

The conduct of Stora Enso's international industrial operations presents a number of financial market risks that the Group is responsible for managing under policies approved by the Board. The overall objective of the Group Treasury is to provide cost-effective funding to Group companies as well as to manage financial risks in order to minimise the negative effects of market fluctuations on Group net income. The main exposures for the Group are funding risk, interest rate risk, currency risk and commodity risk.

Funding Risk

Funding risk arises from the difficulty of obtaining finance for operations at a given point in time. In order to minimise the cost of refinancing the Group loan portfolio and to ensure that funding is obtainable, the Group Treasury must have committed credit facilities to cover general corporate funding needs and all commercial paper borrowings. The average maturity of outstanding loans and committed credit facilities should be at least four years and not more than seven.

Interest Rate Risk

The Group is exposed to changes in interest rates as a result of the cyclical nature of the industry. The Group interest rate risk management policy is to synchronise the cost of capital with the return on capital employed by swapping long-term fixed interest rates to short-term floating interest rates with an average duration of twelve months and a deviation mandate of six months either way.

Foreign Exchange Risk

The Group operates internationally and is thus exposed to currency risk arising from exchange rate fluctuations. Transaction risk, being foreign currency-denominated sales and purchases together with foreign currency Balance Sheet items, as well as translation risk, being net investments in foreign subsidiaries, in aggregate comprise the foreign currency exchange risk of Stora Enso. The Group policy for transaction risk is to hedge a minimum 25% and maximum 75% of the upcoming 12 months net exposure in a specific currency, with a benchmark of 50% though, entities reporting in SEK can deviate from this. The policy

relating to translation risk exposure is to minimise this risk by funding investments in the same currency as the net assets whenever this is possible and economically viable.

Commodity Risk

Prices for Stora Enso's main products have been cyclical in nature and thus Group earnings are exposed to commodity price volatility. The Group has implemented a commodity risk management framework in the areas of fibre and energy procurement whereby subsidiaries are responsible for measuring their open commodity price risks and hedging these through the Group Treasury.

Credit Risk

Credit insurance has been obtained for customers in the main market areas of Western Europe, Canada and the United States. In other market areas, measures to reduce credit risks include letters of credit, prepayments and bank guarantees. The Group has also obtained export guarantees, covering both political and commercial risks, which are used in connection with individual customers outside the OECD area. Management considers that no significant concentration of credit risk with any individual customer, counterparty or geographical region exists for Stora Enso.

Supply Risk

Group manufacturing operations depend on obtaining adequate and timely supplies of raw materials, principally of wood, energy and chemicals. The result of operations could be adversely affected if the Group were unable to obtain adequate supplies of raw materials in a timely manner or if there were significant increases in the costs of raw materials. Group companies may at times be substantially dependent on a limited number of key resource suppliers due to availability, locality, price, quality and other constraints; additionally, suppliers may sometimes extend lead times, limit supplies or increase prices due to capacity constraints or other factors. In an attempt to mitigate supply risk, the Group works closely with its key suppliers around the world and also produces some of its key resources in-house.