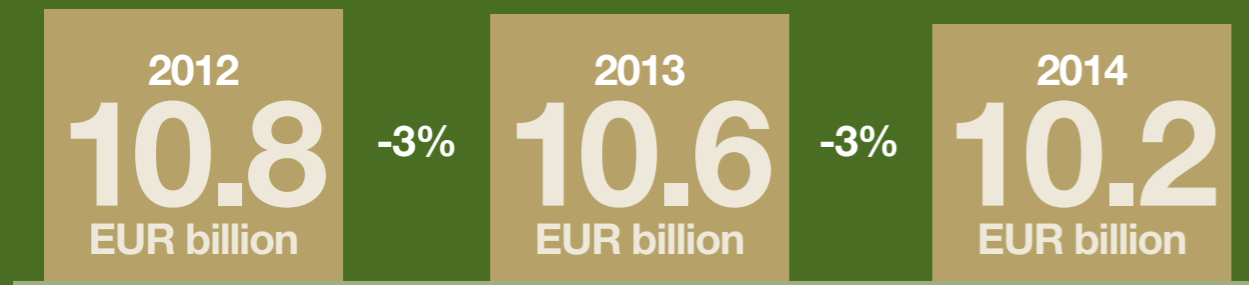
This is Stora Enso

Stora Enso is a leading provider of renewable solutions in packaging, biomaterials, wood and paper on global markets. Our aim is to replace non-renewable materials by innovating and developing new products and services based on wood and other renewable materials. Our focus is on fibre-based packaging, plantation-based pulp, innovations in biomaterials, and sustainable building solutions.

The Group has some 27 000 employees in more than 35 countries, and is publicly traded in Helsinki and Stockholm.

We use and develop our expertise in renewable materials to meet the needs of our customers and many of today's global raw material challenges. Our products provide a climate-friendly alternative to many products made from non-renewable materials, and have a smaller carbon footprint. Being responsible – doing good for the people and the planet – underpins our thinking and our approach to every aspect of doing business.

Sales



Operational EBIT



Consumer Board Stora Enso's Consumer Board division is a provider of boards for printing and packaging applications internationally. The wide board and barrier coating selection is suitable for packaging concepts and optimising packaging for liquid, food, pharmaceutical and luxury packaging. We operate five mills in Finland, Sweden and Spain. We serve brand owners globally and are expanding in growth markets such as China, India and Pakistan to meet rising demand.



Packaging Solutions Stora Enso's Packaging Solutions division develops fibre-based packaging and operates in every stage of the value chain from pulp production, material and packaging production to recycling. Our solutions serve leading converters, brand owners and retailer customers helping to optimise performance, reduce total cost and enhance sales. The container board mills are located in Finland and Poland, and the converting plants in ten countries in Europe and Asia.



Biomaterials Stora Enso's Biomaterials division develops new ways to maximise the value extractable from wood, as well as other kinds of lignocellulosic biomasses. Sugars and lignin have the potential for applications in the specialty chemical, construction, personal care and food industries. We also offer a variety of pulp grades to meet the demands of paper, board, tissue, textile and hygiene product producers. We have a global presence with operations in Brazil, Finland, Laos, Sweden, Uruguay and the United States.

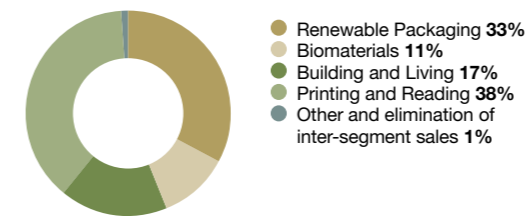


Wood Products Stora Enso's Wood Products division provides versatile wood-based solutions for building and housing. Our product range covers all areas of urban construction including massive wood elements and housing modules, wood components and pellets. We offer a variety of sawn timber goods. Our customers are mainly construction and joinery companies, merchandisers and retailers. Wood Products operates globally and has more than 20 production units in Europe.

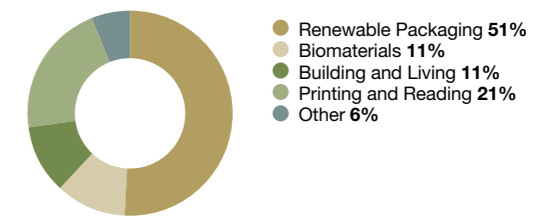


Paper Stora Enso's Paper division provides best in class paper solutions for print media and office use. The wide selection covers papers made from recycled and fresh wood fibre. Our main customer groups include publishers, retailers, printing houses, merchants, converters and office suppliers. Our mills are located predominantly in Europe, as well as in Brazil and China. Three of the 16 mills produce paper based on 100%-recycled fibre.

SALES IN 2014



OPERATIONAL EBIT IN 2014



DIVISION CHANGES

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.

Name until 31 Dec 2014

Name until 31 Dec 2014	New name from 1 Jan 2015
Renewable Packaging	Consumer Board Packaging Solutions
Biomaterials	Biomaterials
Building and Living	Wood Products
Printing and Reading	Paper

This is Stora Enso

- Number of employees. Employees of joint ventures in Asia are not included.
- Countries where Stora Enso has production facilities.

USA

In June 2014, Stora Enso acquired the US-based biotechnology company Virdia. Following the acquisition, a demonstration and market development plant will be built in Raceland, Louisiana.

Biomaterials



Brazil

Latin America has become important in Stora Enso's strategy of low-cost pulp from tree plantations. In Brazil, we own Veracel Celulose pulp mill as part of a joint operation, as well as a magazine paper mill. We also own land, around half of which is planted with eucalyptus.

We run tree-farming programmes and schemes designed to promote local livelihoods. In the areas around our plantations we protect local biodiversity by restoring natural Atlantic rainforest habitats.

We engage with landless people's social movements in Brazil to find common ground on land use issues.

Biomaterials, Paper



Uruguay

The Montes del Plata pulp mill, a joint operation between Stora Enso and Arauco, started up in June 2014. It is one of the largest investments in the country's history. We own large areas of land in Uruguay, and our tree plantations are also utilised as pastures by local farmers through land rental schemes.

Biomaterials



Europe

Stora Enso's headquarters is situated in Helsinki, Finland. Most of Stora Enso's sales and operations take place in Europe, where we are a leading producer of board, pulp and paper. In mitigating their environmental impacts we focus in particular on enhancing our material efficiency, minimising emissions of carbon dioxide (CO₂) and using water responsibly.

We source most of our main raw material, wood, in Northern Europe from private forest owners, Bergvik Skog and Tornator. We promote forest certification and sustainable forestry. We also actively promote and participate in recycling schemes, especially in densely populated parts of Europe.

Consumer Board, Packaging Solutions, Biomaterials, Wood Products, Paper

- Finland 6 300
- Sweden 4 800
- Germany 2 100
- Poland 1 900
- Other European countries 3 900

China

The demand for Stora Enso's products, especially consumer board, is growing fast in China. In addition to our two paper mills, Stora Enso owns production and distribution units in China through the packaging company Inpac International. Through a major investment project we are currently building a consumer board mill in Guangxi, where our operations also include eucalyptus plantations.

We respect local people's land use rights and strive to improve the working and living conditions of the workers. We also promote sustainable forest management and forest certification.

Consumer Board, Packaging Solutions, Paper



Russia

Our operations in Russia include wood sourcing, three packaging mills and two sawmills. With regard to responsibility, we particularly focus on promoting forest certification and occupational health and safety.

Wood Products, Packaging Solutions



Other Asia

India

Stora Enso Inpac runs a consumer packaging mill in Chennai. It produces boxes for electronics, garments, footwear, pharmaceuticals, and other consumer goods. Our responsibility priorities at the mill include occupational health and safety, ethical business practices, human and labour rights and supply chain management.

Packaging Solutions



Pakistan

Stora Enso has 35% in a joint venture in Pakistan. Buleh Shah Packaging produces corrugated packaging, consumer board, containerboard and paper for the textile, dairy, snack foods and electronics industries in Pakistan. With regard to responsibility we focus on human and labour rights, for example by auditing and educating suppliers, as well as community engagement. Buleh Shah is investing in a biomass plant to enable the company to become self-sufficient in electricity.

Consumer Board

Laos

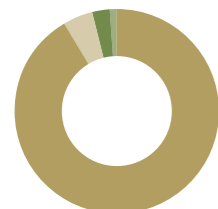
Stora Enso has a trial plantation in Laos that combines tree-growing with food production. Our focus on responsibility includes community engagement and helping local villagers by creating safe farming land.

Biomaterials



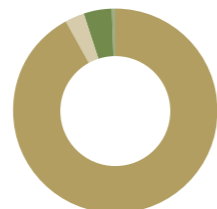
This is Stora Enso

PERSONNEL EXPENSES BY REGION



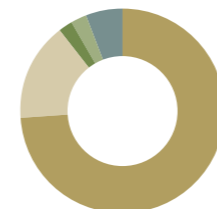
- Europe 91.4%
- Asia 4.8%
- South America 2.8%
- North America 1.0%

SALES BY ORIGIN



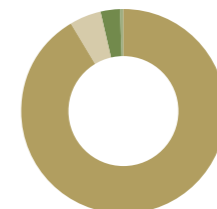
- Europe 92.0%
- Asia 3.0%
- South America 4.6%
- North America 0.4%

SALES BY DESTINATION



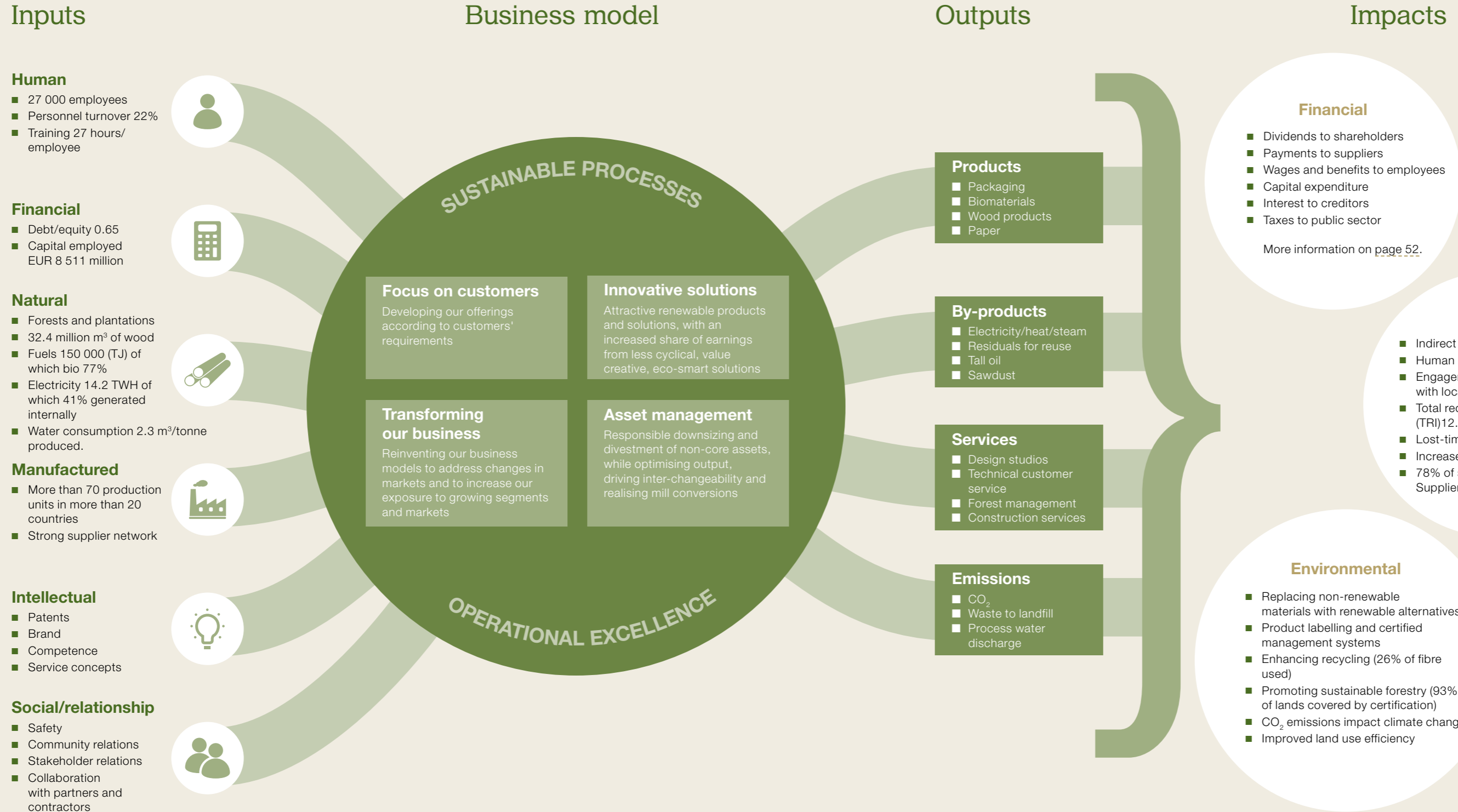
- Europe 74.0%
- Asia 15.5%
- South America 2.4%
- North America 2.3%
- Other 5.8%

PURCHASES BY REGION



- Europe 91.4%
- Asia 5.0%
- South America 3.2%
- North America 0.4%

How we create value



Our progress will be measured in the value we bring to our customers



Karl-Henrik Sundström started as the CEO of Stora Enso in August 2014.

2014 was an exciting, but challenging year for Stora Enso. We continued on our path of transformation from a traditional paper and board producer to a renewable materials growth company focusing on innovation and customers. The industry as a whole is going through major structural changes. To be competitive, our transformation is essential and our progress will be measured in the value we will bring to our customers.

As a proof of our transformation, in 2014, over 60% of our sales came from growth businesses such as packaging, biomaterials and products for wood construction. Improved operational EBIT reflected our increased focus on operational excellence, cost management and the changes in the business mix. Return on capital employed (ROCE) increased to 9.5%, cash flow from operations was EUR 1 139 million and capital expenditure amounted to EUR 781 million.

Renewable materials

Thanks to the forest, a unique renewable raw material, our industry is essential in the global shift towards more sustainable economies. Our customers look for smart fibre-based solutions to improve productivity and to meet requirements from diverse end users.

Our heritage and knowledge in forestry gives us a strong platform to build on for future competitiveness. I dare to say that Stora Enso is a leader in many areas, for instance when it comes to products for wooden housing construction. They are climate smart and produced in a fast and flexible way. Architects and construction companies around the world are starting to realise this. Two of several examples are the new districts in Helsinki and London which are currently being built out of our wood.

Innovation capacity

In line with our strategy to innovate and develop new products and solutions that substitute non-renewable materials, such as fossil-based, with renewable materials, we have invested in the biotechnology company Virdia. This will enable us to develop products based on xylose as well as provide long-term business potential in the area

CEO's overview

of intellectual property. Stora Enso has also invested in a demonstration and market development plant in the USA, for the extraction and separation of highly pure sugars from biomass. In the Nordics, we have invested in lignin extraction facilities at Sunila Mill in Finland.

Among other developments, new board grades containing MFC (Microfibrillated Cellulose) are reaching the stage of packaging market entry. MFC is made from cellulose fibres that are separated into micro-fibrils, and by using this in board applications results in improved properties such as increased strength and reduced weight. We foresee many possible applications in packaging as well as in biomaterials for personal and home care, coatings and adhesives, food and pharmaceutical industries.

To further promote innovation and capture the most feasible and sustainable ideas, we introduced internal Innovation Boards in 2014. We also decided to open a new Innovation Centre in Stockholm, to support the identification of new business opportunities and develop new innovative products and solutions in the area of biomaterials.

It's all about winning

The backbone of our transformation is that we continue to invest in our people. Our ambition is to create a culture where the aim is to win, not just survive; where employees are confident in decisions made and directions taken; and where diversity, respect, openness and knowledge-sharing are celebrated. We strengthened the Group Leadership Team during the year, and increased the number of divisions from three to five, giving them new names. The new structure is flatter and faster, a step towards strengthening Stora Enso's focus on customers, business performance and profitable growth.

Safety in the workplace is a top priority, and we continued to implement our Health and Safety Policy. In 2014, we registered 5.2 lost time accidents (LTAs) per one million working hours. A fatal accident is a major failure and tragedy, and in 2014 we had two onsite fatal accidents.

Competitive assets

The state-of-the-art Montes del Plata Pulp Mill in Uruguay was inaugurated in 2014, and we have been ramping up pulp production capacity during the year. It is an essential part of our strategy to focus on markets segments with high growth.

The decision to invest and implement the conversion of the Varkaus fine paper mill in Finland to produce virgin-fibre based containerboard will create growth in Packaging Solutions by extending the product portfolio and at the same time will contribute to the optimisation of office paper production at the Veitsiluoto and Nymölla mills.

As part of our transformation, we also divested assets during the year. We signed an agreement to divest the Uetersen specialty and coated fine paper mill in Germany, reducing our paper production capacity by around 240 000 tonnes. We also divested the core and coreboard manufacturer Corenso during 2014, and shut down paper machine (PM) 1 at Veitsiluoto Mill in Finland. The Veitsiluoto PM 1 had an annual capacity of 190 000 tonnes of coated magazine paper, and the permanent shutdown affected 88 employees. Since October 2012, Stora Enso has been actively searching for a new owner for Corbehem Mill in France. Despite significant efforts, this search has proved unsuccessful. Under a social plan, Stora Enso offers support to Corbehem Mill employees to alleviate the consequences of the redundancies related to the closure of the mill.

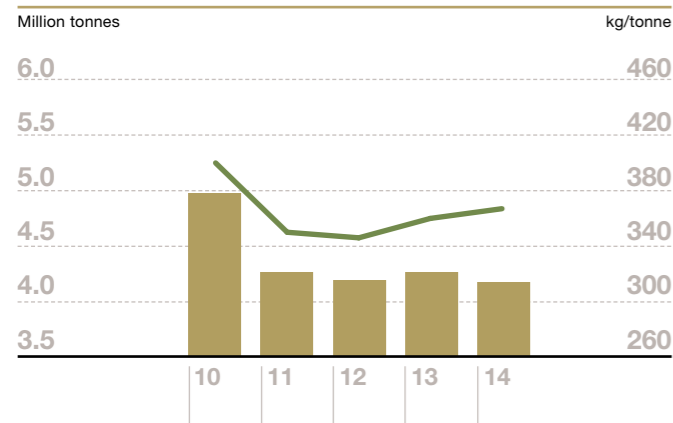
At the Imatra Mill in Finland, actions are underway to increase capacity of consumer board production. This investment will improve quality and increase cost competitiveness. At Skoghall Mill in Sweden, the rebuilding of a fibre line in the sulphate pulp mill and its chemical recovery operations were completed in autumn. The mill's pulp production capacity increased by 45 000 tonnes year on year. The investment equipped Skoghall Mill with new potential for increasing operational efficiency to enhance our competitiveness in the packaging market.

During 2014, Stora Enso decided to increase its shareholding in Bergvik Skog from 43.26% to 49%, as Bergvik Skog's forests are considered a strategic asset. The investment is in line with our ambition to invest in local assets to allow for efficient production and logistics. In August there was a severe forest fire which destroyed nearly 14 000 hectares of forest, of which 1 700 hectares were owned by Bergvik Skog. This was a very tragic event that affected individuals, forest owners and other companies.

We shall continue with the development of the consumer board mill in Beihai, Guangxi region, China, a step taken to follow our customers in global markets. The tree plantations of our unique Beihai project are certified according to both the FSC®-certified¹ (Forest Stewardship Council) and the CFCC, China Forest Certification Council. The Beihai project involves investments in large plantations to secure in-house fibre supply. Our ambition is to establish tree plantations only on lands with low biodiversity value. At present, 93% of all land owned and managed by Stora Enso is certified.

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

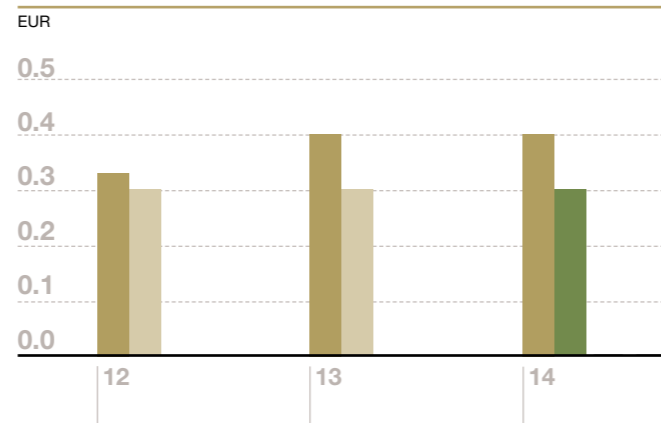
CO₂ PERFORMANCE¹



● Million tonnes — kg/tonne

¹ Covering direct and indirect (purchased electricity and heat) fossil CO₂ emissions from pulp, paper and board production facilities. Normalised figures are reported per unit sales production. Some of the figures have been recalculated from previous years due to changes in baseline and reporting errors.

EARNINGS AND DISTRIBUTION PER SHARE



● Earnings per share excluding non-recurring items
● Dividend per share
● Board's proposal for dividend

EUR
0.30

The Board of Directors dividend proposal for the year 2014.

62%

of our total sales came from growth businesses in 2014.

13.1%

ROCE excluding our transformational investment projects in 2014.

100%

of human rights assessments completed by the end of 2014.

Global responsibility and human rights

As part of our growth strategy, we have entered new markets with new challenges that we were not fully prepared for. Child labour was identified in the supply chain of our 35% owned joint venture in Pakistan. We have terminated these supplier relationships and taken measures to improve the situation, such as funding a school and other community work. However, child labour persists in Pakistan, especially in the agricultural sector, and we are aware of the challenge. We strive to increase transparency and have developed a number of Key Performance Indicators that we shall report quarterly. We are taking steps in the right direction, but this process will take time to secure sustainable results and rebuild trust.

In 2014, Stora Enso performed and completed a series of comprehensive human rights assessments covering all of our production, wood supply and forestry operations, including their supply chains and impact on neighbouring communities. Based on the results, we will develop an action plan in 2015. We have also started a co-operation with Save the Children, which will, among other things, evaluate potential child rights violations in the Stora Enso Chennai Mill's supply networks.

Human rights related issues have a material impact on Stora Enso's licence to operate and its reputation. But there is more to it than that. We are committed to the UN Global Compact's 10 principles and to the UN Guiding Principles on Business and Human Rights, and we need to live by these principles.

A new Supplier Code of Conduct (CoC) was implemented during the year and, by the end of 2014, 78% of the Group's spending on materials and services was covered by the new code. We have clearly defined focus areas and a Global Responsibility Strategy, which are integrated into our business goals. Our ambition is to ensure responsible sourcing and to find solutions that support safe processes and improve energy, material and water efficiency across our value chain. Over the years, responsibility has grown in importance because consumers and other stakeholders care not only about what we do but increasingly about how we do it. Rightly managed, responsibility will become a bigger competitive advantage.

I'm pleased to add that in 2014 Stora Enso was recognised as a leading company in terms of the disclosure of data related to climate change to investors and other stakeholders. Released by the international non-governmental organisation CDP, the CDP Nordic 2014 Report gave Stora Enso the highest possible score in the Nordic Climate Disclosure Leadership Index.

Stora Enso has committed people, good assets and dedicated resources. We will continue to deliver and develop products and solutions that are produced through responsible processes and sourcing, and efficient land use. The ambition is to achieve the best results in all areas while limiting the environmental footprint, and ultimately to create superior customer experiences.

For me personally, 2014 has been an extraordinary year, in which I took on the responsibilities of CEO. I want to take this opportunity to thank Jouko Karvinen, my predecessor, for his valuable contribution to the company during his seven years as CEO. We share a steadfast optimism on the road of transformation.

Karl-Henrik Sundström

Megatrends shape our future

Big, global trends are shaping the world and the way people consume, and sustainable forestry-based business is needed more than ever before.

Population growth, urbanisation and increased disposable income

By 2025, the global population is expected to increase to eight billion, and 70% of these people are forecast to live in cities. This would increase the need for housing with construction materials that are easy and quick to assemble. Densely populated areas would increase the demand for renewable solutions to recycle and cut waste.

Increased purchasing power, especially in Asia, will increase the demand for packed food as well as safe and recyclable packaging. Smaller households and a growing “on the go” lifestyle would drive the demand for smaller packaged and prepared meals.

Climate change and resource scarcity

The impact of climate change, along with population growth and changing consumption patterns, puts increasing pressure on natural resources. The world needs to produce more food, fibre, fodder and fuel, and at the same time, protect fragile ecosystems. Changes in water, energy and fuel pricing and availability may lead to significant changes that would impact various geographical areas differently.

Stora Enso products are based on renewable materials with a relatively low carbon footprint. Good examples include our packaging and wood-based construction solutions, which help our customers and society at large to reduce CO₂ emissions by providing an attractive alternative to solutions based on fossil fuels or non-renewable materials.

Digital revolution

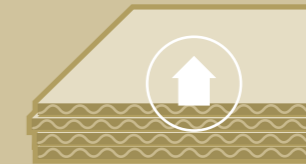
The increased use of digital media negatively affects the demand for newsprint and magazine papers, but on the other hand the use of digital printing opens up potential for new cost-efficient print processes and on-demand production. Although the demand for paper is declining, many printed products can effectively compete with digital formats and even bring greater success when combined with other types of media.

The fast-growing online retail business increases demand for intelligent and safe packaging solutions, which includes traceability and product monitoring. The ‘protecting’ function of the packaging will receive greater focus, as will the lightness of the material.

Demand drivers for our products



CONSUMER BOARD
Driver: Disposable income
Demand: Up



CORRUGATED BOARD
Driver: Growing population
Demand: Up



HARDWOOD PULP
Driver: Tissue and packaging demand
Demand: Up



SOFTWOOD PULP
Driver: Tissue and packaging demand
Demand: Up



FLUFF PULP
Driver: Hygiene and absorbent products
Demand: Up



DISSOLVING PULP
Driver: Textile (cotton replacement)
Demand: Up



WOOD PRODUCTS
Driver: Housing starts
Demand: Up



PAPER
Driver: Digitalisation and advertising expenditure
Demand: Down

Transforming our business

The forest is our roots. It is sustainable and renewable, and provides considerable value to our customers and their end customers.

Stora Enso is transforming from a traditional paper and board producer to a customer-focused renewable materials growth company. Our focus is on packaging solutions, consumer board, biomaterials and wood construction. While the paper business is declining, it also contributes to the other businesses based on long term customer relationships, R&D investments, production processes and raw material expertise.

Fibre-based packaging, plantation-based pulp, innovation in biomaterials and sustainable building solutions are key building blocks. Fibre-based packaging, including high quality paperboards and recyclable products, offers stable long-term growth in most segments and has great innovation potential. Plantation-based pulp allows us to secure low-cost fibre for production. In biomaterials, we are developing environmentally-friendly products and solutions which can replace non-renewable materials, as well as innovative products for new markets. Our high quality building solutions meet growing population and urbanisation trends as well as bring environmental benefits.

Growth in renewable businesses

62% of our sales in 2014 come from our growth businesses in packaging, biomaterials and products for wood construction. Once our investments in Varkaus Mill machine conversion in Finland, Montes del Plata pulp mill in Uruguay and the new packaging board mill in Guangxi, China are fully operational, our position will strengthen further.

Since 2006, the share of paper sales has reduced dramatically. The market has gone through large structural changes, and we have responded by divesting the North American paper operations and our paper merchant operations as well as divesting, closing down and converting paper machines. We believe that the structural downturn in the demand of paper, which is not dependent on economic trends, will one day end and that there will always be need for paper.

Progress: Reaching key financial targets

	2012	2013	2014	Target
Operational ROCE	6.9%	6.5%	9.5%	>13%
Debt/Equity ratio	0.58	0.61	0.65	≤ 0.8
Payout ratio excluding NRI	91%	75%	75%	50%

Innovation aligned to the market

Key to our strategy for transformation, new innovation approaches will enable us to respond to market trends and customer requirements with new and better solutions in renewable materials.

Today, only about 50% of the material in a tree log – namely cellulose – is utilised. The balance is used for energy. In 2014, Stora Enso acquired Virdia in the US, which has developed a technology to separate and extract the different components of any biomass. We intend to develop commercially viable products from these components, the best example being xylose, a low intensity sugar with multiple applications in the oral care and food industries primarily. We have also recently invested in lignin extraction facilities at Sunila Mill in Finland, which will open the frontier for biochemicals.

Our ambition is to offer a competitive alternative to products based on fossil fuels and other non-renewable materials.

With increasing climate awareness, the demand for alternatives to plastic or aluminium packaging will drive innovation in packaging solutions. Additionally, we are working to make paper and board products lighter without compromising on product quality, in order to save on materials and energy in production and transportation. From a design and functionality viewpoint, new packaging solutions that can serve both as transportation and sales packages can help to reduce costs and environmental impacts.

Stora Enso is investing in new technologies and processes, such as Micro Fibrillated Cellulose (MFC) which has many possible applications in packaging as well as in biomaterials for personal and home care, coatings and adhesives, food and pharmaceutical industries. MFC is made from cellulose fibres that are separated into micro fibrils and by using this in board applications results in improved properties such as increased strength and reduced weight.

Our wood-based solutions and products, manufactured on a large industrial scale, can help our customers in the construction industry, and society in general, to reduce CO₂ emissions.

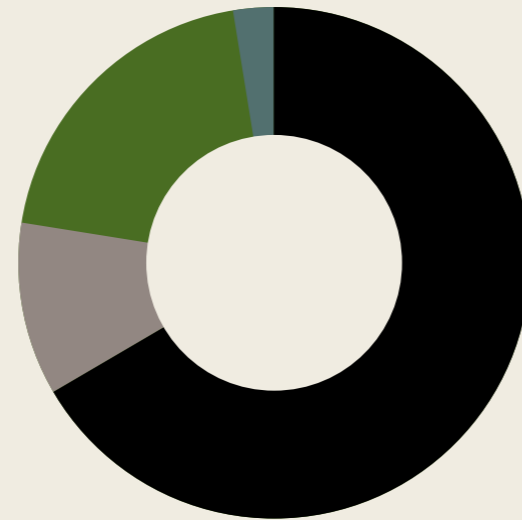
Wood is good

In residential and commercial buildings, the use of cross-laminated timber (CLT) provides a positive CO₂ balance as well as excellent structural properties. Also, building time can be shortened by up to 50–70%, compared to building with traditional concrete elements, for instance, with Stora Enso's modular construction concept.

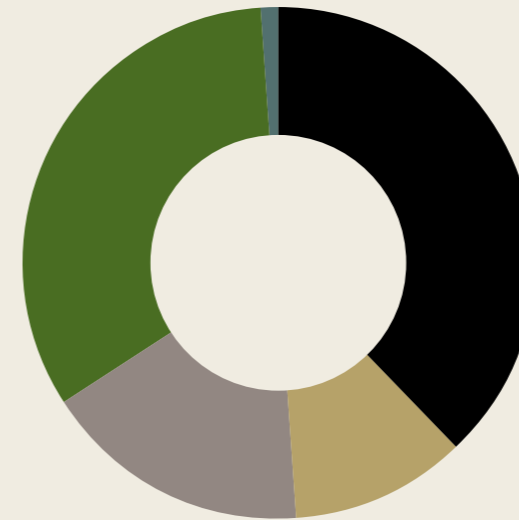
Progress: The transformation continues



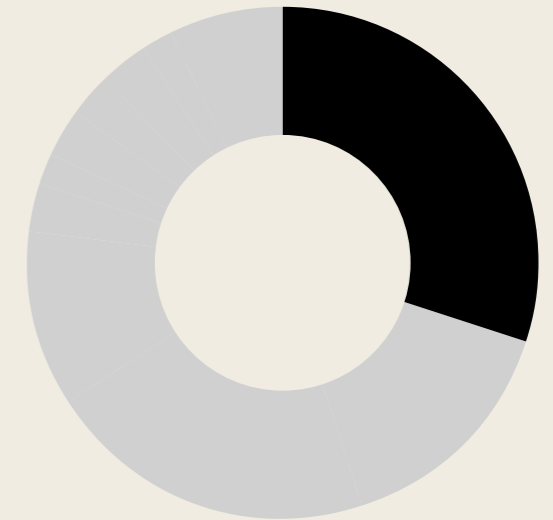
2006 sales



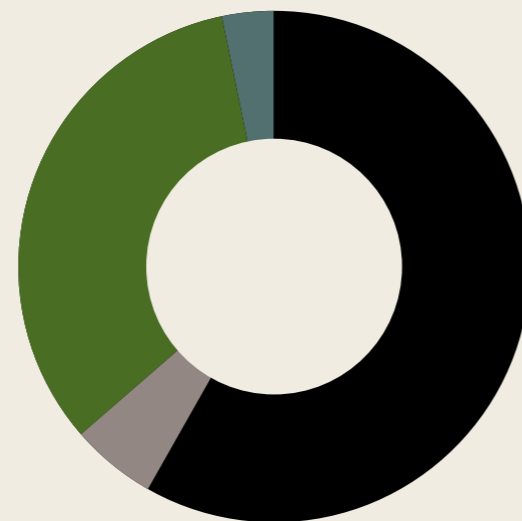
2014 sales



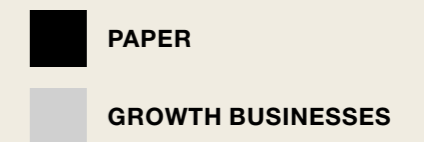
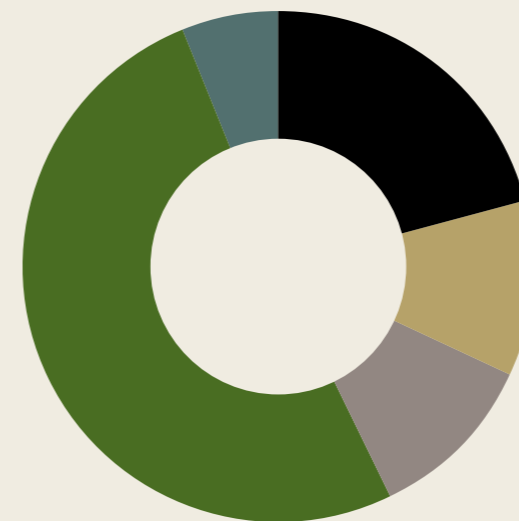
Portfolio vision



2006
Operational EBIT



2014
Operational EBIT



Sustainability as a competitive advantage

Consumers care not only about what products are made of, but how they are made. Stora Enso strives to enhance the sustainability performance in every solution, working to ensure intelligent solutions that incorporate safe processes and improve energy, material and water efficiency across the value chain.

Our responsibility demands that we constantly improve our risk management to be proactive and ensure responsible sourcing, e.g. through our supplier code of conduct, audits and traceability of wood. We must be responsive and prove the value of our operations to the communities where we are present. We will continue to respect and invest in human rights protection and community development to safeguard our business and retain good will.

Global Responsibility

An integral part of our strategic business goals, our Global Responsibility strategy and our Ethics and Compliance strategy direct us in our daily work to enhance the sustainability of our operations and to create shared value with our stakeholders.

Our Global Responsibility strategy defines three Lead Areas in which Stora Enso is specifically working to enhance operational sustainability and take leadership.

Identified key topics and performance indicators for each of our Global Responsibility Lead Areas

Lead Areas	Key topics	KPIs
People and Ethics	<ul style="list-style-type: none"> • Health and safety • Business ethics • Human capital development and equal opportunities • Human rights in business • Labour practices and decent work • Transparency 	<ul style="list-style-type: none"> • Total Recordable Incident Rate (TRI) • Lost-time accident rate (LTA) • Implementation of Human Rights Approach • Employee perception of adherence to Code of Conduct • Leadership index • Supplier spend covered by Supplier Code of Conduct
Forests and Land Use	<ul style="list-style-type: none"> • Responsible forest and plantation management • Biodiversity management and protection 	<ul style="list-style-type: none"> • Efficiency of land use in certified tree plantations • % of lands owned or managed by the company covered by forest certification
Environment and Efficiency	<ul style="list-style-type: none"> • Material efficiency • Energy and climate actions • Water management 	<ul style="list-style-type: none"> • CO₂ emissions • Material efficiency index • Process water discharges

Read more about our Global Responsibility targets in the [Global Responsibility Performance 2014](#).

Our Purpose and Values

Our Purpose – **Do good for the people and the planet** – is why we do all this; why we set a strategy and then execute it, and how we want to change the world, the communities and lives of all people who come into contact with us, be it through our products, our operations or our supply chain.

Our Values – **Lead and Do what’s right** – are the lights that guide our journey, anywhere we operate. Our values must always be aligned with local laws and regulations, but also take us beyond local practices to bring the people and communities forward.

According to our annual employee survey in 2014, 79% of our employees feel they can identify with our Purpose and about 70% agree that our Values guide them in their daily work.

Best in class people, partners and processes

Through human resource initiatives, communications and the promotion of thought diversity, we continue to invest in our skilled people and inspiring leadership. Change is supported with open-mindedness and dialogue, across our geographic locations, business divisions and units.

Creating value and innovation in our own business depends heavily on our suppliers. Thus we want to build and enhance relationships with suppliers – partners – that are forerunners in sustainability, cost and quality leadership as well as committed, proactive and innovative in their thinking and ways of working. We are additionally pushing adoption and assurance of sustainability and compliance with our suppliers. This encompasses supplier spend covered by our new Supplier Code of Conduct.

We are working to further develop and align operational methods and processes. Managing and improving processes and performance will enable greater innovation capacity, responsibility and improved customer focus.

Going forward

We know that success is not defined just by what we have done, but what we will do. We have challenges ahead of us – how to handle the decline in paper demand in a responsible way, how to ensure value creation in growth segments, how to use innovation to support differentiation and how to make a real difference for our customers.

Tackling these challenges is all part of the transformation.

Strategy in action

Stora Enso's recent investment decisions show how we are transforming from a traditional paper and board producer to a renewable materials company.

Montes del Plata

Pulp mill in Uruguay started operation in June 2014

Stora Enso's joint-operation pulp mill produces a differentiated pulp for tissue and specialty papers. It is a significant step in completing our strategy to focus on higher growth market segments. The total investment was EUR 1 721 million, of which Stora Enso's share was 50%, and Stora Enso's share of its output is 650 000 million tonnes of eucalyptus pulp annually.

Investments in biotechnology

Growing in bio-based chemicals, ingredients and solutions

In 2014, Stora Enso acquired US-based company Virdia, a leading developer of extraction and separation technologies for the conversion of biomass into highly refined sugars and lignin. The acquisition supports Stora Enso's vision of becoming a significant player in biochemicals and biomaterials. The technology enables the development and commercialisation of cost-effective renewable solutions for the specialty chemicals, construction, coatings, personal care and food industries, among others. Stora Enso is also investing in a demonstration and market development plant to be built in Louisiana, USA. The plant will be used for industrial validation of the extraction and separation technology developed by Virdia.

Stora Enso will concentrate its new biomaterials business development in an Innovation Centre in the Stockholm area in Sweden.

Guangxi Integrated Project and Operations

Phase one: board machine operational by mid-2016, expected to meet Stora Enso's ROCE target of 13%.

Once complete, the Guangxi board mill will generate 450 000 tonnes of liquid packaging and other consumer board for the growing Chinese markets. The capital expenditure for the first phase of the project is estimated to be approximately EUR 760 million. Construction of the pulp mill is planned to start after the board machine has been completed.

This investment will enable us to provide cost-competitive, locally produced hygienic and high-quality liquid packaging boards for our global customers, which are already established in China.

Strategy in action

Sunila

Replacing fossil raw materials with renewable alternatives

In late 2014, the biorefinery at Sunila Mill in Finland started trial runs for extracting lignin from black liquor. It will enable global specialty chemical and high-tech material customers to replace fossil raw materials with renewable alternatives. The first applications will be in building and construction, where lignin offers sustainable alternatives for phenols in plywood glues and polyols used in foam. Other applications are also under development to create sustainable alternatives to fossil-based products.



Varkaus Mill machine conversion

Machine operational by late 2015

The Varkaus Mill fine paper machine in Finland will be converted to produce virgin-fibre-based containerboard, which is a key growth market for Stora Enso. The current 280 000 tonnes per year uncoated fine paper machine is planned to cease production by the end of August 2015. Following the conversion into a linerboard machine, Varkaus Mill's capacity will be about 390 000 tonnes per year of kraftliner and 310 000 tonnes of brown unbleached kraft pulp. Most of the board production is planned to be sold externally.

Sale of non-core assets

Stora Enso sold its shareholding in the US-based processed kaolin clay producer Thiele Kaolin.

Coreboard and core manufacturer Corenso was divested to the Finnish packaging materials company Powerflute Oyj, allowing Stora Enso to focus on select packaging segments in Packaging Solutions and Consumer Board and further develop and invest in these businesses.

Stora Enso is to divest its Uetersen specialty and coated fine paper mill in Germany to a company mainly owned by the private equity fund Perusa Partners Fund 2.

Divisions



Solutions, products and services

- Liquid packaging board
- Food service board
- General packaging board
- Cigarette board
- Graphical board

Consumer Board and Packaging Solutions were formerly known as Renewable Packaging.

Consumer Board

Stora Enso's Consumer Board division is a world-leading provider of virgin-fibre-based board solutions for printing and packaging. Its wide board and barrier coating selection is suitable for packaging concepts and optimising packaging for liquid, food, pharmaceutical and luxury products. The division operates five mills in Finland, Sweden and Spain, and serves converters and brand owners globally. Consumer board is expanding its business in growth markets such as China and Pakistan to meet the rising demand for high-quality functional and safe packaging.

Disposable income levels are rising in emerging economies, boosting business in all categories of consumer products. Tighter competition in retail is prompting brand owners to focus on brand differentiation and innovative point-of-sale solutions. Furthermore, food safety and sustainability are growing concerns for consumers in Asia and developing markets. Today, 1.3 billion tonnes of food goes to waste every year worldwide along with more than 30 million tonnes of plastic waste generated yearly, of which barely 10% is recovered for recycling. In addition, more mobile lifestyles make prepared and small packaged meals more common, increasing the demand for functional and safe packaging.

In addition to the abovementioned factors, on a global level, government policies are increasingly supportive of the drive to reduce waste, spurring growth in recyclable, reusable and renewable-based packaging. These trends support Consumer Board's objective to contribute towards sustainability values and to grow in a market that continues to be dominated by non-renewable materials such as plastic, glass and metals.

A top-of-the-line range of board products

Consumer Board is aiming to become a global benchmark and best-in-class leader by focusing on high-impact outcomes and shifting towards renewable materials and sustainable solutions with a consumer and customer focus. It is working towards a responsible and profitable growth objective, with the clear goal of producing renewable virgin-fibre boards for the specific needs of retailers and brand owners on a global scale. The main target is to have a premium market position in high-quality end-use segments.

The division operates through five end-use-based business segments: Liquid Packaging Board manufactures fresh and ambient types of liquid packaging, which make up half of the business of Consumer Board; Food Service Board offers high-quality board mainly for paper cups and formed trays, and General Packaging Board provides a wide variety of boards from food to luxury packages; Cigarette Board focuses on cigarette packaging; and Graphical Board provides for various graphical end uses such as cards and book covers.

The virgin-fibre-based consumer board market was estimated to be worth nearly 22 million tonnes in 2014, and demand is estimated to grow by close to 4.2 million tonnes by 2020. The most significant growth is taking place in China and Asia Pacific. Folding

boards currently holds a 16% share in the total consumer packaging market compared with flexible packaging (22%) and rigid plastic (22%), putting it in a good position to increase the share of renewable materials.

Consumer Board has a steady foundation in European markets, but is also strengthening its operations in Asia by establishing a consumer board mill in Guangxi, China from mid-2016. Being locally present in key market areas allows for the integration of sourcing with production, customers and consumers which as a result lowers the overall environmental impact of operations.

Consumer Boards' competitive advantages include strong customer focus, performance, sustainability and innovation together with high-quality board, service level and a worldwide distribution network. The main competitors for Consumer Board in Europe are BillerudKorsnäs, Metsä Board and Iggesund, and outside Europe Klabin, Evergreen, Weyerhaeuser, Georgia-Pacific and International Paper.

Building customer loyalty through design and process expertise

Profitable growth in Consumer Board is supported by long-term relationships and contracts with customers, suppliers, converters and brand owners. With a broad portfolio of high-quality, recyclable, premium carton boards the division can serve as a one-stop shop for customers on a global and local level in all continents.

Consumer Board aims to maintain customer loyalty through its excellent skills in product

Progress: Consumer Board

Achievements in 2014

- Announcement of the EUR 27 million investment in quality and cost-competitiveness of Imatra Mills in Finland in order to enhance the quality and cost-competitiveness in the global markets, increase capacity and support the transformation into a truly customer-focused renewable materials company.
- All the permits needed for the construction site in Guangxi were received, and piling work began in the Tieshangang Industrial Zone in Beihai in November.
- Finalisation of crude tall oil-based Bio-PE concept development.

Targets and focus in 2015

- Continuous improvement in safety with the ultimate aim of zero accidents.
- Making the new Division organisation fully operational.
- Focusing on sales growth by increasing the customer base and business areas, especially in general packaging.
- Moving towards world-class sales operations by bringing together customers and creating a market-driven innovative environment that facilitates customer- and partner-focused development products.
- Implementing world-class business processes through Consumer Board by improving delivery reliability and increasing the efficiency of mill integrates.
- Improving cost competitiveness.
- Systematic focus on new innovation flagship projects and new business development.
- Rethinking strategies for product management and mill development to improve performance as a provider.
- Establishing the integration of the Guangxi project.
- Utilising wheat straw in Bulleh Shah Packaging as fuel for energy generation in the mill's biomass boiler, due to start operations by mid-2015.
- Reaching the stage of commercialisations of MFC.

and process design. Its solutions support all current and future performance attributes for packaging, including functionality and cost, as well as look and feel. In addition, they combine cost efficiency with features that facilitate high-quality printing and enable the board to run smoothly through customers' machines.

Another of Consumer Board's distinct advantages is its ability to meet the increasing demand for eco-efficiency, transparency and responsibility. The division's customer insight also gives it the capability to cope with demand fluctuations, fast alterations in packaging and changing consumer trends.

Innovation and R&D for profitable growth

Stora Enso started developing an Accelerated Innovation Model (AIM) in autumn 2014, when Consumer Board was still part of the Renewable Packaging division. Its objective is to promote a market-driven approach, cross-functional ways of working and the involvement of customers and stakeholders in innovation projects.

The launch of AIM on 20 October 2014 created a new structure with activities in New Business Development, R&D, Design Innovation and Innovation Management. New Business Development will focus on incubation, new business model creation, improvement of consumer insight and capturing opportunities through partnerships and collaboration.

The new AIM model is also designed to support collaboration between Consumer Board and Packaging Solutions. A key development project between the two divisions is the creation of an Innovation Centre to bring together all relevant stakeholders, such as customers, partners and collaborators. Its aim is to create a market-driven innovation environment that facilitates customer and partner-focused development projects and internal collaboration within Stora Enso.

The main R&D investments in Consumer Board are allocated to patents and technologies such as barrier technologies, which enhance the characteristics of the division's existing products and create platforms for new products. These optimised and functional solutions preserve the packaged contents, but also increase resource efficiency and help

Renewable coating options in food packaging

All food packaging usually includes a thin layer of plastic coating to protect the packaging from humidity and grease. These layers of coating are most commonly made of polyethylene or polymers – refined plastics which are not based on renewable materials, and that are non-compostable.

Stora Enso Consumer Board offers bio-polyethylene and biopolymer solutions to provide a renewable alternative to oil-based plastics in food packaging. Bio-polyethylene (Bio-PE) is made in Brazil from sugar cane-extracted ethanol. It is completely identical to oil-based polyethylene in performance and behaviour.

The other choice of Stora Enso biopolymers, is made mostly from renewable materials and is completely compostable. This is an advantage, for example, at large events, where compostable packaging facilitates recycling.

Food packaging brands benefit from having a renewable option in their product portfolio to respond to market demand for environmentally sound products. Although renewable plastics are not yet able to compete in price with oil-based products, both bio-polyethylene and biopolymers provide alternatives to non-renewable materials and have business potential in a limited but stable market.



to mitigate climate change in the long run.

The division evaluates and develops materials and solutions constantly, so that new substitutes for non-fibre-based products can be provided to satisfy market demand such as improved material efficiency and reduced logistics costs. New technologies, such as MFC (Microfibrillated Cellulose) enable the development of lightweight, durable packaging products. Stora Enso has been running a semi-commercial MFC pulp pilot plant - the largest in our industry - at the Imatra Mills since late 2011. That work has now reached a point where it is economically feasible to scale up the production.

Transformation into a truly global virgin-fibre business by 2025

Europe still makes up the majority of the business for Consumer Board with well-managed, modern and efficient mills. Nonetheless, the division is dealing with a saturated market in Europe, where the amount of packaged products being sold is not growing significantly.

Overcapacity in the European carton sector is a realistic risk as many competitors are also increasing their production capacity, converting paper mills into cardboard production or venturing into completely new investments. Consumer Board manages this risk by maintaining superior customer service, creating new solutions to better answer consumers' and customers' needs and streamlining processes to optimise costs. Another risk in reclaiming the business, especially in liquid packaging, is the established market position of plastic packaging. On the other hand, virgin fibre has compelling competitive advantages as a safe and renewable alternative to plastic.

In some instances, governments have even begun to draft legislation that favours renewable packaging instead of non-renewables. As oil reserves are depleted, this trend is likely to grow even stronger in the future.

Testimonials

"Kemira provides Stora Enso with expertise and chemicals for pulping, paper-making and water treatment, and they have made it very clear to us suppliers that in order to maintain a successful partnership with them, we need to focus on our own sustainability management throughout our supply chain. I'm also impressed about the way that GR is integrated into Stora Enso's sourcing and procurement operations."

Based on what I've witnessed in Guangxi, there seems to be a genuine effort to gain the social licence to operate by making things better for the local communities, even though the task is not easy. The issues are complex, and sometimes it's difficult to know what the best solution is for all parties involved.

On the other hand, like many companies, Stora Enso seems to have learnt their lesson the hard way, as a reaction to media crises. Therefore it would be good for them to demonstrate a proactive approach to GR, as well as its strategic importance to the company's success - hence the true commitment of the top management to GR."

- Riikka Timonen, Director, Corporate Responsibility, Kemira

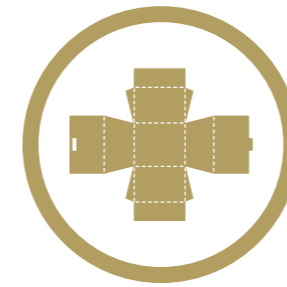


"Stora Enso is one of our key suppliers for liquid packaging board and a strategic partner in the Alliance for Beverage Cartons and the Environment (ACE). A couple of years ago we had a breakthrough in our cooperation, when we convinced Stora Enso that an FSC-certified supply chain is essential for our strategic positioning. Our goal is to raise the proportion of our FSC-labelled cartons in the markets, and we need to be sure that we have 100% FSC-certified liquid packaging board available. Therefore we are putting pressure on Stora Enso to commit to providing us with 100% FSC-labelled materials.

One positive contribution from their side is the improvement of their commitments regarding the volumes of FSC supply and their willingness to openly share information related to sustainability initiatives. We have also noticed that Stora Enso has recently started to address sustainability on the ground, which is a necessary step change away from just communicating sustainability.

When it comes to the different forest certification schemes, we have recognised that Stora Enso supports PEFC™ alongside FSC in a different way from SIG. We understand that there is a logic for promoting both systems, but we would expect clearer statements on how their strategy supports FSC certification, which is an important selling point for us."

- Michael Hecker, Head of Group Environment, Health & Safety, SIG Combibloc



Solutions, products and services

- Kraftliner
- SC fluting
- Recycled liner
- Recycled fluting
- Corrugated boxes
- Packaging automation
- Design services
- Technical service

Consumer Board and Packaging Solutions were formerly known as Renewable Packaging.

Packaging Solutions

Stora Enso's Packaging Solutions division is a leading developer of innovative fibre-based packaging. It operates in every stage of the value chain, from recycling, containerboard and kraft-pulp manufacturing to providing corrugated packaging solutions to converters, brand owners and retailers. The division helps customers to optimise their performance, reduce their total costs and enhance sales. It operates at containerboard mills located in Finland and Poland, and at converting plants in 10 countries in Europe and Asia.

Packaging Solutions has identified a number of important trends that present opportunities for building value through packaging. Aging populations, the development of millennials as a more dominant group of consumers and changes in consumer behaviour are contributing to the increased prominence of private labels, intelligent packaging and online retail.

The retail industry is experiencing an especially dynamic and exciting period of development. Consumers are demanding more from retailers and brand owners. They expect a wider and more attractive assortment of products at better prices, as well as a more pleasurable and convenient shopping experience. Furthermore, all of these demands should be fulfilled with a minimal impact on the environment.

Packaging Solutions works with customers in all these areas to help them achieve value through packaging. For example, the division is cooperating with a number of leading retailers to optimise their supplier packaging standards, helping them to achieve a more streamlined packaging value chain. By taking advantage of innovative solutions such as shelf-ready packaging and pallet presentation, retailers can reduce their store handling costs by up to 50-70%.

The division's innovations go beyond smart design and structure solutions. Packaging Solutions develops ways to enhance the whole supply chain - lowering total costs, reducing waste, improving shop-floor efficiency and building stronger brands with renewable, recyclable and biodegradable packaging.

Positioned as an industry thought leader

Packaging Solutions is positioned as the industry thought leader in renewable packaging. The division focuses on manufacturing corrugated packaging and high-performance lightweight containerboard, primarily in growth markets. It maintains a vertically integrated position in the supply chain, starting from collecting recycled fibres and purchasing virgin fibres to producing novel lightweight containerboards with modern low-cost technology and offering versatile corrugated packaging solutions. This approach has helped Packaging Solutions achieve a leading status in the Nordic, Baltic, Polish and Russian markets. The division's main competitors are Smurfit Kappa, Mondi, DS Smith and BillerudKorsnäs.

In 2014, Packaging Solutions launched an important future-orientated investment to convert a fine paper mill into a kraftliner production plant in Varkaus, Finland. Existing assets such as the paper machine, pulp mill and power plant are being used and modified to manufacture a new product line. The conversion is due to be finalised in the fourth quarter of 2015, and the plant is expected to improve the division's sales and value creation.

By converting the paper machine in Varkaus, Packaging Solutions is adjusting to two market trends: namely the decreasing global demand for paper and the increasing global market for renewable packaging. Kraftliners from the Varkaus Mill will complement the production of SC fluting at the Heinola Mill in Finland as well as the manufacturing of recycled fibre containerboards at the Ostrołęka Mill in Poland. Although Europe is the division's primary target market for containerboards, its containerboard mills will also serve international markets from Latin America to Asia.

Innovating packaging for successful brand-building

Packaging Solutions focuses on building direct relationships with brand owners and retailers to create value, insight and new business opportunities. Its aim is to develop innovative packaging solutions to support customers' brand building and sales, and to optimise performance to reduce total costs.

In addition to containerboard production and converting services, Packaging Solutions focuses on sharing best practices and award-winning designs with customers. Customers are offered packaging design support in eight Design Studios worldwide, as well as expert advice on material optimisation, packaging automation, processes and the highest standards of global responsibility. The division helps customers build stronger brands and reach their profitability and sustainability targets by enabling them to reduce

Testimonials

"Valio purchases a significant amount of its packaging materials from Stora Enso, especially liquid packaging board and corrugated board packages. We have collaborated with Stora Enso for decades, and during that time we've also executed joint projects to develop packaging systems and technologies. For Valio, the key criteria in choosing a partner for packaging solutions are consistently high quality, reliable deliveries and cost-efficiency. In addition, we value packaging that is domestic in origin – this supports our business especially in the Finnish markets. Stora Enso has met these requirements well through their products and services. We also appreciate the opportunity to jointly develop future-oriented products and processes. I hope that in the future Stora Enso will continue to invest sufficiently in developing new and pioneering packaging solutions."



– Rauno Hiltunen, Director, Strategy and HR, Valio Oy

"During 2014, we have concentrated on establishing Stora Enso's safety and environmental standards amongst our contractors, especially waste companies and onsite service providers. This included the implementation of Stora Enso's safety toolbox and training in first-aid. For some it is hard to understand why our company focuses on these matters, but we want to change the way of thinking in the Polish market.

Ostrołęka's new paper machine needs 500 000 tonnes of recycled paper per year and we are collecting it from households. This also helps to change attitudes towards materials in our market area. However, there is always room for improvement on our side as well. Priorities in 2015 include planning and implementing actions based on our human rights assessment. We will also develop our auditing to ensure that all parts of the supply chain are under control and able to meet our code of conduct requirements."



– Ewa Będzkowska, Sustainability Manager, Stora Enso Ostrołęka Containerboards, Poland

"Now, as we have succeeded to get our e-Flow tool in place and working, we continue to plan our next actions to further enhance our customer service and to minimize operative working capital. During 2014 we decreased stocks of containerboards in internal pipelines from 25.6 days of consumption to 19.8 days – and we will continue to push even further. We will focus on improving the quality of information fed to the e-Flow system by fine tuning our demand forecasting processes and tools, which will allow us to further squeeze on stocks and maintain the assumed service level. At the same time we continue to rethink in our supply chain organization. We will focus in two perspectives: local operational coordination in every mill to allow agile response to customers' needs, and process standardization and continuous improvement across the division's units."



– Michał Gawrych, VP Supply Chain, Stora Enso Packaging Solutions

packaging weight, decrease waste, reduce unused space and reduce their impact on the environment.

Open innovation and insight-sharing are key approaches in Packaging Solutions' way of working. The division compiles analyses of emerging packaging trends and shares them with customers and other stakeholders through a series of reports called Viewpoints.

Advancing responsible business and material efficiency

Next-generation consumers expect brands to be natural, authentic and sustainable. These demands extend to the brands' entire supply chains, including packaging. Material properties such as renewability, recyclability and biodegradability support brand owners' growth objectives, and allow them to develop more cost-effective supply chains.

Recycling plays an important role in determining the end-of-life impacts of packaging materials. Virgin-fibre materials provide the starting point for the recycling processes of boards and papers and offer products for the most demanding applications. Packaging Solutions offers recycling services in Poland which enable it to secure its supply of raw materials while improving the community's overall recycling rates.

Packaging Solutions complies fully with Stora Enso's environmental performance targets, which include reducing fossil carbon dioxide emissions, energy consumption and chemical oxygen demand, as well as the processing of water discharges. The division takes environmental safety and efficient production processes into account in manufacturing all of its products. In addition, Packaging Solutions is committed to responsible sourcing, and over 85% of its suppliers have already signed Stora Enso's new Supplier Code of Conduct.

Building a solid base for tomorrow's business

The European region, the division's main cash generator, is currently facing challenges that also influence the Packaging Solutions business. The continued political tension between Russia and Ukraine has overshadowed growing demand in neighbouring countries. Also, the full impact of the depreciation of the Russian currency cannot yet be estimated at the present time. In 2014, the crisis had a major effect on Finnish brand owners' exports to Russia and the division lost volumes in corrugated packaging. This, in combination with lower demand in the Paper segment, will put pressure on the division's Nordic operations. Packaging Solutions seeks to mitigate the effects of these challenges by implementing productivity improvements such as the Smart Operating Model in all of units.

In Russia, local demand remained relatively stable in 2014. The division enhanced its sales operations by implementing the Top Line Hunt sales excellence process in all of units during the year. Packaging Solutions' asset base, its premium quality in product and service as well as its stable financing capabilities will help the division withstand the difficulties caused by the turbulent Russian market.

The market for containerboards in Europe is forecast to remain stable and the ramp-up of the paper machine 5 at the Ostrołęka Mill is expected to continue according to plan. In 2015, Stora Enso will achieve an important milestone in its efforts to build an even better Packaging Solutions business. The start-up of the Varkaus Mill will be an exciting and important development for the whole division. In addition, Packaging Solutions will continue its work in understanding consumers' preferences and their impact on the future of packaging, and share many of its findings with customers and at international conferences.



Enhancing business with customised packaging solutions

Stora Enso DesignStudio is a place where packaging solutions are developed and customized in collaboration with customers. Three of the eleven DesignStudios worldwide are located in China.

The DesignStudio workshop focuses on the customer's specific need – whether it is cost optimization, sales increase or quality improvements. Based on that insight a tailored solution is developed and the material selection is optimized in terms of weight, consistency and price. During the process, customers take advantage of a global network of experienced graphic designers, packaging designers and engineers who share their knowledge to achieve the best possible results.

Packaging plays a vital role in a product's ability to compete on the retail shelf, especially on a constantly changing market. Adopting new customer trend and behaviours as well as exploring ideas from the latest and best performing packaging innovations from around the world is a valuable and appreciated part of the workshops process and bring additional value for the customer.

However customers benefit not only from the DesignStudio's expertise in finding innovative and optimal designs and solutions but also from the support in developing packaging solutions that helps them localize their brands to new markets, such as the Chinese market.

Progress: Packaging Solutions

Achievements in 2014

- Building further growth and value creation by continuing the successful ramp-up of PM5 at the Ostrołęka Mill, Poland, and starting a project to convert the fine paper mill to kraftliner production in Varkaus, Finland
- Shifting the business focus to the corrugated value chain by divesting the Corenso businesses from Stora Enso to Powerflute
- Increasing operational excellence in integrated supply chain operations with its own containerboard and corrugated converting businesses
- Increasing activity in developing thought leadership by introducing business segment-specific view points
- Increasing the share of internally sourced paper for recycling thanks to the positive development of the recycling service in Poland

Targets for 2015 and business outlook

- Completing the conversion and starting up operations at the Varkaus Mill in Q4 2015
- Improving safety and well-being and employee engagement
- Further developing the Design Studio concept in order to reflect changes in consumer behaviour
- Continuously improving operational excellence and competitiveness throughout all functions, and implementing a Smart Operating Model

Share of Group sales, 33%



Share of Group operational EBIT, 51%



Geographical distribution of sales



Consumer Board and Packaging Solutions were formerly known as Renewable Packaging.

Financial performance in Renewable Packaging

EUR million	2014	2013	2012
Sales	3 335	3 272	3 216
Operational EBIT	410	318	273
Operational ROOC	16.5%	13.3%	12.1%
Cash flow from operations	568	515	456
Cash flow after investment activities	188	275	101
Average number of employees	12 656	12 131	12 292
Board deliveries, 1 000 t	3 507	3 373	3 138
Corrugated packaging deliveries, million m ²	1 104	1 086	1 097

Renewable Packaging sales were EUR 3 335 million, up 2% on 2013 due to 4% higher board volumes, mainly due to deliveries from Ostrołęka Mill's PM 5, and ramp up of wood sales at Guangxi Intergrated Project and Operations in China.

Operational EBIT at EUR 410 million was EUR 92 million up on the previous year mainly due lower wood and energy costs due to improved production efficiency, lower fixed costs and higher delivery volumes.



China is open for business

The Packaging China business unit provides manufacturing and marketing for the Packaging division, and also collaborates with all of Stora Enso's divisions in the Chinese market. The business unit already has a firm standing in the niche market of consumer packaging, providing safe and sustainable products for a number of leading brands operating in the consumer electronics and food sectors in the region. Among these are Samsung, Microsoft, McDonalds and Pizza Hut.

To succeed in the highly competitive market, Packaging China offers customisable packaging solutions to its clients with a complete production chain, all the way from raw material sourcing to packaging design.

Although general economic growth is slowing down in China, megatrends such as growth in the middle-class population and urbanisation still continue to drive the demand for consumer packaging. In addition, 300 million more consumers are expected to enter the urban market within the next ten years. Because salaries are rising at the same time, the Packaging division is focusing on resource efficiency and automation to keep expenses at bay.

On a governmental level, stricter policies are being drafted for environmental impacts in China. This presents Stora Enso with an advantage, because it can offer tested and sustainable processes already integrated into its value chain.

So far the Consumer Board division has been supplying raw materials to China. However, starting from 2016 it will begin supplying the Chinese market from the Guangxi consumer board mill, a facility that is expected to become a significant new cash-generating asset for the division.

The establishment of Guangxi Mill demands responsiveness, investments in community development, local and global partnerships, and stakeholder dialogue. Risk management regarding human rights, land use, and water impacts has been improved continuously to make sure the operations can start from a sustainable foundation in a few years' time.



Solutions, products and services

- Hardwood pulp
- Softwood pulp
- Fluff
- Dissolving pulp
- Tall oil
- Turpentine
- Lignin
- Xylose

Share of Group sales, 11%



Share of Group operational EBIT, 11%



Geographical distribution of sales



Biomaterials

Stora Enso's Biomaterials division provides pulp for customers that manufacture paper, board, tissue, as well as for hygiene and textile applications. The division is finding new, innovative ways to maximise the value extractable from wood and other types of biomass. Currently a market leader in its own field, Biomaterials aims to develop into a cost-effective, high-performance renewable biochemical solutions provider, targeting industries beyond its traditional sector. The division has a global presence with operations in Brazil, Finland, Laos, Sweden, Uruguay and the United States.

As the world's population grows, efficient land use becomes increasingly imperative. Climate change and strong environmental regulations drive the need to substitute non-renewable fossil materials with renewable materials. Resource scarcity also increases the need for optimised resource management, renewable products and the reduction of industrial waste.

Consumer behaviour is changing and the growth of the middle classes in developing markets is increasing the need for sustainable products. In addition, the growing population of aged and elderly citizens necessitates better and more effective preventive healthcare solutions, hygienic products and nutrition, all possible with renewable biomass. These market trends and megatrends define the operational environment in which Biomaterials aims to compete over the next 10 years.

Expanding the business to new industries

Stora Enso Biomaterials is in the process of transforming into a biotechnology and biochemical business with a strong financial foundation in basic pulp products. The transformation involves leveraging existing knowledge about biomass and expanding this to materials with a role in growing consumer product markets such as food, pharmaceuticals, personal care, construction and cosmetics. In these new market sectors, Biomaterials will compete with totally new businesses, including big chemical companies.

Investments are being made into R&D and innovation capacity to produce more with fewer raw materials, and new business is being sought relating to biomaterials, for which the potential remains under-utilised.

With its current offering, Biomaterials covers a large number of end uses such as printing, writing, specialty and graphic papers, packaging, paperboards, tissue, hygiene and textiles. Meanwhile, a new wave of biochemical products such as lignin and xylose are being brought to life to replace traditional chemical industry products.

Lignin has been found to be a good substitute for phenols, and thus a sustainable biochemical alternative to use in construction materials and industrial applications such as epoxy resins and coatings. This trend is currently being addressed at Sunila Mill, Finland, with the construction of a lignin production facility that will be completed during 2015.

Another important investment, the acquisition of the US-based biotech company Virdia in 2014, included the plan to build a xylose demonstration plant that will begin operations

Progress: Biomaterials

Targets and actions completed in 2014

- Start-up of the Montes del Plata pulp mill in Uruguay: Operations began in June along with successful sales of production. The official inauguration took place in September.
- Widening the technology platform according to the innovation strategy: Acquisition of the US-based biotech company Virdia.
- Decreasing the use of fossil fuels in Nordic Mills: On-going investments to use lignin at Sunila Mill and sawdust at Enocell Mill to replace fossil fuels in the lime kiln.
- Improved safety performance at the Biomaterials division's mills.
- Production record of fluff pulp was made at Skutskär Mill.
- Strengthened status as a trustworthy supplier of dissolving pulp to the textile market.

Targets and focus for 2015

- Continuous improvement in safety with the ultimate aim of zero accidents.
- Positioning Montes del Plata pulp in the market.
- Starting up lignin production at Sunila Mill and sawdust burning at Enocell Mill.
- Increasing service level and improving performance as supplier.
- Completing pilot plant for lignin and cellulose in Danville, USA.
- Advancing the construction of the xylose demonstration plant in Louisiana, USA.
- Inauguration of the Global Innovation Centre in Stockholm, Sweden.

in 2017. A decision on a possible full-scale industrial facility can subsequently be made.

The division's long-term strategy is to invest in developing these new business platforms while strengthening its position further in the traditional pulp markets. This cost-efficient expansion of its business and product portfolio supports Stora Enso's strategy to become a biochemical and biomaterials company, and can be further accelerated via acquisitions such as Virdia.

Customer needs guide operations

The division's product development and innovation resources are allocated to developing solutions with realistic potential for the end customer, and to differentiate them from other products on the market.

In the production of traditional market pulp, which is still the main source of income for Biomaterials, the division has chosen proximity to selected customers as one of the ways to stand out from the competition.

Stora Enso's worldwide network of plantations offers products that are optimised according to customer needs, adding value to an already profitable pulp production process.

A good example of this strategy is the Montes del Plata pulp mill in Uruguay, which started up in June 2014. The size of the investment in Montes del Plata was EUR 1 721 million, of which Stora Enso's share was 50%, with an additional EUR 174 million invested in the port. The pulp mill's annual capacity is 1.3 million tonnes of bleached eucalyptus kraft pulp. Stora Enso's share of this is 650 000 tonnes. The

chemically bleached pulp produced in Montes del Plata will serve the needs of specialty paper and tissue customers better than any other eucalyptus pulp on the market.

For the most part, Stora Enso's pulp is sold to customers directly, and in certain cases through sales agents, supported by strong technical customer service, which helps customers find the right pulp mix for their needs.

Combining innovation and sustainability

Biomaterials focuses on innovating in new materials and developing existing solutions to substitute fossil-based materials. This is done through efficient and safe production, responsible sourcing, and managing risks related to issues such as land use and human rights. All pulp mills are established so as to be energy self-sufficient, and as a value-adding part of the production process they also sell the excess energy produced.

All the division's pulp is renewable and recyclable and comes from sustainable and known origins. When compared to fossil-based end products, these inherent qualities in pulp-based alternatives are an asset in consumer markets, where awareness of sustainability issues is on the rise.

Testimonials



"The investment decision about Sunila was particularly refreshing news for employers although negotiations regarding the outsourcing of personnel have raised questions about whether expanding the operations is possible without outsourcing staff. Nevertheless, I'm pleased with the negotiation climate. The company management has responded very constructively to our concerns and proven that they are making a genuine effort to take responsibility and look after their employees."

–Harri Helenius, Trustee, Sunila Mill, Stora Enso

"Montes del Plata's installation has already shown positive impacts on many levels. The investment – one of the biggest in Uruguay's history – has had a positive effect on the country's GDP as well as on export trade. On a local level, there are noticeable increases in the demand for labour and in salaries. These can also be seen in the region of Colonia, where many migrant workers are moving. It should be noted that the construction has created very few conflicts with the local community when compared with previous projects and the concerns that the local population had at the start. There is no doubt that Montes del Plata has made great efforts to avoid or mitigate negative impacts by having an on-going dialogue with all stakeholders, including even the most vulnerable groups living close to the operations. I think that the company is in the process of implementing the first principles of social responsibility, starting from what they've learned from their own successes and errors. In this sense, the process should be understood as one of continuous improvement."

–Daniel Biagioni, Local Development Programme, CLAEH (Centro Latinoamericano de Economía Humana)



"Throughout our partnership Stora Enso has been very proactive in terms of developing their materials to make them work both technically and commercially. We had one specific issue with how their pulp was responding to our plants and they conducted a lot of investigation to solve the issue. I would say that Stora Enso has provided us with as much support as you could expect from a pulp supplier and they have applied some of our feedback as well. From a service point of view, Stora Enso is a very good company to work with and we expect this relationship to be a long term one."

–Thomas Ismay, Senior buyer, Innovia Films

Biomaterials also advances sustainable and responsible forestry on its worldwide network of certified plantations. Many initiatives have been made to enforce this commitment. For example in Uruguay, Montes Del Plata makes it easier for members of the local community to plant eucalyptus in areas, which are otherwise unsuitable for farming, allowing the farmers to complement their primary source of income.

The energy production capacity of the mill is also significant, because in addition to being self-sufficient the mill produces a large portion of the whole country's energy supply. In general, Montes del Plata's goal is to set a benchmark in terms of stakeholder relations, land use and contribution to local development.

Thinking ahead with product development

Pulp still comprises almost 90% of the Biomaterials business, and will continue to do so for a few years to come. The new products being developed and produced at the moment are expected to pick up pace after three or four years, including functioning lignin and xylose operations that feed products to the markets.

Since new products and customers are selected as the primary vehicles for growth, Biomaterials is taking controlled risks. The uncertainty related to this path is balanced by choosing to work only with the best technologies available and focusing on customer needs.

Biomaterials plans to emphasise investments in technologies in their early stages when the cost of entry is low. Focusing on financial discipline and organic growth, as well as increasing its share of the low-cost high-margin pulp business, will improve Biomaterials' product mix and increase exposure to innovative growth.

Financial performance in Biomaterials

EUR million	2014	2013	2012
Sales	1 104	1 033	1 034
Operational EBIT	89	77	82
Operational ROOC	3.9%	3.8%	4.3%
Cash flow from operations	136	114	180
Cash flow after investment activities	-108	-231	-283
Average number of employees	1 569	1 537	1 446
Pulp deliveries, 1000 t	2 076	1 864	1 836

Biomaterials sales were EUR 1 104 million, up 7% on 2013 due to increased volumes from Montes del Plata Pulp Mill in Uruguay that started up in early June 2014. Stora Enso's 50% share of Montes del Plata production in 2014 amounted to 240 000 tonnes.

Operational EBIT at EUR 89 million was EUR 12 million up from previous year mainly due to lower wood costs for the Nordic pulp mills.

Xylose paves the way for biochemicals

In 2014, Stora Enso acquired the US-based biotech company Virdia, a leading developer of biomass extraction and separation technologies. This new asset allows Stora Enso to convert highly refined products such as sugars from wood, non-wood biomass and agricultural waste. The decision is a strategic first step towards refining chemicals, a future objective that will make Stora Enso a strong competitor in the chemical and biorefinery industries.

The new technologies will be tested in a demonstration plant in Louisiana, USA, which is scheduled to start production in early 2017. The product in focus in Louisiana is xylose, a refined five-carbon sugar extracted from sugar cane waste called bagasse that offers various biochemical applications in, for example, foods and detergents.

Once xylose is properly tested in the identified market, it is possible that the same extraction technology could be applied worldwide in areas where a particular raw material is found. Existing pulp mills could then be upgraded to utilise similar processes with their waste streams.

The establishment of new production facilities could be streamlined further, and since transportation costs for the raw material would be eliminated, Stora Enso would be in a position to provide cost-effective renewable solutions to address customer needs around the world.





Solutions, products and services

- Cross-laminated timber products (CLT)
- ThermoWood
- Components
- Housing modules
- Pellets

Wood Products was formerly known as Building and Living.

Share of Group sales, 17%



Share of Group operational EBIT, 11%



Geographical distribution of sales



Wood Products

Stora Enso's Wood Products is a market-leading provider of innovative wood-based products for construction and interior usages. The division's solutions are geared to address high demands with regard to safety, quality, design and sustainability. By increasing the share of refined products and value-adding services, Wood Products responds to the growing needs for wood-based construction materials and renewable sources of energy. The division has more than 20 production units in Europe and operates globally.

By 2025, the world's population is expected to grow to about eight billion, and 70% of these people are forecast to live in cities. Globally this development is bound to result in a greater need for housing, and with this comes an increased demand for construction materials that are easy and quick to assemble.

Large-scale migration to cities also calls for lighter construction materials that enable the addition of floors to existing building stock as well as constructing on previously unusable spaces. In addition, increasing awareness of resource scarcity and climate change raises the need to find substitutes for non-renewable building and construction materials.

Today, the construction sector already consumes a significant amount of natural resources – most of which are non-renewable. This situation opens up vast commercial opportunities for wood, which is an energy-efficient, recyclable and carbon-neutral construction material with unique properties.

Increasing the share of value-adding solutions and services

Wood Products responds to the demand for innovative wood-based solutions by increasing its share of value-adding services and refined products. At the same time, cost-efficient sawmills remain important as platforms for growth. The division is also developing processes, methods and tools to deliver added value to customers, including combined e-services that improve availability, flexibility and quality.



The customers of the Wood Products division are both building companies and building materials manufacturers, as well as builders' merchants and wholesalers – the latter especially with regard to its range of classic sawn products.

The majority of the division's main competitors are manufacturers of other construction and interior decoration materials, or other companies operating in the wood industry.

Competitive advantages for Wood Products include its high level of customer service and its in-house value chain from the raw material to the end product. This enables the division to focus on quality as well as production and delivery times. In addition, it

ensures that materials and products are of known origin – an important factor in product safety and responsible production.

Investments into new production capacity

The innovative development of building materials allows Stora Enso to provide greater value to customers with engineered wood products such as housing modules, wood components and pellets. In 2014, Wood Products established new production facilities to support this undertaking.

Two of these facilities are related to industrial components and enable the division to better serve its customers. One is located in Launkalne, Latvia, and manufactures ThermoWood products to provide a chemical-free option to outdoor construction and window frames. The second facility is a window scantling production investment in Alytus, Lithuania, which will start up in 2015.

Furthermore, one facility in Kitee, Finland is now utilising wooden raw material to the fullest with new pellet production lines. The next line will be opened in Ždírec, Czech Republic during the second quarter of 2015. Pellets are an environmentally efficient energy source made of by-products from sawmills.

In 2014, the decision was finalised to close the Sollenau Sawmill in Austria, generating annual savings of up to EUR 7 million from the second quarter of 2014. However, the closure of the sawmill unfortunately affected 125 local employees. Another closure took place in Uimaharju, Finland, where the production of a wood component line was stopped. The required capacity was invested in an existing plant in Honkalahti (Finland) and the mill's customers continued to be supplied by Ala (Sweden) and Imavere (Estonia) as well.

A spirit of continuous improvement boosts performance

In September 2014, Wood Products – or Building and Living, as it was previously known – was restructured into its own division from the former Printing and Living division. Wood Products' assets in the highly competitive sawmill markets include its global sales network and distribution operations, which are close to customers. To ensure a strong market position in highly competitive markets, sawmills continue to be integrated with refining capabilities and innovation, a process that demands higher technical and marketing competences.

The division's current development is focused on gaining the most out of raw materials to improve material efficiency and sustainability. Wood Products will also continue to enhance its customer centricity, and therefore the main targets for Wood Products in 2015 are improving customer service and developing value-adding products to be aligned in the most competitive settings.

In order to lead and motivate the organisation as well as always improving the efficiency of operations, Wood Products will emphasise the 'spirit of continuous improvement', an initiative based on the ceaseless challenging, optimising and questioning of processes at all levels.

Improving sustainability and value chain efficiency

The division focus on the optimisation of local supply and value chains for wood products to produce maximum performance in a sustainable way. Wood Products' solutions and products are based on efficient and safe production, as well as responsible sourcing and constant risk management. In addition, 70% of the wood used by Wood Products

manufacturing is from certified forests and the remaining 30% is legally and responsibly sourced.

The sales process between Wood Products and its customers varies depending on the product in question, the customer segment and the area of business. Relationships with customers range from close partnerships and long-lasting contracts to one-off sales.

Integrating the whole value chain in the service process allows Wood Products to shape up its sourcing, production and delivery according to specific customer demand and supply conditions in each location. The aim is to always deliver goods to the market by optimising the value chain and the transportation distance, thereby reducing the carbon footprint of logistics.

Wood Products started a multi-site certification process in 2014 in order to streamline its certification management. This process covers the division's sourcing, manufacturing and distribution units and addresses quality, environment, occupational health and safety, energy and issues relating to chain of custody.

Safety in the workplace is on the daily agenda throughout Stora Enso, and Wood Products aims to achieve a zero accident rate. Development in 2014 proceeded on the right path and the LTA rate improved from 9.31 in 2013 to 8.51 in 2014.

For 2015 the aim is to promote a systematic process of global responsibility throughout the division and continue securing the safety of employees. Another key project for the division going forward is the Supplier Code of Conduct process within Stora Enso, which aims to achieve 85% coverage for the year 2015.

Securing a larger market share for wood

At present, for example in Europe, only about one tenth of housing starts involve wood, but there is potential to reclaim the market.

Testimonials



"Sustainability has always defined the way Lend Lease does business. By focusing on holistic, precinct-wide outcomes we ensure that our projects have a positive lasting legacy. Our use of engineered timber is part of this drive, and therefore we are constantly seeking more efficient and sustainable solutions in cooperation with Stora Enso."

Andrew Nieland, Head of Timber Solutions, Lend Lease

"DEKTRADE is a large trading company based in the Czech Republic that sells building materials to professional companies. Stora Enso supplies us with roofing battens, boards, KVH, wooden profiles and CLT. The collaboration with Stora Enso is very important to us because our customers appreciate the high quality of their products. Another advantage is Stora Enso's large product portfolio, and also their stable and transparent trade policy which is very important to our business as well. In the future we expect Stora Enso to maintain their high level of quality and push themselves even further to guarantee the quick processing of orders during the busiest seasons."

Jiří Skřípský, Product Manager, DEKTRADE



"Wood Products has developed its customer service by centralising it into Customer Service Centres, which are responsible for the complete process from order handling to delivery and invoicing. This model enables our customers to have only one touchpoint for communicating with us about their order statuses, deliveries and sales documents. This is especially beneficial to customers who are buying products from different mills. We are also making an effort to improve the accuracy of our delivery, to share the delivery information and to speed up our own deliveries – for example, by building up local warehouses in overseas market areas we can significantly reduce the delivery time to our overseas customers."

Helena Nyberg, Director of Customer Service Centres, Stora Enso Wood Products

The construction market is growing overall, and the usage of wood is shifting to new areas traditionally occupied by other materials. Increasing the market share for wood also includes challenges since it is not as established as other construction materials in multi-storey construction, where wood has significant future potential.

In addition, increased environmental disclosure requirements create a demand for energy-efficient and environmentally sound construction and building solutions, which Wood Products can offer competitively for its entire value chain.

Financial performance in Wood Products¹⁾

EUR million	2014	2013	2012
Sales	1 779	1 867	1 684
Operational EBIT	89	75	29
Operational ROOC	17.3%	13.9%	5.2%
Cash flow from operations	86	125	63
Cash flow after investment activities	58	97	31
Average number of employees	4 046	4 282	4 385
Deliveries, 1 000 m ³	4 493	4 776	4 592

¹⁾ Wood Products was formerly known as Building and Living .

The segment's sales were EUR 1 779 million, down 5% from 2013 mainly due to increased production curtailments resulting to lower delivery volumes.

Operational EBIT at EUR 89 million was EUR 14 million up from previous year, mainly due to lower fixed costs.

Progress: Wood Products

Targets and achievements in 2014

- Increasing the share of value-added products: new production lines in pellet and ThermoWood production opened up.
- Increasing cost-efficient classic sawn operations: investments made in modernising and expanding the Murow unit in Poland.
- Lowering the LTA rate to below five: target of safety observations was raised and next steps taken with Stora Enso's safety toolbox.
- CLT business increased, current production capacity well in use.
- Increasing and expanding presence in the Australian market.
- Redefinition of the Japanese market.
- Pellet production started in Finland and the online pellet shop was opened.

Targets and focuses for 2015

- Improving safety, aiming towards zero accidents.
- Greater emphasis on customer centricity by focusing on product offering and increasing the service level.
- Continuous growth in value-adding products and businesses, aiming for a 40% share in the near future.
- Ongoing development of the business in the spirit of continuous improvement.
- Increasing the share of low-cost classic sawmill products.
- Developing clear segment concepts and improving supply chain differentiation.
- Launching new online services, including a pellet store in Italy.



The library at the Melbourne Docklands received a Sustainability Award at the Australian Timber Design Awards in 2014. The building was constructed primarily using CLT supplied by Stora Enso.

Multi-storey buildings

Stora Enso is currently the world's leading manufacturer of cross-laminated timber (CLT), an innovation that offers future potential for sustainable construction. Compared with the solid wood market overall, the total market for CLT is still small. However it is growing rapidly, showing definite promise while gaining increased interest in various markets from the UK to the Nordic countries and Australia.

CLT enables fast, safe and adaptable construction. A cubic metre of CLT holds one tonne of carbon dioxide, weighs one fifth of concrete and enables construction on demanding building plots. It has been used in architectural designs from exterior surfaces and arching interior elements to complete buildings, as in the case of an eight-storey building recently completed in Jyväskylä, Finland.

The benefits of CLT in the construction process become even clearer, as it saves time and leaves no waste at the construction site. CLT panels can be delivered as large-scale single components, including openings for doors, windows and electric wiring. Panel construction is 20–50% faster than regular processes.

CLT also enables modular housing construction that reduces construction times by up to 50–70%. In this type of process, which is currently in use in Finland, most of the material streams are directed to the factory instead of the construction site, and modules can be delivered with all appliances installed.



Paper

Stora Enso's Paper division supplies virgin-fibre and recycled paper solutions for print media and office use. Its customers include publishers, retailers, printing houses, merchants, converters and office suppliers. Cost efficiency is an important focus for the division, which develops its products and services to gain a competitive advantage. The division's mills are located predominantly in Europe, with other facilities in Brazil and China.

The megatrend of digitalisation is driving structural change in the marketplace and affecting the demand for paper. Its impact varies according to the type of printed media; for example, papers used for the latest news or for transactional purposes are declining in demand. In contrast, papers that are used for promotional purposes to draw consumers to stores or to build brand image or awareness are successfully competing with digital media or complementing it.

Retail is one of the most stable customer segments for paper, as it continues to make use of print media for providing product and sales information that effectively influences purchasing decisions. Special interest magazines also hold their position as a key source of information and as brand image builders for their enthusiastic readers.

In emerging markets, growing middle-class populations, improved literacy and the deregulation of media are all boosting the demand for print. In addition, on a global scale, an increasing awareness of wood fibre's potential as a truly sustainable material is also helping to drive demand.

A strong and varied product range

Paper division has the capability to offer solutions for a wide range of end uses. These include newspapers and magazines, different types of books – from paperbacks to art books, retail advertising and brochures, catalogues, annual reports, direct marketing materials and corporate house style guides, as well as envelopes, note pads and paper for office printing purposes.

The division aims to lead the market with high-quality paper grades while also exploring new ways of using paper. It focuses on continuously developing its product and service portfolio to meet customers' expectations. At the same time, the division also seeks to satisfy end-consumers' demands and concerns with regard to the look and feel, functionality, economics and sustainability of its products.

Paper division maintains a strong market position globally, and is the second largest player in Europe in terms of production capacity. The division's competitive advantages are its combination of cost leadership, efficient production and customer insight, and its high product quality and level of service.

Supporting transformation

The Paper division's role is to generate cash to enable Stora Enso's growth in other areas. For this reason, cost efficiency is an important focus for its day-to-day operations. In 2014, the Paper division contributed significantly to Stora Enso's savings programme,

Products and services

- Newsprint and book papers
- Uncoated magazine papers (SC)
- Coated papers
- Office papers
- Supply chain and sustainability expertise
- E-business solutions

Paper division was formerly known as Printing and Reading.

Share of Group sales, 38%



Share of Group operational EBIT, 21%



Geographical distribution of sales



which aimed to cut fixed costs throughout the company. The programme achieved its overall target of reducing costs by EUR 200 million by the end of the second quarter, EUR 150 million of which was contributed by Paper division.

On the whole, Stora Enso is developing its paper business through long-term investments into R&D, production processes and material expertise, all of which also contribute to the growth of the Group's other businesses.

Several investments were made to improve division's operational performance and product offering in 2014. For example, a significant investment was made to rebuild the recovery boiler at Veitsiluoto Mill in Finland. The sustainable energy production at Kabel Mill in Germany was also enhanced. The division further secured the availability of high-quality recycled fibre by building a new sorting line at Langerbrugge Mill in Belgium. In addition, a soft calender was installed at the paper machine 10 at Kvarnsveden Mill in Sweden, enabling the facility to produce new products such as ExoPlus.

Restructuring strengthens customer focus

In September 2014, Paper, which was previously part of the Group's Printing and Living division, became a division of its own. The division is now organised in two product areas to better respond to different customer needs and expectations. The uncoated magazine, newspaper and book paper product area mainly serves newspaper and book publishers as well as retail and printer customer segments. On the other hand, the coated paper and office product area primarily caters to magazine paper publishers, merchants and office supply distributors as well as school notebook, and envelope converters.

Stora Enso believes that in one way or another paper as a material will continue to be a part of people's daily lives. The Paper division's strategy is to lead the market with high quality paper grades and added services while also exploring new ways of using paper, existing production assets and wood fibre. The division also aims to enhance its level of cooperation with key customers, which will enable it to detect areas for improvement in the supply chain and identify new business opportunities or operating models.

Financial performance in Paper¹⁾

EUR million	2014	2013	2012
Sales	3 912	4 319	4 839
Operational EBIT	172	34	223
Operational ROOC	9.4%	1.4%	7.4%
Cash flow from operations	354	382	506
Cash flow after investment activities	243	248	381
Average number of employees	7 700	8 373	8 783
Deliveries, 1 000 t	6 006	6 525	7 130
Production, 1 000 t	6 034	6 501	7 210

¹⁾ Paper division was formerly known as Printing and Reading.

The segment's sales were EUR 3 912 million, down 9% from 2013, due to permanent shutdowns of paper machines, weaker demand and lower average prices in local currencies.

Operational EBIT at 172 million was EUR 138 million up from previous year due to lower costs and lower depreciation due to impairment on intangible assets and property, plant and equipment accounted in 2013. Lower sales prices in local currencies and lower delivery volumes had a negative impact on operational EBIT.

Fit-for-purpose products and new service concepts

Paper division's ambition is to enhance its ability to continuously develop innovative paper products that best serve their end-purposes. The retail segment, in particular, is showing a demand for economical paper grades that deliver lower weight – and the resulting advantages of reduced material use and lower postal costs – combined with excellent print results to support brand image.

In 2014, Paper introduced a number of new products to better satisfy customers' requirements. One of the products is PubliPress Plus, a glossy paper for supplements, magazines and retail materials that features a game-changing innovation. Stora Enso is now the only producer that can offer this type of paper, which combines high whiteness and gloss with as much as 10% added thickness without an increase in weight.

Stora Enso's LumiForte, a matt-coated, woodfree paper for demanding print jobs, was also renewed with a focus on even further enhancing its performance. The renewed paper grade is now even more robust and offers superior runnability. Its opacity has also been improved, enabling lower weight specifications than before. And thanks to its high bulk and stability, it also has a pleasant touch and feel.

Beyond adapting its product portfolio to respond to customers' needs, the Paper division also explores completely new solutions and services to offer to the markets – for instance, in the areas of technical consulting, order-to-invoice, and sustainability services. One example is the division's runnability service, which can improve a customer's printer efficiency; and eFlow, an e-service concept which eases customers' tasks of ordering and controlling stocks.

Testimonials



"The publishing industry is under pressure to reduce all costs, including the spend on paper. Therefore we expect new solutions from our paper suppliers. Stora Enso has been able to support our business by providing new paper grades with lower grammages, and we appreciate the stable quality of their products. However, we are curious to see how Stora Enso will maintain its leading position in paper as the company's strategy is shifting towards packaging and other solutions based on renewable materials."

Thierry Panhelleux, Director, Manufacturing and Procurement, Hearst Magazines

"We print up to seven million copies of different printed materials per week, including leaflets and catalogues for ICA retail stores. We buy the paper directly from Stora Enso because the company has a wide range of paper qualities that meet our needs. Our co-operation is based on constant dialogue, and we've been well taken care of by Stora Enso for years. For ICA it is important to be a responsible member of Swedish society, where corporate responsibility plays a big role. In the future, Stora Enso could be even more active in communicating about the environmental impacts of paper production with a wider audience, so that the public opinion on paper could be based on facts."

Bengt Palmqvist, Purchasing Manager, ICA Sweden



"Although paper consumption has been declining on average, there are still specific strong segments of the paper business in which we can develop new and innovative solutions. For example, with its completely renewed product specifications and technology, LumiForte paper exemplifies an attractive, specialized product. With LumiForte we are able to serve new segments of customers who appreciate excellent colour rendering and pleasant readability. The simultaneous development of a number of new innovations, which is characteristic to Stora Enso, also facilitates innovation in completely new areas of application. For instance in agriculture, specifically in vegetable growing, we have developed biodegradable paper covers to substitute plastic covers. We had planned on developing this specific innovation further, but the customers have already shown a lot of interest in the product and we have widened the testing to key cultivating areas in Europe."

Pertti Pitkänen, VP Productivity and R&D, Stora Enso

Another development is LumiOnline, a service available in the UK that allows customers to access information on both stock and production capacity and place orders around the clock. As for the division's sustainability services, their aim is to help customers build their own know-how and provide support in special issues, such as calculating the carbon footprints of printed products.

Sustainability – part of everyday business

The Paper division aims to reduce its environmental impacts and safeguard social development through sustainable, efficient and safe processes. The division has set high goals for reducing its CO₂ emissions. Its recent investments into recovery boilers are examples of on-going efforts to support this goal. It also takes full advantage of its mill infrastructure, using it to pursue opportunities in renewable energy and fibre-based products.

Responsible sourcing is crucial to division. In addition to implementing supplier code of conduct requirements for all purchasing, the division uses third-party verified traceability systems to ensure that it knows the origins of the wood and pulp used in its production. In addition, all paper mills are certified by independent third parties according to the ISO 9001, ISO 14001, and OHSAS 18001 standards for quality, environmental, and occupational health and safety management systems.

Three of Stora Enso's 16 paper mills produce paper from 100% recycled fibre, and as a company Stora Enso is one of the biggest users of recovered paper in Europe. In addition, about 90% of Stora Enso's paper brands have been awarded with one or more ecolabels for their reduced environmental impact throughout their lifecycles. These include the European Ecolabel, the Blue Angel and the Nordic Ecolabel.

In addition to reducing its own carbon footprint, the Paper division supports other companies in their efforts to combat climate change. Stora Enso's Langerbrugge Mill

Progress: Paper

Main achievements in 2014

- Fixed cost saving programme completed on time.
- New divisional leadership structure resulted in more focus on customer needs and sales.
- Successful investments in Veitsiluoto and Kabel Mills.
- Introduction of three new paper grades.



Focus areas for 2015

- Safety, aiming towards zero accidents.
- Global responsibility and compliance.
- Continuing to build the group-wide winning culture with the Paper division.
- Continuous improvement and cost control to ensure competitiveness.
- Increased sales to retail customer segment supported by the new products.
- Speeding up innovation with a new approach to idea generation and innovation management.
- Increased automation and efficiency in order handling and supply chain.

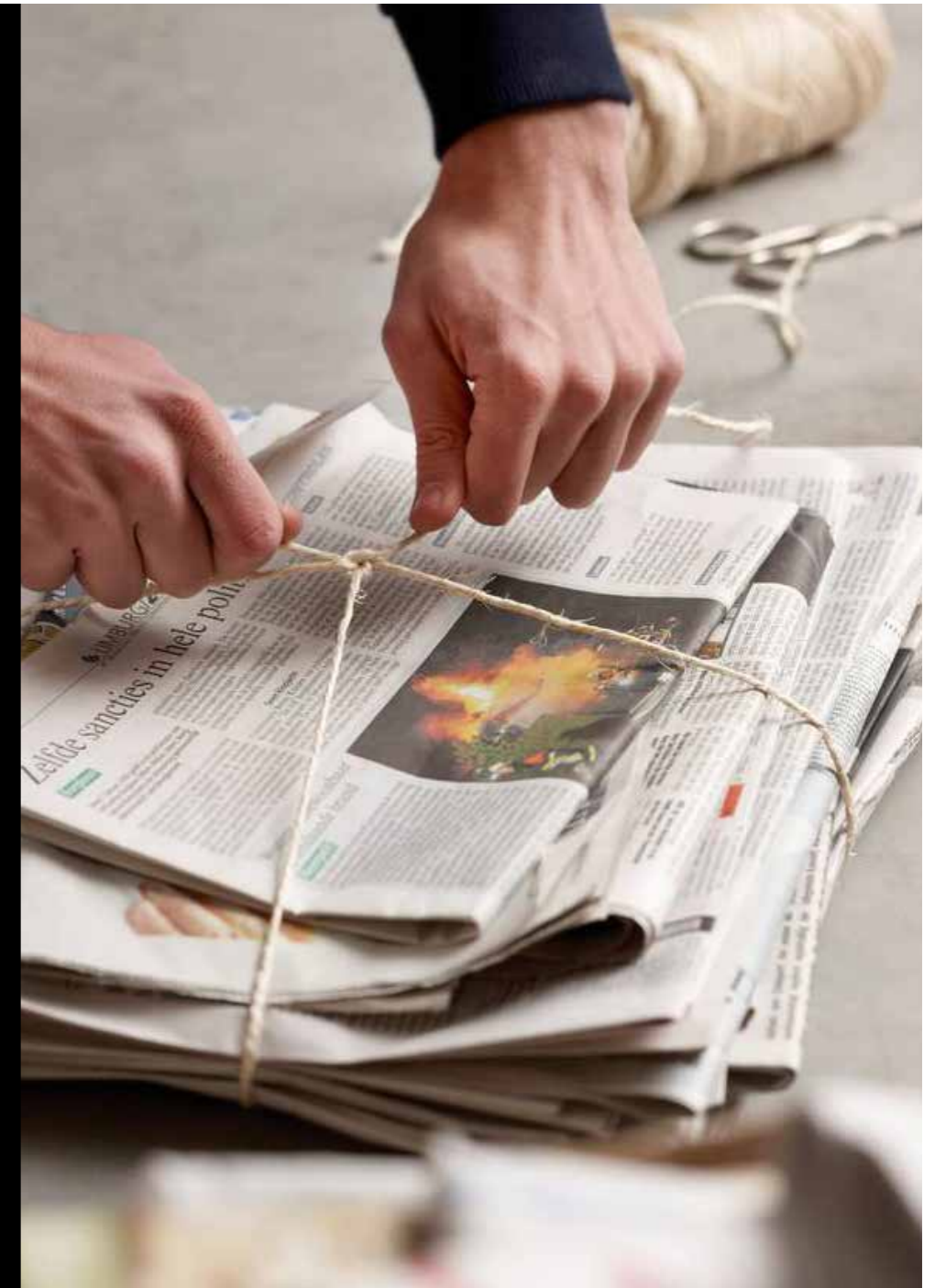
in Belgium has recently joined forces with the Volvo Car Group's plant to reduce CO₂ emissions through the use of renewable energy. The Langerbrugge Mill will supply the Volvo plant, also located in Belgium, with hot water to heat their buildings and paint booth, thereby enabling a substantial reduction in the plant's fossil fuel use and decreasing its CO₂ emissions by 15 000 tonnes per year.

**Reworking.
Recycling.
Renewing.**

Stora Enso Paper is one of the largest single users of Paper for Recycling (PfR) in Europe. Five of the company's 16 paper mills produce paper grades based on recycled fibre; namely, Langerbrugge in Belgium, Sachsen and Maxau in Germany, Hylte in Sweden, and Dawang in China.

The Langerbrugge Mill produces premium paper products from 100% recycled paper collected within a 300 kilometre radius, an area that is home to approximately 80 million people. In this urban forest, no wood is used to produce paper. Instead, fibre comes from collecting old paper from local households.

By sorting recycling material, the quality of the paper produced can be controlled and improved. In 2014, a second PfR sorting line was installed to fulfil about 40% of Langerbrugge's requirements for high-quality sorted paper. Langerbrugge is able to produce 550 000 tonnes of uncoated magazine paper and newsprint from 700 000 tonnes of high-quality sorted paper each year.



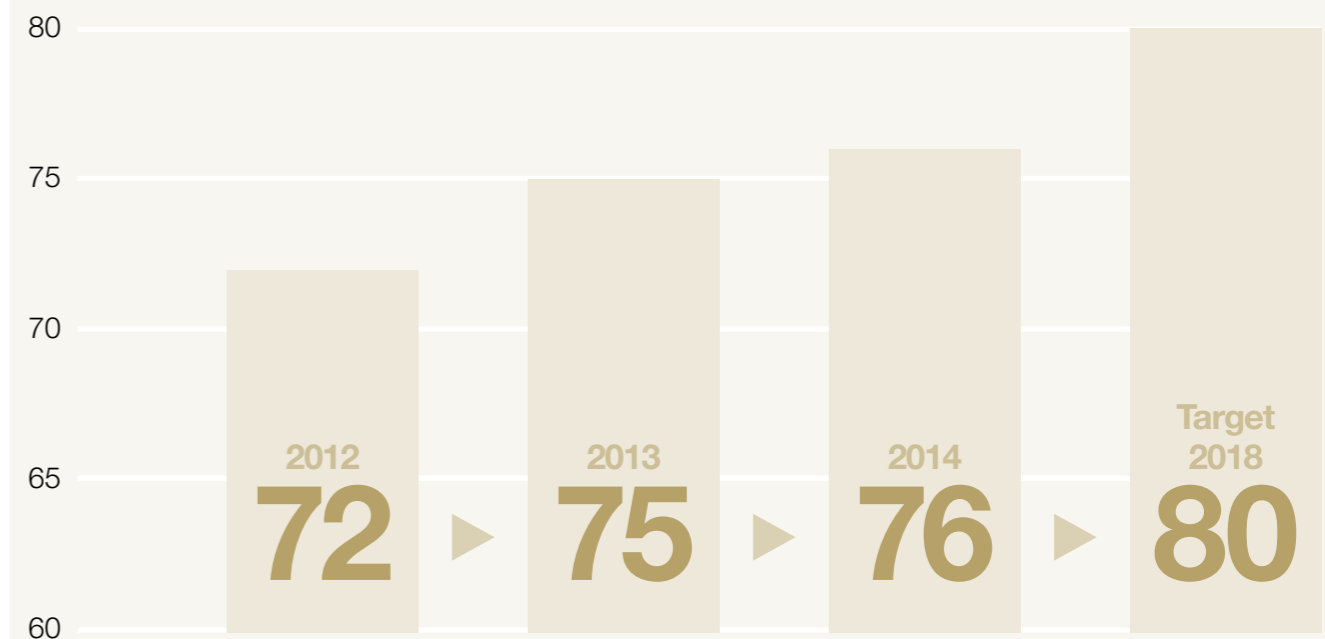
Stakeholders

Investing in leadership

Stora Enso will continue to invest in people to support the Group's development and transformation. As the strongest driver behind performance and culture, leadership is our first priority.

To help all of our managers to become better leaders, we have rolled out an extensive, custom-made leadership programme based on Stora Enso's Purpose, Values and Leadership Themes. All managers with one or more direct subordinates will take part in the programme.

Progress: Leadership index



Stora Enso evaluates progress in leadership with the Leadership Index obtained from our annual employee survey, which includes key questions regarding employees' expectations in relation to their leaders.

More information available in [Global Responsibility Performance 2014](#).

Training future leaders

Stora Enso's internal talent programme 'Pathbuilders' was originally launched in 2011, when the Group Leadership Team (GLT) realised that it would benefit significantly from greater diversity in opinions and ideas during the Group's transformation. The fourth annual Pathbuilders programme was rolled out in autumn 2014.

The participants of this internal leadership development programme are group of people who can challenge the GLT. Stora Enso believes that people from different roles, different parts of the organisation and different nationalities, with a sound mix of gender and personality, will add significant value and facilitate progress in the Group's transformation.

The Pathbuilders programme has two main objectives. Firstly, it is designed to help the GLT to accelerate the development of Stora Enso, by getting Pathbuilders participants to help drive the continuing changes at Stora Enso by working on real-life business projects.

Secondly, the programme provides participants with the personal development opportunity of a lifetime. Through their projects they are given a major opportunity to develop themselves personally while also influencing our business.

Recruiting young talents

The Stora Enso Trainee programme is about strengthening our pool of future leaders across the organisation and tackling the Group's challenging demographic profile. Stora Enso has a need for qualified young people, especially at many of our mills. The trainees in this programme are recent graduates and for many of them Stora Enso is their first permanent employer. The programme offers world-class training and international internships within Stora Enso's operations.

Community impacts

Stora Enso's operations have a wide-ranging impact on different groups of stakeholders. Our goal is to enhance the economic and social conditions in the communities where we operate, and to create shared value with these communities. Through this shared value we aim to increase Stora Enso's competitiveness while at the same time promoting improvements on economic, environmental, ethical, and social issues along our value chain. We also strive to minimise any adverse impacts that our activities may have.

Our mills consume large amounts of energy and raw materials, and generate emissions and waste. Our mills are often located in communities where they are major employers, tax-payers and partners for local entrepreneurs. Our tree plantations in China, Brazil and Uruguay significantly affect local communities due to their impacts on local land use, livelihoods and landscape.

In response to such issues, all of our operations have implemented precautionary actions to manage the impacts they may have on the local environment and local communities. For instance, all of our pulp, paper and board mills have certified environmental management systems in place.

In Finland and Sweden, where our presence is particularly significant, we operate as part of a vibrant regional forest cluster. Procuring wood as raw material for our mills also creates value for everyone within these clusters, including forest owners, wood supply intermediaries, local entrepreneurs, and logistics providers. In Continental Europe, where paper for recycling is an important raw material for our mills, we strive to create value working in partnership with recycled paper suppliers, the public sector and non-governmental organisations who promote recycling. We promote local wood supply and paper recycling to minimise the impacts of transportation.

Our joint operations in Brazil and Uruguay, and our operations in Guangxi, in southern China, lie at the core of emerging local industrial clusters centred on our mills and tree plantations. Our investments in capacity building and local sourcing, local nature conservation, agro-forestry programmes, and income generation projects in local communities are all examples of ways we support cluster development and the creation of shared value in these regions. For more details see the [Global Responsibility Performance 2014](#).

Responsible restructuring has been a top priority for Stora Enso for several years, due to the ongoing decline in global paper markets. Closing down operations creates problems not only for our employees, but often for the affected communities as a whole. We proactively support such communities' efforts to deal with regional structural changes and we also help to find alternative livelihoods for the people affected. Discontinuing

Engaging with stakeholders

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, including those who criticise us, as crucial for the success of our business.

Stora Enso's stakeholder relations are particularly guided by our Code of Conduct, our Business Practice Policy, our 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.

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 studies including surveys on customer and employee satisfaction levels. We are involved in continuous dialogues with non-governmental organisations (NGOs) both locally and globally.

Stakeholders

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

industrial operations also involves environmental considerations, and it is vital that we understand and mitigate such issues.

New investments entail both environmental and social impacts and can directly or indirectly cause substantial changes in local conditions. To map and mitigate these impacts, we conduct Environmental and Social Impact Assessments (ESIA) for all new projects that could cause significant adverse effects in the community. Such projects include all greenfield pulp, paper or board mills, large greenfield sawmills, industrial-scale plantation projects, and any large-scale expansions of existing facilities.

One important element of any ESIA involves establishing dialogue with local residents, members of local organisations, expert researchers and other stakeholders through interviews, meetings, workshops and public hearings. The results of ESIA's give Stora Enso valuable information on how local communities will be affected by changes in their socio-economic structure, impacts on cultural heritage, and developments in community health, safety and security.

Stora Enso's acquisitions processes always include due diligence assessments. Conducted prior to any investment decision, these assessments cover all relevant factors related to environmental, social and business practice issues. They play an important role in building our in-depth understanding of local operating environment, including possible future relationships with stakeholders such as governments, business partners, local communities and non-governmental organisations. Any subsequent investment decision made in accordance with our code of conduct and other policies will also take due account of our ability to mitigate and manage any identified adverse impacts.

Economic value for Stora Enso's stakeholders (EUR million)

Stakeholders	Economic value	2014	2013	2012
Customers	Sales	10 213	10 563	10 837
Suppliers	Payments to suppliers	7 183	7 670	7 868
	Capital expenditure	787	740	1 000
Employees	Wages and benefits	1 383	1 390	1 373
Shareholders	Dividends ¹	237	237	237
Creditors	Interest	211	221	200
Public sector	Taxes borne ²	372	46	104
Communities ³	Donations and sponsoring	3	2	2
Economic value retained ⁴		37	260	53

¹ As paid to stakeholders (Cashflow statement).

² The economic value to public sector through tax payments includes in 2014 all taxes borne, while tax payments in 2013 and 2012 include only corporate income taxes. For more information, see pages 55–57.

³ Excluding donations and sponsoring in Joint Operations Veracel and Montes del Plata.

⁴ As a result after deducting from sales other economic values for stakeholders.

Human rights

Respect and support for human rights is a top priority for Stora Enso across our global operations. We have continuously aimed to align our human rights efforts and commitment with the UN Guiding Principles on Business and Human Rights since they were first defined in 2011. Stora Enso's human rights approach does not only apply to our own employees, but also extends to on-site contractors, external suppliers of materials and services, business partners, communities surrounding our operations, and other stakeholders within our sphere of influence.

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

Assessments for our projected investments are performed either internally or by professional external experts such as UNDP depending on the particular case. Examples include assessments conducted prior to the Group's significant recent investments in Brazil, Uruguay, Guangxi, Pakistan and India.

Progress: Human rights assessment 2014

Q1/2014

Scope and plan

Q1–Q2/2014

Build up capacity at Stora Enso

Internal capacity built up through training sessions

Q2–Q3/2014

Act and assess

Assessments conducted using a tool devised together with the Danish Institute of Human Rights (DIHR), covering all units

Q3–Q4/2014 and onwards

Compile results

DIHR quality check and compilation of results

Special assessments were conducted in Laos and in Guangxi, China, in collaboration with Business for Social Responsibility (BSR) in Laos, and DIHR in China.

Human rights assessments in 2014

Stora Enso performed a series of comprehensive human rights assessments in 2014 – covering all of our production, wood supply and forestry operations, including their supply chains and their impacts on neighbouring communities. In addition to the production units under the Group's full control these assessments were conducted in our joint operations Veracel in Brazil and Montes del Plata in Uruguay, and at the joint venture Bulleh Shah Packaging in Pakistan. During the year, the assessments were successfully conducted for a total of 93 operational entities in 22 countries.

As part of this endeavour, Stora Enso and the Danish Institute for Human Rights (DIHR) collaborated to develop a customised human rights assessment tool that was used in the project. This tool covers 43 human rights issues (including labour rights, community impact, and controls affecting suppliers and business partners) and takes due account of the nature of our industry, our varying industrial and forestry operations, and conditions in the countries where we operate.

At 13 units in China, Russia, and certain countries in Eastern Europe, external site visits were performed by Fair Working Conditions (FWC) – a non-profit human rights audit and assessment organisation. In Laos, a customised human rights assessment was performed by Business for Social Responsibility (BSR); and in Guangxi, China, DIHR conducted a separate human rights mapping process as well as a review of the local community grievance mechanism.

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 set action plans for prioritised impacts – severe impacts, irreversible impacts, possible legal non-compliances and gaps with Stora Enso policies – by the end of Q2 2015.

Stora Enso as a taxpayer

Stora Enso's operations generate value through taxes for governments around the world. In 2014, Stora Enso paid more than EUR 1 billion to public sectors including EUR 776 million in collected taxes.

To increase transparency and awareness of the Group's economic value generation, Stora Enso makes a voluntary commitment and openly provides details of the taxes paid by the Group to governments in the main countries where we operate. This commitment to our stakeholders is fully in line with Stora Enso's values to 'Do what's right' and 'Lead', as well as with the Group's purpose: 'Do good for the people and the planet'.

Stora Enso's tax policy

Stora Enso is committed to ensure that the Group observes all applicable tax laws, rules and regulations in all jurisdictions where we conduct business activities. Stora Enso follows international transfer pricing guidelines and local legislation. In addition to our legal and regulatory requirements, our tax principles comply with our values, highlighting the importance of doing what's right. Furthermore, we seek to ensure that our tax strategy is aligned with our business and commercial strategy. We only undertake tax planning that is aligned to economic activity. This means that all tax decisions are made in response to commercial activity, and tax is only one of many factors that are taken into account when making business decisions.

Like any business expense, however, we have an obligation to manage our tax costs as part of our financial responsibility to societies and shareholders. We are therefore willing to respond to tax incentives and exemptions granted by governments on reasonable grounds and we currently have several operations in countries that offer favourable tax treatments, where their location is also justified by sound commercial considerations.

Stora Enso has operations in the following locations that offer favourable tax treatments:

- Our joint operation Montes del Plata operates a pulp mill in a Special Economic Zone in Uruguay.
- Stora Enso's two forestry companies in Guangxi, China are entitled to exemption from corporate income tax and value added tax on their sales, and our industrial company will benefit from reduced tax rates during the first 10 years of operation.
- Stora Enso owns two dormant companies in Luxembourg with equity of EUR 8 million, which are a remnant of a former legal structure. We additionally conduct business, mainly sales services, in the United Arab Emirates, Singapore and Hong Kong. We also own 51% stake in a holding company in the British Virgin Islands, which became part of the Group's ownership structure with the acquisition of the Inpac International packaging company.
- For logistical and operational reasons, pulp from our joint operations in Brazil and Uruguay is traded via a pulp sourcing and marketing company based in the Netherlands.

More information available at storaenso.com/investors.

Our commitment to tax transparency also involves our relationships with tax authorities and governments. We seek to work positively, proactively and openly with tax authorities on a global basis to minimise the extent of disputes and to achieve certainty wherever possible.

Stora Enso's tax footprint

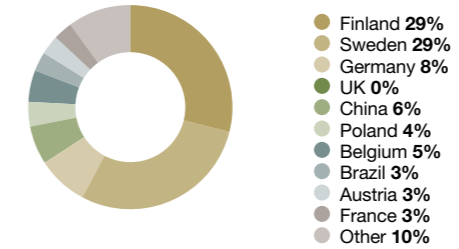
In 2014, Stora Enso paid EUR 1 148 million in taxes to governments in countries where the Group has operations – EUR 372 million were paid in own taxes (taxes borne) and EUR 776 million were collected on behalf of governments (taxes collected).

Wider economic impact

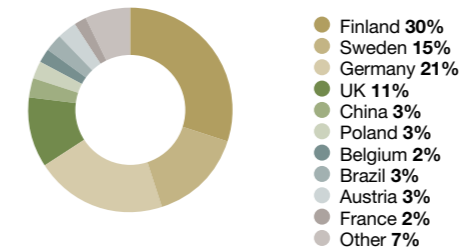
The above tax footprint shows Stora Enso's direct contribution through tax payments to governments around the world. However, Stora Enso's business triggers a much bigger tax footprint when taking into account second- and third-tier impact. Take the Montes del Plata Pulp Mill in Uruguay for example: the industrial operations take place in a Special Economic Zone, where it is exempt from many taxes. However, our engagement in Uruguay has stimulated the economy in this region. During the construction period, the Uruguayan GDP was approximately 1% above the level that would have prevailed without the project. During the construction period 6 900 jobs were created in the economy. More than 4 000 of these jobs were directly linked to the construction, erection and associated services. When operating at full capacity, Montes del Plata increases the Uruguayan GDP by 1.7% compared to the year 2012 and creates more than 600 direct jobs in Montes del Plata and 5 000 indirect jobs in e.g. harvesting, transport, silviculture, services and local crafts enterprises. All this generates turnover and income, which in turn will generate taxes.

For more information on the ways that Stora Enso creates economic value to its stakeholders globally, please see the [Community Impacts chapter](#). For more information on Stora Enso's engagement and value creation with local communities in China, Brazil and Uruguay, please see our separate [Global Responsibility Performance 2014](#).

TOTAL TAXES BORNE



TOTAL TAXES COLLECTED



Taxes paid in major countries of operation in 2014

Stora Enso did not pay corporate income tax in Finland in 2014 because it has tax losses from previous years. The tax losses carried forward of EUR 971 million in Finland are the result of a number of factors, e.g. high closure costs and restructuring costs over the past few years.

All companies in the scope of Stora Enso's tax footprint are consolidated or joint operations, which have been consolidated proportionally with Stora Enso's share of 50%. Consolidation includes all companies that have either more than 30 employees or a turnover of EUR 15 million or above.

If a Stora Enso company was in a recovery position regarding VAT or energy taxation in a specific country, tax payments for this company have been reported at NIL.

Taxes borne include all tax and tax-like payments that Stora Enso has paid as own taxes. Tax-like payments include other government revenue raised outside of the tax regime, e.g. payments for emission rights or social security payments.

Taxes collected include all tax and tax-like payments that Stora Enso has collected on behalf of the government, e.g. payroll taxes, but also VAT and similar sales-related taxes that are paid by Stora Enso. The economic burden is on the buyer or final consumer.

EUR million	Finland	Sweden	Germany	UK	China	Poland	Belgium	Brazil	Austria	France	Other	Total
	Production	Production and sales	Production and sales	Sales	Sales	Production and sales	Production and sales	Production	Production and sales	Sales		
Primary activity												
Taxes borne												
Corporate income tax	-	14	-	-	4	2	-	4	1	-	14	39
Employment taxes	95	89	21	1	10	6	12	3	11	10	13	271
Operational taxes	14	5	7	-	9	6	5	5	-	2	9	62
Total Taxes Borne	109	108	28	1	23	14	17	12	12	12	36	372
Taxes collected												
VAT, Goods and Services taxes and similar turnover related taxes	34	37	115	86	13	17	8	8	7	7	34	367
Payroll taxes	142	82	47	2	8	5	11	4	14	5	17	337
Other taxes	59	-	-	-	-	-	-	11	-	-	3	73
Total Taxes Collected	235	119	162	88	21	22	19	23	21	12	54	776
Total Taxes Paid	344	227	190	89	44	36	36	35	33	24	90	1 148

Risks, governance and management

Risk management

Effective risk management is a competitive necessity and integral part of value creation, and therefore the risk management process is closely aligned to our strategy. Stora Enso is committed to ensuring that the systematic and proactive management of risks and opportunities, together with mitigation actions, is a core capability and integral part of business performance management.

The table below summarises the key risks identified in the 2014 baseline assessment. A more detailed description of the risk management governance, process and significant risks is included in the Report of the Board of Directors in the separate [Financial Report 2014](#).

Top short-term risks and corresponding risk treatment and mitigation

Risk	Description	Treatment and mitigation	Reference	Category	Risk type
Product safety	Among the uses for Stora Enso paper and board are various food contact and other sensitive applications. The financial and sustainability implications in the event of contaminated or defective products being delivered to customers would be significant to Stora Enso. Such event could lead to claims, possible legal actions and/or reputational damage.	The mills producing sensitive applications have established certified hygiene management systems. To ensure the safety of its products, Stora Enso actively participates in various working groups on chemical and product safety. All Stora Enso's pulp, paper and board production units are certified according to the ISO 14001 management system standard. In addition, all units producing food contact materials and other sensitive packaging materials follow Good Manufacturing Practice (GMP). Continuous proactive product and process development also helps to minimise product safety risks. Transfer of risk through product and recall liability insurance.	Global Responsibility Performance 2014/Product Responsibility	Operational	Internal
Compliance with international standards on human rights	Risk that policies and procedures related to human rights issues are not properly integrated into daily business in the company's operations and supply chains, resulting in violations of international standards on human rights and leading to reputational damage and loss of business.	In 2014, human rights assessments were completed covering all production units, wood supply operations, their supply chain management and relations with local communities. In 2015 our focus is to develop action plans based on the results and to start implementing them.	storaenso.com/responsibility and Global Responsibility Performance 2014, Human Rights	Compliance	Internal

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Risk	Description	Treatment and mitigation	Reference	Category	Risk type
Suppliers' compliance with Code of Conduct	Risks related to suppliers and subcontractors, who may fail to comply with Stora Enso's sustainability requirements and thus harm Stora Enso and its reputation. This relates especially to suppliers not complying with labour regulations as well as health and safety in high-risk countries in the emerging markets such as Pakistan, China, Brazil and India.	Stora Enso's Code of Conduct for suppliers and audit schemes covers its raw materials as well as other goods and services procured. Suppliers are assessed for risks related to their environmental, social and business practices through self-assessment questionnaires and supplier audits. Findings are continuously followed up. The coverage of sustainability requirements in supplier contracts has recently been increased to also include training.	Global Responsibility Performance 2014, Sourcing	Operational	Internal
Business Ethics and Compliance	Risks related to breach of laws and regulations as well as group policies regarding fraud, anti-trust, corruption, conflict of interests and other similar areas could potentially have major financial and contractual impact and cause damage to Stora Enso's reputation.	Stora Enso's Business Practice Policy is kept continuously up to date. This policy clearly states Stora Enso's support of ethical and legally compliant business practices, including, but not limited to, free and fair competition and zero tolerance of corrupt activities of any kind. These commitments are also an integral part of Stora Enso's Code of Conduct. Stora Enso will continue to emphasise its commitment to ethical and compliant operations through risk assessments, corporate policies and training, supply change management and an effective grievance mechanism.	Global Responsibility Performance 2014, Ethics and Compliance	Compliance	Internal
Environmental and hazard	Risk that an incident at a mill, such as leakage or other uncontrolled emissions, causes damage to the environment, leading to a negative reputation, sanctions, significant clean-up costs and production losses.	Stora Enso's mills have various organisational and technical policies and procedures in place to prevent incidents and to minimise the potential impacts. These measures include written instructions, personnel training sessions, emergency plans, leakage controls, spillage containment and separated drainage systems. The risk is minimised through environmental management systems and environmental due diligence for acquisitions and divestments. Indemnification agreements are used for old activities and mill closures where effective and appropriate remediation projects are required. Causes of all incidents are always analysed and modifications to organisational and technical measures are made accordingly.	Global Responsibility Performance 2014	Operational	Internal
Financial market and price	Stora Enso is exposed to several financial market risks that the Group is responsible for managing under policies approved by the Board of Directors. The main exposures for the Group (excluding commodities) are interest rate risk, currency risk and funding risk.	The main control mechanism for managing financial risks is the Stora Enso Group Financial Risk Policy, which governs all financial transactions in Stora Enso. This policy and any future amendments take effect when approved by the Board of Directors. The Stora Enso Treasury Internal Risk Policy refines the guidance into more detailed instructions. The duration of the Group's loan portfolio is capped to the Group's average loan maturity. Duration above average loan maturity is approved by the Board of Directors. The Group policy to mitigate this is to hedge 50% of the forecast major currency cash flows for 12 months.	Financial Report 2014, Note 25	Financial	External

The management of risks is based on coherent risk identification, capitalising on Stora Enso's specific risk areas and careful assessment of both the potential likelihood and impact as well as risk appetite. Consideration is given to sustainability as well as to financially-related reputational impact.

In connection with the annual strategy process, Divisions and Group service and support functions conduct a baseline risk assessment linked to strategic objectives. In 2014 Global Responsibility risks were selected as a specific focus area to ensure that risks related to responsibility are given proper attention in the risk management process.

Top long-term risks and corresponding risk mitigation

Risk	Description	Treatment and mitigation	Reference	Category	Risk type
Global megatrends and market dynamics	Megatrends, such as technological advances, demographic fluctuations, shifts in global economic power, increased focus on health and well-being, accelerating urbanisation, resource scarcity and climate change, may impact Stora Enso's operations and cause uncertainty in the short and long term.	Systematic follow-up and monitoring of megatrends, also using external information sources; integration into strategy process, including megatrend-specific scenario/contingency planning.		Strategic	External
Political risks and regulatory changes	Changes in legislation, for example environmental, energy or land use regulations, may affect Stora Enso's operations. For example, this relates to tighter sulphur regulation of maritime fuels and CO ₂ regulations, changes in energy taxes or tax returns, the loss of carbon leakage status in the emission trading scheme or non-compliance regarding the declaration of green certificates. Political changes, especially in China, Russia, Brazil and Uruguay, may also have a material financial impact on Stora Enso's operations.	Stora Enso monitors and actively participates in the development of environmental legislation to minimise any adverse effects on its business. Stora Enso actively lobbies its views on national and international levels through associations; however, its possibilities to control these risks are typically very limited. With regard to the developments relating to imposed sanctions on Russia, and possible counteractions thereof, Wood Supply Finland has outlined a scenario analysis and contingency plan, which involves readiness to production priority setting for birch pulpwood deliveries in case deliveries from Russia are affected.	Global Responsibility Performance 2014, Forest and Land Use, Environmental impacts from logistics, Regional chapters on Asia and South America, Climate and Energy	Strategic/ Compliance	External
Recruitment, retention and motivation of key people	The inability to recruit, retain and develop competent personnel throughout Stora Enso's global organisation may prevent Stora Enso from reaching its strategic targets.	Competence development programmes covering all of Stora Enso's executives. Compensation and incentive schemes. Increased focus on strategic resourcing.	Financial Report 2014, Note 7 and Global Responsibility Performance 2014, Our personnel	Operational	Internal/ External
Low-cost competitors with lower Global Responsibility standards	Risk that local competitors following lower local Global Responsibility standards enter the market with lower compliance costs than Stora Enso, resulting in Stora Enso losing competitiveness to those companies regarding the most price-conscious customers.	Striving for a broader customer base through top-down market mapping and communicating to customers the sustainability of Stora Enso's product offering, including the legality and traceability of raw materials, the Code of Conduct as a foundation for operations as well as transparency in the supply chain.		Strategic	External

Key principles of Corporate Governance

The duties of the various bodies within Stora Enso Oyj are determined by the laws of Finland and by the Company's corporate governance policy, which complies with the Finnish Companies Act and the Finnish Securities Market Act. The rules and recommendations of the NASDAQ OMX Helsinki and Stockholm stock exchanges are also followed, where applicable. Stora Enso's corporate governance policy is approved by the Board of Directors.

Stora Enso's Corporate Governance complies with the Finnish Corporate Governance Code issued by the Securities Market Association that entered into force on 1 October 2010. The Code is available at www.cgfinland.fi. Stora Enso's Corporate Governance also complies with the Swedish Corporate Governance Code which entered into force on 1 February 2010 (and has been applicable to Stora Enso as a foreign company from 1 January 2011) with the exception of the deviations listed in Appendix 1 of Stora Enso's [Corporate Governance Report 2014](#). The deviations are due to differences between the Swedish and Finnish legislation, governance code rules and practices, and in these cases Stora Enso follows the practice in its domicile. The Swedish Code is issued by the Swedish Corporate Governance Board and is available at www.corporategovernanceboard.se.

Governance Bodies



General governance issues

The Board and the Chief Executive Officer (CEO) are responsible for the management of the Company. Other governance bodies have an assisting and supporting role.

Objectives and composition of governance bodies

The shareholders exercise their ownership rights through the shareholders' meetings. The decision-making bodies with responsibility for managing the Company are the Board and the CEO. The Group Leadership Team (GLT) supports the CEO in managing the Company. Day-to-

day operational responsibility rests with the GLT members and their operation teams supported by various staff and service functions.

Shareholders' meetings

The Annual General Meeting of shareholders (AGM) is held annually to present detailed information about the Company's performance and to deal with matters such as adopting the annual accounts, setting the dividend (or distribution of funds) and its payment, and appointing members of the Board of Directors and the Auditor.

Shareholders may exercise their voting rights and take part in the decision-making process of Stora Enso by attending shareholders' meetings. Shareholders also have the right to ask questions of the Company's management and Board of Directors at shareholders' meetings. Major decisions are taken by the shareholders at Annual or Extraordinary General Meetings.

Nomination Board appointed by the shareholders

Shareholders at the AGM appoint a Nomination Board to prepare proposals concerning:

- the number of members of the Board;
- the members of the Board;
- the remuneration for the Chairman, Vice Chairman and members of the Board;
- the remuneration for the Chairman and members of the committees of the Board.

Board of Directors

Stora Enso is managed by the Board according to International Corporate Governance Principles. The Board comprises six to eleven ordinary members appointed by the shareholders at the AGM for a one-year term. It is the policy of the Company that the majority of the directors shall be independent of the Company. All directors are required to deal at arm's length with the Company and its subsidiaries and to disclose circumstances that might be perceived as a conflict of interest.

The shareholders at the AGM decide the remuneration of the Board members (including the remuneration of the members of the Board committees). The Board supervises the operation and management of Stora Enso and decides on significant matters relating to strategy, investments, organisation and finance. The Board is responsible for overseeing management and for the proper organisation of the Company's operations. It is likewise responsible for overseeing the proper supervision of accounting and control of financial matters.

The Board elects a Chairman and a Vice Chairman from among the Board members and appoints the CEO, Chief Financial Officer (CFO) and other GLT members. The Board approves the main organisational structure of the Company. The Board reviews and determines the remuneration of the CEO, which is described in the Annual Report and the Company's website. The Board evaluates its performance annually. The Board also reviews the corporate governance policy annually and amends it when required.

The Board's work is supported through its committees – the Financial and Audit Committee, the Remuneration Committee and the Global Responsibility and Ethics Committee.

Board committees

The tasks and responsibilities of the Board committees are defined in their charters, which are approved by the Board. All the committees evaluate their performance annually, are allowed to use external consultants and experts when necessary and shall have access to all information needed. Each committee's chairman and members are appointed by the Board annually.

Financial and Audit Committee

The Financial and Audit Committee supports the Board in maintaining the integrity of the Company's financial reporting and the Board's control functions. It regularly reviews the system of internal control, management and reporting of financial risks, the audit process and the annual corporate governance statement. It makes recommendations regarding the appointment of external auditor for the parent company and the main subsidiaries.

Remuneration Committee

The Remuneration Committee is responsible for recommending, evaluating and approving executive nominations and remunerations (including reviewing and recommending the CEO's remuneration), evaluating the performance of the CEO, and making recommendations to the Board relating to management remuneration issues generally, including equity incentive remuneration plans. There is a Remuneration Committee representative present at the AGM to answer questions relating to the management remuneration. The Board appoints the CEO and approves his/her remuneration.

Global Responsibility and Ethics Committee

The Global Responsibility and Ethics Committee is responsible for overseeing the Company's global responsibility and ethical business conduct, its strive to be a responsible corporate citizen, and its contribution to sustainable development. The Committee regularly reviews Stora Enso's Global Responsibility Strategy and Ethics and Compliance Strategy and, in accordance with Stora Enso's corporate governance structure, oversees their effective implementation. In its work the Committee takes into consideration Stora Enso's Purpose and Values as well as Code of Conduct and Business Practice Policy.

Management of the Company**Chief Executive Officer (CEO)**

The CEO is in charge of the day-to-day management of the Company in accordance with instructions and orders issued by the Board. It is the duty of the CEO to ensure that the Company's accounting principles comply with the law and that financial matters are handled in a reliable manner.

The Board approves the main organisation, including the functions reporting to the CEO. At the end of 2014 the CEO was directly in charge of the following functions, which also reported to him:

- Divisions (Renewable Packaging*, Biomaterials, Building and Living, and Printing and Reading). The Operating Segments reporting to the CEO comprised Renewable Packaging, Biomaterials, Building and Living, Printing and Reading, and Other.
- CFO (responsible for Accounting, Controlling, Corporate Finance and M&A, Internal Audit, Investor Relations, Tax, Treasury)
- Business Information Services
- Global People and Organisation
- Global Ethics and Compliance, General Counsel
- Global Communications
- Global Responsibility
- Sourcing
- Energy, Logistics, and Wood Supply in Finland and Sweden

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

The CEO is also responsible for preparatory work with regard to Board meetings. In addition, the CEO supervises decisions regarding key personnel and other important operational matters.

One of the Group Leadership Team members acts as deputy to the CEO as defined in the Finnish Companies Act.

Group Leadership Team (GLT)

The GLT is chaired by the CEO. The GLT members are appointed by the CEO and approved by the Board. At the end of the year 2014, the eleven GLT members were the CEO, the CFO, and the heads of the Divisions, Global People and Organisation, Global Ethics and Compliance (who is also General Counsel), Global Communications, Global Responsibility and Sourcing, and the head of Energy, Logistics and Wood Subbly in Finland and Sweden.

The GLT assists the CEO in supervising the Group and Business Divisional performance against agreed targets, portfolio strategy, ensuring the availability and value-creating allocation of Group funds and capital, and statutory, governance, compliance and listing issues and policies.

Divisions and other functions

The divisions are responsible for their respective line of business and are organised and resourced to deal with all business issues. The CEO steers the Divisions through quarterly and as needed Business Performance Reviews as well as the GLT meetings.

The investment planning is carried out by the divisions and, if certain monetary thresholds are exceeded, reviewed by the Investment Working Group comprising Group and division representatives. The CEO and GLT are responsible for the investment allocations and decisions, as well as proposals to the Board of Directors.

Innovation is organised and driven within the Business Divisions to drive market and customer focus. The progress of innovation efforts are evaluated in quarterly Innovation Reviews with the CEO, CFO, the Division Head and the Division Innovation Head.

The GLT is responsible for all policy issues relating to Global Responsibility. Everyday responsibility issues are handled by the Global Responsibility function together with the Global Ethics and Compliance function, Global People and Organisation function and the Divisions, which are responsible for the operational management of responsibility issues. The operational management of global responsibility is co-ordinated by the Global Responsibility Council, whose members come from the Divisions and other key functions. The Council reports to the Board of Directors' Global Responsibility and Ethics Committee, the CEO and the Group Leadership Team.

The Company has user boards for certain cross-functional service functions (Logistics, Business Information Services, Energy and parts of Wood Supply). These user boards consist of representatives of the Divisions using these services. The user boards supervise and steer the operations of the respective functions.

The Company has established proper disclosure policies and controls, and process for quarterly and other ongoing reporting.

Other supervisory bodies and norms

Auditor

The AGM annually elects one auditor for Stora Enso. The Financial and Audit Committee monitors the auditor selection process and gives its recommendation as to who should serve as auditor to the Board and to the shareholders at the AGM. The auditor shall be an authorised public accounting firm, which appoints the responsible auditor.

Internal Audit

Stora Enso has a separate internal auditing organisation. The role of Internal Audit is to provide independent, objective assurance and consulting services that add value and improve the Group's operations. Internal Audit helps the Group to accomplish its objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control, risk management and governance processes.

To ensure the independence of the Internal Audit department, its personnel report to the head of Internal Audit, who reports functionally to the Financial and Audit Committee, and administratively to the CFO.

Ethics and Compliance Board

Stora Enso's Ethics and Compliance Board supervises and monitors legal and regulatory compliance-related policies, implementation and maintenance of processes and tools regarding the same, and concrete compliance issues and cases in the field of business practices. The Ethics and Compliance Board consists of the General Counsel (chairman), CEO, CFO, Head of Global People and Organisation, Head of Internal Audit and the Legal Counsel dedicated to compliance matters.

Insider guidelines

The Company complies with the insider guidelines of NASDAQ OMX Helsinki. The Company's internal insider guidelines are published and distributed throughout the Group.

The Company expects the management and all its employees to act in the way required of an insider. All unpublished information relating to the Company's present and future business operations shall be kept strictly confidential.

Internal control and risk management related to financial reporting

The system of internal control in the Stora Enso Group is based upon the framework issued by the Committee of Sponsoring Organisations (COSO) and comprises five principal components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring.

The internal controls related to financial reporting are part of the system of internal control and are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies.

Remuneration principles in Stora Enso

Stora Enso aims to provide a level of remuneration that motivates, encourages, attracts and retains employees of the highest calibre. To maximise the effectiveness of the

remuneration policy, careful consideration will be given to aligning the remuneration package with shareholder interests and best market practice.

A fundamental element in the remuneration principles is the concept of pay-for-performance, and an important aspect of Stora Enso's approach to remuneration is to look at the total remuneration provided to employees.

Stora Enso's total remuneration mix consists of:

- Annual fixed salary
- Variable pay components as short-term incentives (cash) and long-term incentives (shares when applicable)
- Long-term employee benefits (pension, medical and health benefits)
- Other benefits (car, housing, etc. when applicable)

The Group Leadership Team annually reviews the performance and potential ratings, as well as the succession planning of its top management in order to secure global principles with local applications.

Stora Enso's full remuneration policy is presented at storaenso.com/investors/governance/remuneration.

More information about remuneration is available in the [Financial Report 2014](#), Note 7.

Stora Enso's full Corporate Governance Report 2014 and the Group's Corporate Governance Policy are available as PDF documents at storaenso.com/investors/governance.

Board of Directors

Gunnar Brock

- Chairman of Stora Enso's Board of Directors since March 2010. Member of Stora Enso's Board of Directors since March 2005. Independent of the Company and the significant shareholders.
- Born 1950. M.Sc. (Econ.). Swedish citizen.
- Owns 61 292 R shares in Stora Enso.

Elisabeth Fleuriot

- Member of Stora Enso's Board of Directors since April 2013. Independent of the Company and the significant shareholders.
- Born 1956. M.Sc. (Econ.). French citizen.
- Owns 9 029 R shares in Stora Enso.

Mikael Mäkinen

- Member of Stora Enso's Board of Directors since March 2010. Independent of the Company and the significant shareholders.
- Born 1956. M.Sc. (Eng.). Finnish citizen.
- Owns 21 705 R shares in Stora Enso.

Juha Rantanen

- Vice Chairman of Stora Enso's Board of Directors since March 2010. Member of Stora Enso's Board of Directors since March 2008. Independent of the Company and the significant shareholders.
- Born 1952. M.Sc. (Econ.). Finnish citizen.
- Owns 14 738 R shares in Stora Enso.

Hock Goh

- Member of Stora Enso's Board of Directors since April 2012. Independent of the Company and the significant shareholders.
- Born 1955. Bachelor's degree (honours) in Mechanical Engineering. Singaporean citizen.
- Owns 14 812 R shares in Stora Enso.

Richard Nilsson

- Member of Stora Enso's Board of Directors since April 2014. Independent of the Company but not of its significant shareholders due to his employment at FAM AB.
- Born 1970. B.Sc. (Business Administration and Economics). Swedish citizen.
- Owns 7 162 R shares in Stora Enso.

Anne Brunila

- Member of Stora Enso's Board of Directors since April 2013. Independent of the Company and the significant shareholders.
- Born 1957. D.Sc. (Econ.). Finnish citizen.
- Owns 9 029 R shares in Stora Enso.

Birgitta Kantola

- Member of Stora Enso's Board of Directors since March 2005. Independent of the Company and the significant shareholders.
- Born 1948. LL.M., Econ. Dr.H.C. Finnish citizen.
- Owns 31 017 R shares in Stora Enso.

Hans Stråberg

- Member of Stora Enso's Board of Directors since April 2009. Independent of the Company and the significant shareholders.
- Born 1957. M.Sc. (Eng.). Swedish citizen.
- Owns 24 590 R shares in Stora Enso.



Gunnar Brock



Juha Rantanen



Anne Brunila



Elisabeth Fleuriot



Hock Goh



Birgitta Kantola



Mikael Mäkinen



Richard Nilsson



Hans Stråberg

Matti Vuoria, member of Stora Enso's Board of Directors since March 2005 until his resignation on 23 April 2014. He was independent of the Company and the significant shareholders.

Marcus Wallenberg, member of Stora Enso's Board of Directors since December 1998 until his resignation on 23 April 2014. Member of Stora's Board of Directors from March 1998 until the merger with Enso in 1998. Marcus Wallenberg (Chairman of the Board of Directors of FAM AB) was not independent of significant shareholders of the Company. The Board evaluated that Marcus Wallenberg was independent of the Company despite his 15-year membership of the Board of Directors.

The independence is evaluated in accordance with Recommendation 15 of the Finnish Corporate Governance Code. The full recommendation can be found at www.cgfinland.fi. A significant shareholder according to the recommendation is a shareholder that holds more than 10% of all company shares or the votes carried by all the shares or a shareholder that has the right or the obligation to purchase 10% of already issued shares.

For more detailed information about the Board of Directors, see storaenso.com/investors/governance/board-of-directors

Group Leadership Team



Group Leadership Team

Karl-Henrik Sundström

- Chief Executive Officer (CEO) of Stora Enso
- Born 1960. B.Sc. (Business Studies). Swedish citizen. Joined the company in 2012.
- Owns 23 618 R shares in Stora Enso directly and 41 700 R shares through Alma Patria AB (related party).

Seppo Parvi

- Chief Financial Officer (CFO) of Stora Enso, Deputy to the CEO, Country Senior Executive, Finland
- Born 1964. M.Sc. Finnish citizen. Joined the company in February 2014.
- Owns 3 627 R shares in Stora Enso.

Juan Carlos Bueno

- Executive Vice President, Head of Stora Enso Biomaterials
- Born 1968. M.Sc. (Industrial Eng.). Colombian citizen. Joined the company in 2011.
- Does not own any Stora Enso shares.

Johanna Hagelberg

- Executive Vice President Sourcing
- Born 1972. M.Sc. (Industrial Engineering & Management) and M.Sc. (Engineering and Management of Manufacturing Systems). Swedish citizen. Joined the company in 2013.
- Owns 814 R shares in Stora Enso.

Kati ter Horst

- Executive Vice President, Head of Stora Enso Paper
- Born 1968. MBA (International Business), Master of Science (Marketing). Finnish citizen. Joined the company in 1996.
- Owns 5 273 R shares in Stora Enso.

Lars Häggström

- Executive Vice President, Global People and Organisation
- Born 1968. B.Sc. (HR Development and Labour Relations). Swedish citizen. Joined the company in 2010.
- Owns 7 882 R shares in Stora Enso.

Terhi Koipijärvi

- Executive Vice President (acting), Global Responsibility
- Born 1967. Master of Science (Forestry and Forest Products Marketing). Finnish citizen. Joined the company in 2010.
- Owns 1 148 R shares in Stora Enso.

Ulrika Lilja

- Executive Vice President, Global Communications
- Born 1975. Master of Science (Business Administration and Economics). Swedish citizen. Joined the company in January 2014.
- Owns 7 355 R shares in Stora Enso.

Per Lyrvall

- Executive Vice President, Global Ethics and Compliance, General Counsel, Country Senior Executive, Sweden
- Born 1959. LL.M. Swedish citizen. Joined the company in 1994.
- Owns 24 573 R shares in Stora Enso.

Jari Suominen

- Executive Vice President, Head of Stora Enso Wood Products
- Born 1969. Master of Science (Business administration). Finnish citizen. Joined the company in 1995.
- Owns 12 098 R shares in Stora Enso.

Juha Vanhainen

- Executive Vice President, Energy, Logistics, Wood Supply Operations in Finland and Sweden
- Born 1961. M.Sc. (Eng.). Finnish citizen. Joined the company in 1990.
- Owns 70 746 R shares in Stora Enso.

Jouko Karvinen, Chief Executive Officer (CEO) was a member of the Group Leadership Team until 31 July 2014.

Mats Nordlander, Executive Vice President, Renewable Packaging was a member of the Group Leadership Team until 21 March 2014.

Lauri Peltola, Executive Vice President, Global Identity, Country Senior Executive Finland was a member of the Group Leadership Team until 31 August 2014.

Jyrki Tammivuori, Chief Financial Officer (acting) was a member of the Group Leadership Team until 31 January 2014.

Jari Latvanen was appointed EVP, Head of Stora Enso Consumer Board and a member of the Group Leadership Team as of 1 January 2015.

Noel Morrin was appointed EVP, Global Responsibility and a member of the Group Leadership Team as of 1 April 2015.

For more detailed information about the Group Leadership Team, see storaenso.com/investors/governance/group-leadership-team

Key financials

Key Figures

Financial	Unit	2014	2013 ¹	Change
Sales	EUR million	10 213	10 563	-3.3%
Operational EBITDA	EUR million	1 269	1 090	16.4%
Operational EBIT	EUR million	810	578	40.1%
Operating profit (IFRS)	EUR million	400	50	n/m
Profit before tax excl. NRI	EUR million	399	350	14.0%
Profit/loss before tax	EUR million	120	-189	163.5%
Net profit/loss for the period	EUR million	90	-71	226.8%
Net interest-bearing liabilities	EUR million	3 274	3 191	2.6%
Capital expenditure	EUR million	781	760	2.8%
Operational ROCE	%	9.5%	6.5%	
Debt/equity ratio		0.65	0.61	
Production		2014	2013¹	Change
Board deliveries	1 000 tonnes	3 507	3 373	4.0%
Paper deliveries	1 000 tonnes	6 006	6 525	-8.0%
Corrugated packaging deliveries	million m ²	1 104	1 086	1.7%
Market pulp deliveries	1 000 tonnes	1 371	1 180	16.2%
Wood products deliveries	1 000 m ³	4 646	4 930	-5.8%
Share		2014	2013¹	Change
Earnings per share (EPS) excl. NRI	EUR	0.40	0.40	
Earnings per share (EPS)	EUR	0.13	-0.07	
Dividend per share	EUR	0.30 ²	0.30	
Equity/share	EUR	6.43	6.61	
Payout ratio, excluding NRI	%	75%	75%	
Total market capitalisation at 31 December	EUR million	5 871	5 756	2.0%
People		2014	2013¹	Change
Average number of employees		29 009	28 921	0.3%
TRI rate		12.5	14.0	-10.7%
LTA rate		5.2	6.0	-13.3%

¹ The data for the comparative periods in 2013 have been restated following adoption of the new IFRS

² Board's proposal for dividend distribution

Operational EBIT comprises the operating profit excluding NRI and fair valuations of the segments and Stora Enso's share of the operating profit excluding NRI and fair valuations of its equity-accounted investments (EAI). Fair valuations and non-operational items include equity incentive schemes, synthetic options net of realised and open hedges, CO₂ emission rights and valuations of biological assets and the Group's share of tax and net financial items of EAI.

NRI = Non-recurring items. These are exceptional transactions that are not related to normal business operations. The most common non-recurring items are capital gains, additional write-downs or reversals of write-downs, provisions for planned restructuring and penalties. Non-recurring items are normally disclosed individually if they exceed one cent per share.

TRI (Total recordable incidents) rate = number of incidents per one million hours worked.

LTA (Lost-time accident) rate = number of lost-time accidents per one million hours worked.

This financial information has been extracted from the financial statements included in a separate document, Financial Report 2014.

Consolidated Income Statement

EUR million	Year Ended 31 December	
	2014	2013 ¹
Sales	10 213	10 563
Other operating income	168	140
Changes in inventories of finished goods and work in progress	3	-27
Change in net value of biological assets	-114	165
Materials and services	-6 244	-6 688
Freight and sales commissions	-939	-982
Personnel expenses	-1 383	-1 390
Other operating expenses	-625	-644
Share of results of equity accounted investments	87	102
Depreciation, amortisation and impairment charges	-766	-1 189
Operating Profit	400	50
Financial income	79	62
Financial expense	-359	-301
Profit/Loss before Tax	120	-189
Income tax	-30	118
Net Profit/Loss for the Year	90	-71
Attributable to:		
Owners of the Parent	99	-53
Non-controlling Interests	-9	-18
Net Profit/Loss for the Year	90	-71
Earnings per Share		
Basic and diluted earnings per share, EUR	0.13	-0.07

¹ The data for the comparative periods in 2013 have been restated following adoption of the new IFRS

This financial information has been extracted from the financial statements included in a separate document, Financial Report 2014.

Consolidated Statement of Comprehensive Income

EUR million	Year Ended 31 December	
	2014	2013 ¹
Net profit/loss for the year	90	-71
Other Comprehensive Income (OCI)		
Items that will Not be Reclassified to Profit and Loss		
Actuarial losses/gains on defined benefit plans	-100	74
Share of OCI of equity accounted investments that will not be reclassified	-	-1
Income tax relating to items that will not be reclassified	17	-27
	-83	46
Items that may be Reclassified Subsequently to Profit and Loss		
Share of OCI of equity accounted investments that may be reclassified	-17	13
Currency translation movements on equity net investments (CTA)	63	-227
Currency translation movements on non-controlling interests	14	-6
Net investment hedges	8	23
Cash flow hedges	-74	-26
Non-controlling interests' share of cash flow hedges	-1	-
Available-for-sale investments	96	-101
Income tax relating to items that may be reclassified	8	2
	97	-322
Total Comprehensive Income	104	-347
Total Comprehensive Income Attributable to:		
Owners of the Parent	100	-323
Non-controlling interests	4	-24
	104	-347

¹ The data for the comparative periods in 2013 have been restated following adoption of the new IFRS

This financial information has been extracted from the financial statements included in a separate document, Financial Report 2014.

Consolidated Statement of Financial Position

EUR million	As at 31 December		As at 1 Jan
	2014	2013 ¹	2013 ¹
ASSETS			
Non-current Assets			
Goodwill	O 242	220	226
Other intangible assets	O 157	54	47
Property, plant and equipment	O 5 419	5 534	6 292
	5 818	5 808	6 565
Biological assets	O 643	634	474
Emission rights	O 27	21	30
Equity accounted investments	O 1 056	1 013	941
Available-for-sale investments: interest-bearing	I 30	10	96
Available-for-sale investments: operative	O 444	361	451
Non-current loan receivables	I 70	80	134
Deferred tax assets	T 259	229	143
Other non-current assets	O 85	63	85
	8 432	8 219	8 919
Current Assets			
Inventories	O 1 403	1 445	1 510
Tax receivables	T 8	13	18
Current operative receivables	O 1 484	1 555	1 714
Interest-bearing receivables	I 74	147	211
Cash and cash equivalents	I 1 446	2 073	1 921
	4 415	5 233	5 374
Total Assets	12 847	13 452	14 293
EQUITY AND LIABILITIES			
Equity Attributable to Owners of the Parent			
Share capital	1 342	1 342	1 342
Share premium	77	77	77
Treasury shares	-	-	-10
Fair value reserve	265	235	344
Cumulative translation adjustment	-149	-218	-10
Invested non-restricted equity fund	633	633	633
Retained earnings	2 803	3 197	3 394
Net profit/loss for the year	99	-53	-
	5 070	5 213	5 770
Non-controlling Interests	167	60	92
Total Equity	5 237	5 273	5 862
Non-current Liabilities			
Post-employment benefit provisions	O 483	378	480
Other provisions	O 159	127	145
Deferred tax liabilities	T 264	312	358
Non-current debt	I 3 530	4 201	4 799
Other operative liabilities	O 47	24	11
	4 483	5 042	5 793
Current Liabilities			
Current portion of non-current debt	I 611	544	202
Interest-bearing liabilities	I 751	744	693
Bank overdrafts	I 2	12	5
Other provisions	O 82	123	71
Other operative liabilities	O 1 631	1 698	1 627
Tax liabilities	T 50	16	40
	3 127	3 137	2 638
Total Equity and Liabilities	12 847	13 452	14 293

¹ The data for the comparative periods in 2013 have been restated following adoption of the new IFRS. Items designated "O" comprise Operating Capital, items designated "I" comprise Interest-bearing Net Liabilities, items designated "T" comprise Net Tax Liabilities.

This financial information has been extracted from the financial statements included in a separate document, Financial Report 2014.

Consolidated Cash Flow Statement

EUR million	Year Ended 31 December	
	2014	2013 ¹
Cash Flow from Operating Activities		
Net profit/loss for the year	90	-71
Result from the Statement of Other Comprehensive Income	-	7
Adjustments and reversal of non-cash items:		
Taxes	30	-118
Depreciation and impairment charges	766	1 189
Change in value of biological assets	114	-165
Change in fair value of options and TRS	10	1
Share of results of equity accounted investments	-87	-102
Profits and losses on sale of fixed assets and investments	-16	-24
Net financial items	280	239
Other adjustments	-11	-
Dividends received from equity accounted investments	19	38
Interest received	22	16
Interest paid	-200	-207
Other financial items, net	-34	-7
Income taxes paid	-39	-46
Change in net working capital, net of businesses acquired or sold	-56	265
Net Cash Provided by Operating Activities	888	1 015
Cash Flow from Investing Activities		
Acquisition of subsidiary shares and business operations, net of acquired cash	-16	25
Acquisition of shares in equity accounted investments	-97	-31
Acquisition of available-for-sale investments	-9	-9
Capital expenditure	-719	-690
Investment in biological assets	-68	-50
Proceeds from disposal of subsidiary shares and business operations, net of disposed cash	72	-
Proceeds from disposal of shares in equity accounted investments	61	-
Proceeds from disposal of available-for-sale investments	-	42
Proceeds from sale of intangible assets and property, plant and equipment	14	96
Proceeds from/payment of non-current receivables, net	16	85
Net Cash Used in Investing Activities	-746	-532
Cash Flow from Financing Activities		
Proceeds from issue of new long-term debt	166	239
Repayment of long-term debt	-922	-377
Change in short-term borrowings	17	70
Dividends paid	-237	-237
Sale of interest in subsidiaries to non-controlling interests	7	-
Equity injections from, less dividends to, non-controlling interests	94	-7
Purchase of own shares	-4	-
Net Cash Used in Financing Activities	-879	-312
Net Decrease/Increase in Cash and Cash Equivalents	-737	171
Translation adjustment	120	-27
Cash and cash equivalents at beginning of year	2 061	1 917
Net Cash and Cash Equivalents at Year End	1 444	2 061
Cash and Cash Equivalents at Year End	1 446	2 073
Bank Overdrafts at Year End	-2	-12
	1 444	2 061

¹ The data for the comparative periods in 2013 have been restated following adoption of the new IFRS.

This financial information has been extracted from the financial statements included in a separate document, Financial Report 2014.

Auditor's report

Unofficial translation

To the Annual General Meeting of Stora Enso Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Stora Enso Oyj for the year ended 31 December, 2014. The financial statements comprise the consolidated income statement, statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Chief Executive Officer shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Chief Executive Officer are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Chief Executive Officer should be discharged from liability for the financial period audited by us.

Helsinki, 4 February 2015

Deloitte & Touche Oy
Authorized Public Audit Firm

Jukka Vattulainen
APA

Information for shareholders

Annual General Meeting (AGM)

Stora Enso Oyj's AGM will be held at 16.00 (Finnish time) on Wednesday 22 April 2015 at the Marina Congress Center, Katajanokanlaituri 6, Helsinki, Finland.

Nominee-registered shareholders wishing to attend and vote at the AGM must be temporarily registered in the Company's register of shareholders on the record date, 10 April 2015. Instructions for submitting notice of attendance will be given in the invitation to the AGM, which can be consulted on the Company's website at storaenso.com/aggm.

AGM and dividend in 2015

 10 APRIL	Record date for AGM
 22 APRIL	Annual General Meeting (AGM)
 23 APRIL	Ex-dividend date
 24 APRIL	Record date for dividend
 13 MAY	Dividend payment effective

Dividend

The Board of Directors proposes to the AGM that a dividend of EUR 0.30 per share be paid to the shareholders for the fiscal year ending 31 December 2014. The dividend payable on shares registered with Euroclear Sweden will be forwarded by Euroclear Sweden AB and paid in Swedish krona. The dividend payable to ADR holders will be forwarded by Deutsche Bank Trust Company Americas (DBTCA) and paid in US dollars.

Publication dates for 2015

 4 FEBRUARY	Financial results for 2014
 WEEK 8	Annual Report 2014
 22 APRIL	Interim Review for January–March
 21 JULY	Interim Review for January–June
 23 OCTOBER	Interim Review for January–September

Distribution of financial information

Stora Enso's Annual Report 2014 is comprised of four separate reports: Progress Book, Financial Report, Corporate Governance Report and Global Responsibility Performance.

Progress Book 2014 is published in English, Finnish and Swedish, and distributed to shareholders registered with Euroclear Finland and Euroclear Sweden who have requested a copy. Progress Book 2014 is downloadable as a PDF file from the Company's website.

Financial Report 2014 is published in English and downloadable as a PDF file from the Company's website. The Official Financial Statements (in Finnish), an English translation of the Parent Company Financial Statements and the list of principal subsidiaries can be found on the Company's website.

Corporate Governance Report 2014 is published in English and downloadable as a PDF file from the Company's website. A Finnish translation of the report can be found on the Company's website.

Global Responsibility Performance 2014 is published in English and downloadable as a PDF file from the Company's website.

Interim Reviews are published in English, Finnish and Swedish on the Company's website, from where they can be downloaded as PDF files.

Mailing lists for financial information

Finnish and Swedish shareholders: Changes of address are updated automatically based on the population registers in Finland and Sweden. Please request addition to or removal from mailing lists by e-mail group.communications@storaenso.com, by mail Stora Enso Oyj, Global Communications, P.O. Box 309, FI-00101 Helsinki or by tel. +358 2046 131.

Registered ADR holders should contact DBTCA. Beneficial owners of Stora Enso ADRs should contact their broker.

Other stakeholders: see details for Finnish and Swedish shareholders.

Information for holders of American Depositary Receipts (ADRs)

The Stora Enso dividend reinvestment and direct purchase plan is administered by Deutsche Bank Trust Company Americas. The plan makes it easier for existing ADR holders and first-time purchasers of Stora Enso ADRs to increase their investment by reinvesting cash distributions or by making additional cash investments. The plan is intended for US residents only. Further information on the Stora Enso ADR programme is available at www.adr.db.com.

Contact information for Stora Enso ADR holders

Deutsche Bank Shareholder Services

c/o American Stock Transfer & Trust Company
Peck Slip Station
P.O. Box 2050, New York, NY 10272-2050, USA
Toll-Free number (within the USA only): +1 866 706 0509
DB@amstock.com

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It should be noted that certain statements herein which are not historical facts, including, without limitation those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by "believes", "expects", "anticipates", "foresees", or similar expressions, are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties, which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development, acceptance of new products or services by the Group's targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group's patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group's products and the pricing pressures thereto, price fluctuations in raw materials, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group's principal geographic markets or fluctuations in exchange and interest rates.



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