

Slavery and Human Trafficking Statement



June 2019

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. This statement covers the global operations and supply chains of Stora Enso Oyj and its consolidated companies during the financial year that ended on 31 December 2018. It does not cover the Group's two 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 10.5 billion (GBP 9.1 billion) in 2018. Our customers include publishers, retailers, brand owners, print and board producers, printing houses, merchants, converters, joineries, and construction companies. The Group has some 26 000 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 2018](#).

from over 20 000 suppliers and contractors globally. Wood and fibre-based materials, such as pulp and Paper for Recycling (PfR), represent 50% of our total variable costs (2018), while chemicals, fillers, energy, fuels, spare parts, and maintenance, logistics, and IT services account for another 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.

Stora Enso sources raw materials, products, and services

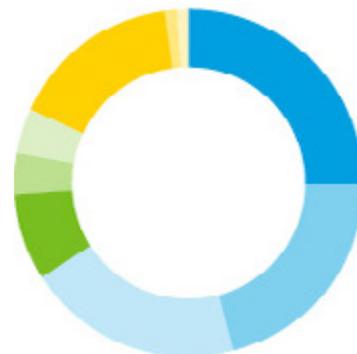
Locations of our operations



● Countries where Stora Enso has production, plantations or projects

Employee distribution by country

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



| | |
|----------------------|-----------------------------|
| ● Finland 25% | ● Russia 4% |
| ● China 21% | ● Other Europe 16% |
| ● Sweden 20% | ● Americas 1% |
| ● Poland 8% | ● Other countries 1% |
| ● Germany 4% | |

Addressing 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 divestments¹.

While we recognise that modern slavery-related risks may exist in our own operations, we feel 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.

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." Combatting forced labour is also one of our eight highest priority human rights, identified through extensive analysis during 2018.

- Our [Human Rights Policy](#) sets out our commitment to fully respect human rights throughout our operations, including ensuring the observance of human rights in all relationships involving Stora Enso, and encouraging our partners to constantly improve their human rights performance. We are committed, at a minimum, to upholding the principles set out in the International Bill of Human Rights and the International Labour Organization's core conventions. We seek to improve our human rights performance by referencing the United Nations Guiding Principles on Business and Human Rights.
- 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. As a key governing document of our supply chain management that covers forced labour and working conditions, our SCoC applies to all our sourcing categories globally.
- 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. These Requirements also state 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.

Human rights due diligence

In 2018, we completed defining our human rights priorities with support from BSR, an international expert organisation. To reflect this, we updated and published our Human Rights Statement as a Human Rights Policy, and confirmed eight Group-wide highest priority human rights:

- Health and safety
- 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 subsequently set out to map our human rights due diligence process against the eight Group-wide highest priority human rights. The mapping process started in late 2018 and continued into early 2019. Based on the findings, we will continue to refine and implement our plan to address the identified gaps.

Stora Enso continues to respect all human rights. We will also integrate our due diligence for other human rights relevant to the forest product sector, but not of highest priority to Stora Enso operations, into existing management systems.

¹Our 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 leverage together with relevant stakeholders to ensure that those impacts are remedied.

A third-party-administered grievance channel, Do What's Right hotline, is available to all our employees, enabling them to report instances where their rights may have been infringed, or where they have observed violations of the Stora Enso Code. The hotline is also available to external stakeholders in China, Russia, Laos, and Brazil, where national legislation does not restrict the collection of personal data related to non-employee misconduct.

We have long-standing local grievance channels for communities and other external stakeholders associated with our plantations and mill in Guangxi, China, and a similar local grievance channel exists for our project in Laos. Our Supplier Code of Conduct obliges our suppliers to report any non-compliance with the Code to Stora Enso's Head of Internal Audit, as well as to establish a whistle-blowing system to enable their employees to report non-compliances.

In 2018, a total of 68 reports through Stora Enso's various grievance channels were identified as potential non-compliance cases. Based on the investigations finalised by end of the year 2018, proven cases leading to disciplinary actions, legal actions and/or process improvements was identified in 20 of the completed investigations. None of the proven cases were related to child labour or forced labour.

Monitoring compliance

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 carry out biennial self-assessments of all operating units on compliance with our Minimum Human Resource Requirements, and site audits to verify compliance as required. In 2017, when we last completed the self-assessment, no concerns were raised regarding forced labour or human trafficking.

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 before being awarded a contract. To pre-qualify, suppliers must register in our supplier management portal

and submit confirmation of their acceptance of the terms and conditions of our Supplier Code of Conduct. At the end of 2018, 95% of our supplier spend was covered by our Supplier Code of Conduct, meeting our target of maintaining this high level. Our suppliers are also asked to provide information about their own suppliers, such as sub-suppliers operating in high-risk countries. Based on a pre-evaluation of the supplier's social and environmental risk profile, suppliers may be selected for a third-party sustainability audit conducted together with the purchaser. We also carry out thorough reviews, or "deep dives," of specific supply chains. Deep dives help us better understand the operations, opportunities, and challenges of a supply chain beyond first-tier suppliers, including topics related to modern slavery.

Continued efforts in 2018

Recycling services, land and sea transportation services, and wood supply functions have been identified as having heightened risk for modern slavery in our sector. We have preliminarily identified China, Laos, Russia, Poland, and the Baltic countries as our highest risk markets for human rights risks.

Developments in our supply chains

In 2018, Stora Enso's third-party supplier audits continued to focus on suppliers with heightened sustainability risk, as identified by our risk assessment tool. Other focus areas were the chemical value chain, energy sourcing, and people-intensive sourcing categories such as service providers and land logistics. We conducted a total of 52 third-party supplier audits and 23 supplier visits during the year. No findings of forced labour or human trafficking were recorded in audits or visits.

Managing potential human trafficking in sea logistics

Stora Enso strives to develop the prevention and humane processing of potential human trafficking cases in connection to logistics services. Occasionally, people may board our chartered sea logistics line from Central Europe to the Nordic countries unpermitted and undetected

(stowaways). We have preventive practices in place, to detect people in hiding. Nevertheless, we recorded five stowaway cases in sea logistics in 2018 where a total of 21 people were found. We have documented, detailed records of all stowaways being treated with dignity and respect onboard, and being ensured a safe and humane return into the custody of local authorities at their point of origin in Central Europe.

In addition, some stowaways were found hiding in the trailer of an 18-wheel truck carrying our products into the United Kingdom in early 2018. As they were found on UK soil, they were handed over to local authorities.

A responsible exit from Pakistan

As part of our responsible exit from Pakistan following the 2017 divestment of the 35% minority holding in the equity accounted investment Bulleh Shah Packaging (Private) Ltd. (BSP), Stora Enso completed a three-year Public Private Partnership with the International Labour Organisation (ILO) at the end of 2018. The work included research, training, and mobilisation of societal actors to improve labour practices in the broader business community's supply chain networks.

In 2018, Stora Enso continued to support six schools in cooperation with the Pakistani non-governmental organisation Idara-e-Taleem-o-Aagahi (ITA). These schools were set up in 2015 to provide education for the 640 children identified as child workers in BSP's supply chain that was subsequently shut down in 2014. The contract for the school programme, together with Stora Enso's funding for ITA, will remain in place until 2023 when the youngest children will complete compulsory primary school education as required by the state of Pakistan.

Global initiatives to protect labour rights

In 2018, Stora Enso signed a global framework agreement with labour unions IndustriAll, UniGlobal, and BWI. Under the agreement, Stora Enso commits to respect human rights, and strives to effectively eliminate forced labour throughout its operations and subsidiaries worldwide.

Stora Enso is a member of Sedex, one of the world's largest collaborative platforms for sharing responsible sourcing data on supply chains. During our membership, there have been 33 audits of our units, done according to Sedex Members Ethical Trading Audit (SMETA) requirements. As of June 2017, with the introduction of SMETA 6.0, modern slavery has been a specific component of the SMETA audit procedure. Four SMETA 6.0 audits were conducted at Stora Enso units during 2018. 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. In 2018, we obtained a score of 82/100 and were included in the top 1% performers, achieving the highest recognition level, Gold.

Providing living wages

The global non-profit organisation BSR has supported us in defining and calculating living wages in relevant locations in 2015 and 2017. In 2017, we reviewed the situations in Brazil, China, Russia, Laos, and Uruguay. The results of this study indicated that overall, Stora Enso pays minimum/entry level wages above the living wages defined by BSR.

Training and capacity building

We continue to raise awareness of modern slavery within our divisions and functions, and encourage them to organise training sessions for their personnel. For instance:

- Stora Enso employees receive Stora Enso Code training, 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.
- We organise comprehensive 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.
- Our Consumer Board division conducted a series of human rights trainings for different functions in Finland, Sweden, and China in 2018. The training sessions included Sedex content related to modern slavery.

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. 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 constitutes our Group's Slavery and Human Trafficking Statement for the 2018 financial year. It has been approved by the Stora Enso Group Board of Directors.



Karl-Henrik Sundström
Chief Executive Officer