

“Say what you do, and

do what you say”

We need challenges to make real improvements. This means that there can be a considerable gap between our present performance and our ambitions. Transparent reporting helps to make our targets clear, and also clarifies how well we are moving towards them. We have to state what we will do; and then do what we have said.

Major changes were made in our sustainability governance during 2003, and in 2004 we were already able to see benefits from these changes.

Our new Sustainability Committee is made up of the heads of all product areas and other relevant units. This structure has opened up opportunities for improvements, even though balancing the economic, social and environmental implications in decision-making can be a very challenging task. It is especially important to work with a wider scope in terms of the timescale, but also in terms of looking at the Group as a whole.

One important achievement during 2004 was the establishment of the Stora Enso Code of Ethics. This new code complies with the US Sarbanes-Oxley Act of 2002, and also incorporates our existing financial, social and environmental policies and practices.

Group-level environmental targets formulated

Stora Enso took a major step forward in bridging sustainability principles into everyday actions when Group-level environmental performance targets were formulated in 2004. The main idea has been to formulate targets that can be reliably measured, and which address the concerns expressed during our regular contacts with stakeholders.

A key question in establishing these environmental targets was how challenging we should make them. A good target must be challenging enough to lead to real changes in operations, but should also be achievable. It is important to underline that sustainability principles and targets are not descriptions of today's performance; rather they point the direction in which we should work.

At Stora Enso, preparedness to work systematically towards environmental targets has in a way been built upwards from the units. In 2003 we reached 100% coverage of third-party-verified environmental management systems in our pulp, paper and board mills; with sawmills and wood procurement following suit. This means that environmental target setting is already well established at unit level; now this work will be integrated with corporate-level efforts.

CSR Principles adopted at unit level

During 2004 we also made progress towards the CSR targets set in 2003. One important corporate target is that all units, including staff units, should have specific action plans in place before the end of 2006. I'm happy to note that all three product areas have been very active in promoting the unit-level implementation of our Corporate Social Responsibility Principles. Another significant step has been the integration of CSR aspects into our corporate due diligence guidelines, which are already beginning to be tested in practice.

Success factors

Looking at our sustainability impacts and stakeholder expectations, there are four areas I'd like to highlight:

1. Guaranteeing the sustainability of fibre sources.
2. Measures to combat climate change.
3. Improving occupational health and safety.
4. Addressing sustainability challenges in emerging markets.

Guaranteeing the sustainability of fibre sources

The acceptability of raw materials is a crucial prerequisite for our licence to

operate. When it comes to wood, we have a variety of efficient tools at our disposal. These tools have two fundamental features in common: they all document where the wood comes from, and they all control compliance with our policies and principles.

We have continued to actively promote forest certification during 2004 in order to increase the share of the wood coming from certified forests. The main way we can promote certification is through our suppliers, because after divestments in recent years our forest ownership is marginal, or only indirect, through minority shareholdings.

The multiplicity of forest certification systems is impractical for us, and confusing to our customers. We are therefore working to encourage the mutual recognition of different forest certification schemes. I hope the representatives of the various systems are able to recognise the need for more concerted efforts towards mutual recognition. This would benefit the environment as well as our customers.

In the Nordic Countries, for instance, there are two systems. The FSC¹⁾ is supported by environmental organisations, but not by the majority of small forest owners; while the PEFC²⁾ system has exactly the opposite situation. Making these two systems compatible would increase their validity and usefulness.

Measures to combat climate change

Emissions to air are mainly driven by energy consumption, and depend on the fuel mix we use. Increasing our energy efficiency is one of the best ways to cut them.

¹⁾ FSC = Forest Stewardship Council

²⁾ PEFC = Programme for the Endorsement of Forest Certification Schemes



The importance of CO₂ emission levels is underlined with emission trading starting inside the European Union in 2005. From a climate change point of view, our business is well positioned, thanks to the renewability of wood and our high usage of bio-fuels. We are nevertheless working constantly to improve the energy efficiency of our operations.

It would be fairer if these aspects were taken into account when measures to fight climate change are further developed. At the very least, all industries should be granted an equal footing in this respect.

I'd also like to point out that the EU is not the only area where we are engaged in emission trading. Our North American division has been active in the Chicago Climate Exchange, where we have achieved good results in voluntary reductions in CO₂ emissions.

Health and safety prioritised

Employee well-being and occupational health and safety are priority areas for Stora Enso. We have set concrete targets on these issues, striving towards world-class performance. As for accident rates, there is still a lot of room for improvement, especially in lower-performing units. There are still marked differences between countries in safety performance, for instance. We are simply not good enough in this important area. Safety issues will consequently remain high priorities, with concrete steps taken to improve the situation.

The year 2004 was very bad in terms of fatal accidents, with seven fatalities occurring during Stora Enso's operations – of which four occurred in Russia. In addition there was one fatal accident at our joint venture company Veracel. The safety performance of Russian logging

operations during 2004 was particularly unacceptable. Thorough incident investigations were conducted for each fatal accident, and corrective measures including intensified training and internal audits have been initiated. A major internal safety audit is being conducted at Wood Supply Russia during spring 2005.

Addressing sustainability challenges in emerging markets

China, Russia and Brazil are the most important emerging markets for Stora Enso. Our challenge is to translate our corporate principles into local actions. To do this realistically we have to start from the local situation as it stands. The key to local actions on sustainability is finding out which issues are most critical in specific regions.

In Russia, for instance, our priorities are to improve occupational health and safety performance and to ensure the legality of fibre sources.

Looking for global partners

In the complex global economy it is very hard to make a real difference alone. We have therefore been actively looking for organisations who share our ambitions and concerns regarding sustainability. The Global Compact launched by the United Nations, which we signed in 2001, is one such approach.

We also started a global partnership with UNICEF in 2004, aiming to promote education. Our common understanding is that education can make a crucial contribution to poverty reduction, economic growth, peace and cultural development.

A separate project initiated in partnership with the United Nations Development Programme (UNDP) in Brazil aims to analyse how our operations

affect socio-economic conditions in local communities.

Transparent reporting means exposing problems

Public reporting on our progress in all the areas mentioned above is crucial, because we want to show to our stakeholders how well we are moving towards our targets. To facilitate transparent reporting, we have a variety of effective tools to identify risks in our operations and gaps in our practices.

With sustainability issues in the global economy becoming more and more complex, it is absolutely vital to review the situation regularly, to see whether our good intentions have borne fruit or not. Sweeping sustainability claims could easily lead us onto thin ice. We need to base our reporting accurately on the facts – we have to say what we do; and do what we say.

*Björn Hägglund
Deputy CEO
Chairman of the Sustainability Committee*