

Slavery and Human Trafficking Statement 2020

February 2021



This annual Slavery and Human Trafficking Statement describes the steps Stora Enso is taking to prevent modern slavery in its operations and supply chains, in accordance with the United Kingdom's Modern Slavery Act 2015 and the Australian Modern Slavery Act 2018. This statement covers the global operations and supply chains of Stora Enso Oyj and its principal subsidiaries during the financial year that ended on 31 December 2020. It does not cover the Group's two 50%-owned joint operations in Latin America.

Our business and supply chains

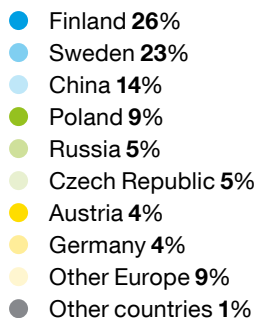
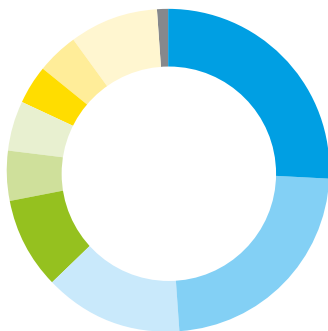
Stora Enso is a leading provider of renewable solutions in packaging, biomaterials, wooden constructions, and paper in global markets, with Group sales of EUR 2.15 billion (GBP 1.90 billion, AUD 3.38 billion) in 2020. Our customers include publishers, retailers, brand owners, print and board producers, printing houses, merchants, converters, joineries, and construction companies. The Group has some 25 000 employees in more than 30 countries around the world. Our head office is in Helsinki, Finland, and we also have head office functions in Stockholm, Sweden. Stora Enso is publicly listed on the Helsinki (STEAV, STERV) and Stockholm (STE A, STE R) stock exchanges. More information about our financial performance, governance, operations, and sustainability can be found on our [website](#) and in our [Annual Report 2020](#).

In addition to our [principal subsidiaries](#), Stora Enso also has 50% ownership of two joint operations in Latin America. These operations, located in Uruguay and Brazil, each include a pulp mill and eucalyptus tree plantations. They are excluded from the scope of this report.

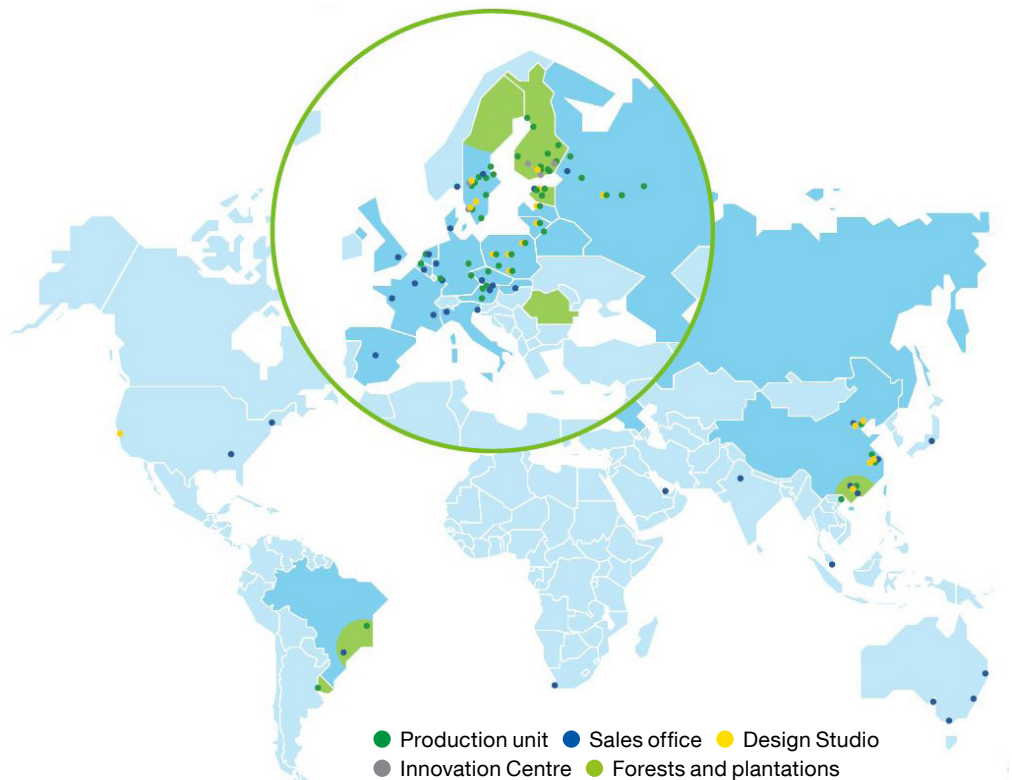
Stora Enso sources raw materials, products, and services from over 20 000 suppliers and contractors and over 20 000 forest owners globally. Wood and fiber-based materials, such as pulp and Paper for Recycling (PfR), represent 50% of our total variable costs (2020), while chemicals, fillers, energy, fuels, spare parts, and maintenance, logistics, and IT services account for 50%. Our production units and forestry operations are primarily in the Nordic countries, Central Europe, Russia, and China, all of which are mainly supported by local supply chains. Certain commodities of a global nature are sourced from regions outside our core areas of operation.

In the United Kingdom, Stora Enso's operations consist of the sales of various paper products, packaging materials, and wood products.¹ Our operations in Australia consist of the sales of various wood products.² We also buy various services, fiber-based raw materials, as well as chemicals, spare parts, and other products for our local and global operations from British and Australian companies.

Employee distribution by country³



Locations of our operations



¹ Lumipaper Ltd., Stora Enso Holdings UK Ltd., Stora Enso Pension Trust Ltd., Stora Enso Timber UK Ltd., and Stora Enso UK Ltd.

² Stora Enso Australia Pty Ltd. Company number ACN 099 948 491.

³ Excluding employees of our 50%-owned joint operations Montes del Plata in Uruguay and Veracel in Brazil.

Identifying risks of modern slavery

Stora Enso strives to prevent all forms of modern-day slavery, including forced labour and human trafficking. Respect for human rights is a cross-cutting element of our [Sustainability Agenda](#) and is required to be taken into account throughout our operations, including investment decisions related to mergers, acquisitions, and divestments.⁴

While we recognise that modern slavery-related risks may exist in our own operations, we have determined that the greatest risk is in our complex and extensive supply chains that include supplier categories and geographies which we have identified as having high human rights risks. For this reason, we have taken a risk-based approach to addressing modern slavery by focusing our efforts on our supply chains.

We have automated our supplier risk assessments by integrating our sustainability risk mapping tool into the company's main sourcing reporting system. Based on a supplier's environmental, social, and governance (ESG) risk profile, they may be selected for a third-party sustainability audit.

Recycling services, land and sea transportation services, wood supply functions as well as temporary labour in some geographies have been identified as having heightened risk for modern slavery in our sector. Based on an in-depth internal evaluation, we have identified China, Laos, Russia, Poland, and the Baltic countries as our highest risk markets for forced labour within these sourcing categories.

Our actions to assess and address modern slavery risks

While we respect and consider all human rights to be important, our highest priority human rights remain the primary focus of our work:

- Health and safety
- Fair labour
 - Fair employment conditions
 - Forced labour
 - Freedom of association
 - Non-discrimination and non-harassment
- Land and natural resource rights acquisition and management
- Grievance mechanisms
- Children's rights (relevant to the forest sector).

We continued to develop our human rights due diligence programme in 2020. By the end of the year, we had finalized 22 out of 24 actions addressing development areas that were identified for Group function processes in 2019. In addition, integrating human rights, into Stora Enso's enterprise risk management (ERM) process proceeded during the year. The work focused on ensuring that our highest priority human rights are reflected in the risk register with associated risk factors, impacts, and responses. The goal of this on-going work is to ensure that both financial risk and the risk to people are considered in our ERM process.

Implementing international standards

Stora Enso's pledge to combat modern slavery is publicly expressed in our [Human Rights Policy](#) and the [Stora Enso Code](#). In addition, as a UN Global Compact signatory we adhere to Principle 4: "Business should uphold the elimination of all forms of forced and compulsory labour." Zero tolerance for forced labour is also one of our highest priority human rights.

Our internal policies and requirements that cover human and labour rights include:

- Our [Human Rights Policy](#) sets out our commitment to ensuring respect for human rights throughout our operations and business relationships, in accordance with the United

Nations Guiding Principles on Business and Human Rights (UNGPs). The Policy was updated in 2020.

- Our [Human Rights Guidelines](#) provide a comprehensive overview of the objectives defined in the Human Rights Policy. The guidelines also provide more details about our highest priority human rights and explain how human rights are integrated into our Sustainability Agenda. The guidelines were updated and published externally in 2020.

- The [Stora Enso Code](#) is a single set of values defined for all our employees to provide guidance on our approach to ethical business practices, environmental values, and human and labour rights. These values are applied wherever we operate. The Code explicitly prohibits the use of child labour and forced labour.

- Our [Supplier Code of Conduct \(SCoC\)](#) is a legally binding document that imposes mandatory sustainability requirements for suppliers regarding human and labour rights, occupational health and safety, environmental protection, and responsible business practices. Our SCoC covers forced labour and working conditions and applies to all our sourcing categories globally. The SCoC was updated in 2020 with new requirements on involuntary labour and ethical recruitment practices, including not charging recruitment fees.

- Stora Enso's Minimum Human Resource Requirements are applicable to all employees directly employed by Stora Enso in units where Stora Enso is the majority owner. The Minimum Human Resource Requirements prohibit all forms of forced labour, including prison labour, indentured labour, bonded labour, and overtime work involving threats of punishment. They also state that all employees have the right to enter into and terminate their employment freely; that foreign/migrant employees must not be treated less favourably than local employees; and that all employees must have relevant and valid work and residence permits. The Minimum Requirements were updated in 2020.

⁴Our investment guidelines stipulate that environmental and social risks and impacts, including those related to human rights, must be duly identified, assessed, and addressed prior to any investments in projects with business-critical risks. Business ethics risks and specific investment compliance with our Code of Conduct and Business Practice Policy are also assessed.

Grievance and remediation mechanisms

Stora Enso is committed to remedy any situation where our activities have caused or contributed to adverse human rights impacts. In circumstances where human rights violations are committed by third parties directly linked to Stora Enso through our operations, products, or services, we strive to use our influence together with relevant stakeholders to ensure that those impacts are remedied.

Access to grievance mechanisms is one of Stora Enso's highest priority human rights. Our formal grievance mechanism is open to all stakeholders globally. The channel enables any stakeholder to report instances where their rights may

have been infringed, or where they have observed potential violations of the Stora Enso Code, including those related to human and labour rights. This service is independently administered by an external service provider. We also have long-standing local grievance channels, in local languages, for communities and other external stakeholders associated with our plantations and mill in Guangxi, China. Similar local grievance channels exist for our project in Laos.

Our Supplier Code of Conduct obliges our suppliers to report any non-compliance with the Code to Stora Enso, as well as to establish a grievance mechanism to enable their employees to report non-compliances.

Continued efforts in 2020

In 2020, we joined the Global Business Initiative for Human Rights (GBI) to advance respect for human rights in business through peer learning. We also continued to voice our support for human rights due diligence legislation in Finland and joined [a campaign in Sweden](#) calling for similar development in the EU.

Developments in our supply chains

The monitoring of supplier compliance begins before we enter a business relationship. Any supplier in any location who wishes to do business with Stora Enso must first pre-qualify during tendering, or at the latest before a contract is drafted. To pre-qualify, suppliers must submit confirmation of their compliance with our Supplier Code of Conduct, and complete our safety management online training. At the end of 2020, 96%⁵ of our supplier spend was covered by our Supplier Code of Conduct. Our suppliers are also asked to provide information about their own suppliers, including sub-suppliers operating in high-risk countries.

We conduct on-site visits and commission audits by third-party auditors to monitor and improve supplier sustainability performance. Focused audits are done based on risk assessments or concerns raised by our stakeholders. Because of travel and safety restrictions implemented due to the Covid-19 pandemic, we were not able to conduct on-site supplier audits on our regular scale during 2020. To make up for this, we piloted online audits and virtual site visits, where we successfully conducted document reviews, made observations, and interviewed employees.

We also carry out thorough reviews, or "deep dives," of specific supply chains. Deep dives combine desktop reviews and on-site visits to help us better understand specific supply chains and support suppliers in improving their operations, including topics related to modern slavery. Due to the pandemic, we were not able to conduct deep dives in 2020.

Stora Enso strives to develop the prevention and humane processing of potential human trafficking cases in connection to logistics services. Occasionally, people board our chartered sea logistics line from Central Europe to the Nordic countries without permission and undetected (stowaways). We have preventive practices in place to detect people in hiding. Nevertheless, in 2020, our sea logistics suppliers recorded one such case of three people found hiding. Detailed records show that the people were treated with dignity and respect

onboard and ensured a safe and humane return into the custody of local authorities when the vessel returned to Central Europe. In addition, five people entered a truck transporting our goods in Belgium and were found before the truck left the country. All five were released into the custody of the local police.

A responsible exit from Pakistan

Stora Enso continues to support six schools in cooperation with the non-governmental organisation Idara-e-Taleem-o-Aagahi (ITA) in Pakistan as part of a remediation programme targeting 640 children identified as child workers in 2015 in the supply chain of our former 35% minority holding in the equity accounted investment Bulleh Shah Packaging (Private) Ltd. (BSP). The programme will continue until 2023 when the youngest children complete compulsory primary school education. However, most of the children will be young workers by 2023, which is why the programme began to shift its focus to vocational training in 2020 to improve their future employability.

Global initiatives to protect labour rights

Stora Enso signed a global framework agreement with labour unions IndustriAll, UniGlobal, and BWI in 2018. Under the agreement, Stora Enso commits to respect human rights, and strives to eliminate forced labour throughout its operations and subsidiaries worldwide. We continued to address these topics in 2020.

Stora Enso is a member of Sedex, one of the world's largest collaborative platforms for sharing responsible sourcing data on supply chains. By the end of the year, 16 of our units had been audited through Sedex Member Ethical Data Audits (SMETA) at least once. As of June 2017, with the introduction of SMETA 6.0, modern slavery has been a specific component of the SMETA audit procedure. Due to Covid-19 restrictions, only one SMETA audit was conducted during 2020. No findings of forced labour or human trafficking were discovered.

Stora Enso is also a member of the ethical supplier rating system Ecovadis. The Ecovadis assessment includes questions regarding corporate policies and actions for respecting human and labour rights in both a company's own operations and its supply chains, with particular focus on forced labour and child labour. Since 2017, we have been included in the top 1% of industry supplier performers in sustainability.

⁵ Joint operations, intellectual property rights (IPR), leasing fees, financial trading, government fees such as customs, and wood purchases from private individual forest owners are not included in our total supplier spend.

Living wages

Every other year, the global non-profit organisation BSR supports us in defining and calculating living wages in relevant locations. We reviewed the situation in our production units in Brazil, China, Estonia, Laos, Latvia, Lithuania, Poland, Russia and Uruguay in 2019. The results of the study indicate that our units' minimum compensation in these countries is above the living wages defined by BSR. The next study will be conducted in 2021.

Training and capacity building

We continue to raise awareness of modern slavery within Stora Enso. For instance:

- In 2020, we launched a human rights e-learning that builds on our existing employee training. The e-learning explains what respecting human rights means for individuals, companies in general, and Stora Enso specifically.

- Stora Enso employees receive Stora Enso Code training, which includes a section on human rights, either through an e-learning tool, or through face-to-face training provided for those who do not have direct computer access. All managers in key positions are required to make a personal commitment to the Stora Enso Code.

- In 2020, labour rights, including forced labour, were integrated into our annual business ethics self-assessment. The assessment, which is mandatory for all Stora Enso team leaders, aims to raise awareness of our Minimum Human Resource Requirements and provide necessary tools to implement concrete improvements.

- We organise continuous internal guidance for our Sourcing and Logistics personnel on the Supplier Code of Conduct and other relevant topics to help them address challenges related to sustainability as needed.

Assessment of effectiveness in preventing modern slavery

We understand that modern slavery risks are not static, and that our due diligence approach to addressing them must be periodically assessed to ensure that it continues to be effective. We do this by, for example, monitoring compliance with our policies and requirements and by evaluating the quality and quantity of reports received through our grievance channels.

In 2020, a total of 86 reports through Stora Enso's grievance channels were identified as potential non-compliance cases. A total of 76 investigations of potential non-compliance cases were completed in 2020, which includes open cases from previous years. Proven cases leading to disciplinary action, legal action and/or process improvements were identified in 28 of the investigations. None of the proven cases were related to forced labour or human trafficking.

We carry out assessments and audits with our own units as well as suppliers to ensure compliance with our policies

and requirements. For instance, we conduct biennial self-assessments of all operating units on compliance with our Minimum Human Resource Requirements, and site audits to verify compliance as required. In 2019, when we last completed the self-assessment, no concerns were raised regarding forced labour or human trafficking. During 2020, a total of 22 Stora Enso suppliers were audited through third-party supplier sustainability audits, including five audits through external audit schemes such as the HSEQ (Health, Safety, Environment, and Quality management) audit cluster in Finland. Three of the third-party supplier audits were online audits that we piloted due to Covid-19-related travel restrictions. No findings related to forced labour or human trafficking were discovered during audits or site visits.

In addition to continuing these efforts, we will also integrate the assessment of our effectiveness in preventing modern slavery into our broader human rights due diligence programme.

This statement is made in accordance with section 54(1) of the UK Modern Slavery Act 2015 and section 16 of the Australia Modern Slavery Act 2018. It constitutes our Group's Slavery and Human Trafficking Statement for the 2020 financial year. It has been approved by the Stora Enso Group Board of Directors.



Annica Bresky
President and CEO