

CORPORATE SOCIAL RESPONSIBILITY



AN INTERVIEW WITH
THE DEPUTY CEO

HUMAN RESOURCES

DIVERSITY

HEALTH AND SAFETY

BUSINESS PRACTICES

COMMUNICATIONS

COMMUNITY INVOLVEMENT

STORA ENSO CSR PRINCIPLES

The challenge of responsibility

Policies and position papers are important. However, what really counts in corporate social responsibility is putting things into practice on the ground, underlines Deputy CEO Björn Hägglund.

“By far the most important issue related to corporate social responsibility is transforming the formal commitments you make in your policies into practice, and ensuring that everyone down the line in the organisation has got the message, as it were. It’s also the most demanding thing to do – of course.”

Another major challenge is that corporate social responsibility means different things, and different priorities, for different people, says Hägglund.

“Commitment must mean action.”

“For sales people, for example, it’s all about good business ethics generally. For our mills, health and safety are critical. And all of us have to respect diversity.”

“We’re talking about different issues, depending on what you do and where you are. In that sense, corporate social responsibility is very different from a corporate mission – and more complicated.”

“What’s key is that people feel that corporate social responsibility is something that concerns them.”

“Taking the time to sit down and think what it means in your own work and your own environment is easier said than done, though. People are

always busy, for one thing. Another thing is that many of the issues involved look simple or obvious and don’t appear to need any time to be implemented – and they do.”

Clear principles

“Small things can sometimes trigger quite large reactions, and wake people up to what we’re talking about.”

“I remember a case back last summer when we printed a photograph with a girlie calendar in the background in our Global magazine. That photograph generated a lot of reaction. And it made a lot of us realise something – yes, that’s sexual harassment if you think about it.”

Hägglund also points to bigger questions, such as doing business with countries that are the subject of international embargoes or similar initiatives.

“On issues like this, you simply have to say no.”

Never accept double standards

According to Hägglund, getting the balance right between taking account of local culture and corporate principles is key.

“We have to realise that the way we look at things is not universal. And that common sense and a willingness to listen are important wherever you are.”

“We must never accept double

standards. We must also be prepared to stand behind our principles when it counts. We don’t buy timber from rain forests, for example, even though it would often be a lot cheaper for us, we just don’t. Just like we don’t condone giving kickbacks.”

“Being serious about your business ethics means looking into the grey areas of your business, and taking the appropriate action to stop inappropriate practice.”

Involving people

Health and safety are also very much part of Stora Enso’s approach to corporate social responsibility.

“The worst thing here is a serious accident when one of our people dies on the job – for whatever reason, whether it’s a result of bad practise and could have been avoided, or as a result of an accident that couldn’t have been foreseen or prevented.”

“When something like this happens, it’s very, very regrettable. It just highlights the fact that we have to be careful all the time, and take safety very seriously.”

Hägglund emphasises that communication – getting the message out to people and getting them to respond – is always a challenge.

“Being ambitious about your goals – which we are – and having the right attitude, is important, but it’s not enough. You have to involve people



“Corporate social responsibility is far from being a soft issue.”

in achieving those goals, and help them achieve them.”

“You must show commitment and enthusiasm yourself, to get people to listen and make things happen.”

Adding value where it counts

Hägglund says that a good approach to

corporate social responsibility, keeping your house in order, creates value – both for Stora Enso and its partners.

“We can add value to our customers’ business, for example, by being a responsible partner that they can rely on across the board, in everything, from quality to ethics and busi-

ness practices. Being a company you can rely on like this is also important for investors.”

“Investors are increasingly risk-averse today. And the concept of risk covers the whole scope of business, so the better our governance and business practices, the better our environmental performance, and the more value we can create.”

“Corporate social responsibility is far from being a soft issue.”

The courage of your convictions

Having the courage of your convictions is important, believes Hägglund.

“You have to be ready to go the whole course when you commit yourself to something in the area of social responsibility, and not give up half way when things start getting tough or complicated. That means understanding that commitment must mean action too.”

Hägglund believes that being ambitious – like Stora Enso is in areas such as operational excellence, performance, and corporate social responsibility – calls for getting everybody on board in the organisation; working with partners, and working in the industry as the whole with all the other players as well.

“Keeping our eye on our goals – and linking them to our everyday life as a company, making them part of the game plan, keeping them fresh – will help ensure that we meet the goals that we have set ourselves.” ■

Addressing corporate social responsibility (CSR)

Corporate social responsibility forms part of Stora Enso’s overall concept of corporate responsibility, together with environmental and economic issues. By addressing corporate social responsibility issues, Stora Enso wants to underline that its business practices are responsible, that its communication is transparent and based on dialogue, that it is a respected member of the surrounding community, and that it respects human rights wherever it operates.

Corporate social responsibility covers the entire value chain of which Stora Enso is a part. Partnerships with upstream and downstream partners

are crucial to success. Through an ambitious strategy and consistent objective-setting, Stora Enso believes that well-managed corporate social responsibility offers a valuable competitive advantage.

Stora Enso formulated its Corporate Social Responsibility principles in 2001 and identified its key stakeholders. The Group is now in the process of integrating these principles into its operations. The processes and self-assessments created as part of the Excellence 2005 quality programme are being used here, to ensure that issues can be described, followed up, evaluated, improved, and shared

across units in the Group.

This report provides an overview of Stora Enso’s vision and strategy and reports on performance during the 2002 financial year. The scope of the report covers the Group’s five core business areas: Magazine Papers, Newsprint, Fine Paper, Packaging Board, and Timber Products.

The report follows the Global Reporting Initiative (GRI) as appropriate and applicable to Stora Enso.

[Read more in the Web report](#)



It's an **evolution** not a revolution

Stora Enso wants to achieve operational excellence, together with superior performance and image in terms of sustainability and social responsibility. The company is committed to achieving this through a competent, learning organisation.

Stora Enso employs some 42 500 employees in more than 40 countries. Being such a large employer brings large responsibilities, but it is also an opportunity.

Human resource management is a key contributor to the Group's ambition of becoming the leading forest industry company – and is based on a

strong belief that it is people that make the difference ultimately in relation to competitors. Stora Enso's long-term success is therefore based on 'What People Can Do'.

Stora Enso's vision of human resource management is to create an organisational culture capable of attracting, developing, and keeping

the best people and motivating all employees to give their best. Achieving this means focusing on performance culture, competence development, and recruiting and retaining top talent.

Employee well-being, motivation, and pride in one's work underpin Stora Enso's Human Resources strate-

gy. The Group's continuous improvement can only be based on all employees knowing where Stora Enso is going, what is expected of them as employees, and how everyone can contribute to the best of their abilities.

Performance

Stora Enso's total quality management approach, Excellence 2005, in combination with the Group's productivity programme, is a fundamental tool for operational excellence. Using this model, all units strive to improve their operations, competitiveness, and financial results, employing systematic analysis, benchmarking, and best practices to transfer knowledge both within the Group and from outside the Group.

With a strong emphasis on people, teamwork, empowerment, and knowledge management capabilities, Stora Enso aims to create the right prerequisites for excellence in all parts of its operations.

One step ahead of the competition

Competence and skills are acknowledged strengths at Stora Enso. Retaining this strength calls for sys-

tematic, long-term competence development. The goals for 2003 in this area include competence planning and developing job mobility.

An appropriate recruitment and retention strategy, together with a strong corporate brand, are also essential to ensuring that top talent stays within the Group.

Management by facts

Stora Enso has a tradition of seeking out its employees' opinions and using this knowledge as the basis for improving its organisation and activities. This has been especially essential when following up the development of the Group's corporate culture, based on the Stora Enso mission, vision, and values.

Stora Enso has organised five Value and Attitude Surveys to date, coordinated by Corporate Human Resources and TQM, and targeted at key managers. The most recent was organised in December 2002. The focus in these surveys has been on personal and organisational values, management practice development, and respondents' suggestions for improvements. The results have led to

improvements in divisional and corporate management.

Corporate staff and service units have run three internal customer satisfaction surveys, the latest in October 2002, to generate feedback on their services and functions. The results indicate that many corporate units have improved their performance according to their customers.

Personnel satisfaction surveys are used to evaluate employees' opinions on the Stora Enso organisation, values, management and leadership practices, communications and information flow, job satisfaction, employer image, and quality issues. Organised at regular intervals by Stora Enso units, the results of these surveys are utilised in the self-assessment work arranged as part of Stora Enso Excellence 2005.

A new Web-based survey system was established in 2002 in cooperation with a consultant company, covering both corporate and unit surveys. The database enables trends to be monitored, comparisons to be made between different units, and benchmarking with comparable external data. ■

Human Resources indicators

Key figures	2000	2001	2002
Average number of employees	41 785	44 275	43 853
Sales/employee, EUR	311 524	305 112	291 488
Personnel turnover, %*	3.2	3.1	2.8
Training days / employee	4.1	3.9	4.9

*Based on number of outgoing permanent employees who have left Stora Enso voluntarily.

Employee distribution by country	2000	2001	2002	%
Finland	15 088	15 054	14 676	33
Sweden	10 856	9 433	9 187	21
USA	2 197	6 071	5 731	13
Germany	4 723	4 767	4 761	11
France	1 356	1 368	1 333	3
Austria	1 078	1 127	1 189	3
Netherlands	831	801	858	2
Canada	736	746	850	2
China	801	852	816	2
Belgium	690	694	645	1
UK	783	704	602	1
Russia	474	527	581	1
Other countries	2 172	2 131	2 624	6
Total, average	41 785	44 275	43 853	100
Total, year-end	44 624	42 932	42 461	

Education structure

Basic education	27.6%
High school/Vocational certificate	48%
College level	12.1%
Bachelor's degree/Polytechnic degree	7.3%
Master's degree	4.7%
Licentiate/Doctorate	0.3%

Securing the future

Any reduction necessary in the workforce shall be carried out with respect for the individual and with proper sensitivity to employees' needs.

Occasional workforce reductions cannot be avoided in today's competitive global market – to secure long-term profitability and to take account of technical developments, shifts in the raw material base, and changes in the

product portfolio. For the individuals concerned, the threat of losing one's job or relocation are disruptive. As a result, Stora Enso always tries to take a long-term approach to planning and minimising the negative impact

involved. Stora Enso prioritises responsible action in these areas. Identifying internal employment opportunities and providing outplacement services, retirement plans, and further education are always involved. ■

Cases in 2002

Closing down a paper machine in Summa

As part of an asset restructuring programme in Stora Enso's Newsprint and Magazine Paper Divisions, the closure of one of the paper machines at Summa was announced in January 2001. Stora Enso also announced that everyone affected would be offered employment at other Stora Enso mills nearby or receive special pension provisions.

The permanent headcount will be cut from 659 to 490, a reduction of 169, mainly during 2002 and 2003. Of the 169 people affected, 51 have received an early retirement package or will retire and 42 people have found employment at Stora Enso's Anjala, Kotka, Ingerois, and Karhula mills nearby, or elsewhere in Stora Enso. In total, 61 people have been given their notice and all will be eligible for unemployment pension. The average age of the latter is close to 59. A total of nine people are currently on long-term sick leave and six people have left the company.

Restructuring at Nymölla

The decision in 2001 to close the coating machine at the Nymölla Mill meant that 160 positions were to be eliminated. In May 2001, the mill received a new permit to increase its pulp production, which allows production to take place year-round. An additional 15 people were needed as a result.

The final outcome in May 2001 resulted in 38 people being laid off and 62 employees being offered early retirement. The remaining 45 left through personnel attrition.

As the mill needs temporary personnel on a recurring basis, 27 employees who were laid off have formed a pool of temporary workers, and work in different departments as needed. When vacancies for permanent positions open up, they are given priority.

A total of 100 employees were assigned new duties at the mill, after being consulted about their interest in new positions. Training was started immediately after the machine was shut down in February 2002.

The effect of the merger of Stora and Enso on Papyrus UK

In connection with the merger of Stora and Enso in 1999, Caxton Papers UK and Brand were merged into Papyrus UK Ltd. Despite successful cost-saving programmes and a major effort from employees, it proved impossible to make operations profitable and a decision was taken at the beginning of 2002 to close UK operations.

A total of 214 people were affected, of whom 198 were made redundant in May. Some of the business was sold to a competitor, which took on eight people. A further eight continued with Stora Enso until the end of 2002.

95% of the 198 people made redundant have found other jobs or solutions. This success can be attributed to:

- Good communications
- Good project planning
- Excellent legal and tax advice
- Very good cooperation with an outplacement company
- Good teamwork
- TQM principles

Career services at Stora Enso's facilities in North America

During 2002, workforce reductions affected approximately 200 employees at Stora Enso's facilities in North America. In addition to a competitive severance package, these employees were offered career transition services. This programme provides professional counsellors and office space for employees to identify, seek out, and secure new career opportunities. In addition to professional consultation, services include use of computers with Internet access for career searches, telephones to conduct job searches/interviews, word processing assistance, and career search reference material. This programme has proven successful. Placement rates through the career transition services are high, with most employees finding comparable positions or transitioning to other career alternatives.



Diversity means **better** business

Enhancing diversity in the workforce is critical to securing long-term success in Stora Enso.

By maximising the talent and expertise pool that Stora Enso can draw on, the Group will become more innovative and flexible as an organisation. Diversity also strengthens the recruitment base in general. In today's world of global markets and rapid change, too homogenous a structure can easily become a liability.

Senior management is responsible for fostering and supporting diversity in the Group as a whole. Divisional and unit management are responsible for diversity at the local level. Addressing diversity in everyday work is the responsibility of everyone.

Leveraging diversity

To promote diversity management in Stora Enso, mapping internal best practices, the internal commitment

to non-discrimination, and diversity by nationality and gender has started.

The results of the first questionnaire indicate that most units consider equal opportunity issues when recruiting, but that specific procedures or practices are not in place. Equal opportunities are considered in internal operations; and a structured approach exists in 30% of surveyed units.

Stora Enso units in the United States have implemented an Equal Employment Opportunity/Affirmative Action Program based on federal legislation since 1968. All managers are trained in this area, and diversity workshops are arranged for all employees. Workshops also cover harassment issues.

A critical issue

Diversity is seen as critical at Stora Enso to achieving the Group's mission and vision, and to living up to the Group's values. We recognise diversity as a strength and see it as a vital element for a more dynamic organisation. Discrimination against any employee in respect of race, ethnic background, gender, disability, sexual orientation, religion, political opinion, maternity, social origin, or similar is strictly prohibited.

There is still great room for improving the representation of non-Nordic people and women at higher management levels in Stora Enso.

Internal communications tools will be used to promote the Group's internal commitment to non-discrimination. Diversity will also be integrated into employee surveys and leadership training.

A Group-wide monitoring system is under development to increase gender and nationality diversity and to supplement existing information gathered on education, age, and gender by country. ■

Diversity will

- Improve Stora Enso's talent and expertise pool.
- Secure access to a wider and more varied customer, supplier, and investor base.
- Foster innovation, creativity, and flexibility.
- Enhance the Group's ability to change and challenge the status quo.

Indicators

Age distribution in Stora Enso in 2002

<20	0.59%
21-30	11.39%
31-40	27.75%
41-50	32.37%
51-60	25.54%
>60	2.36%

Gender

Female	19%
Male	81%

Women in management

Board	0%
Management Group	0%
Divisional management teams	5%
Unit management teams	14%

WISE – Women in Stora Enso

The core messages from the WISE research project carried out in 2002 showed that top women in Stora Enso enjoy their work, but feel that a change in attitudes has to take place to create truly equal opportunities for female managers. In particular, those involved believe that the company should start recruiting women to the Executive Management Group as well as to top positions in divisions, and set measurable goals for diversity.

To identify the factors that either support or hinder women's careers, 23 of the 25 top female managers at Stora Enso were interviewed. An independent consulting firm interviewed each woman for between two and two and half hours, and presented the results at a joint workshop. Six male managers were also interviewed to provide a male perspective.

"Market yourself!"

The female interviewees had several common features: a high level of education and a strong professional track record. However, only few had applied actively for key positions. Interviewees enjoy their work at Stora Enso, deliver results, and focus on doing a good job.

They also believe that a job well done should be sufficient to promote their careers. The research indicates they do not generally express what they want or what they have achieved. In this sense, they are passive and modest. "Market yourself – if you've done a great job, tell them," was one interviewee's comment.

Respondents felt that women and men are channelled into different areas, often at the recruiting phase. In

production in particular, women's career paths are perceived as being less accessible. Experience in production, however, was seen as a precondition for a top career in Stora Enso.

Regular career planning was seen as important for overcoming personal and organisational barriers. Other suggested actions were investigating current recruitment behaviour and stopping thinking in terms of specific male and female areas of expertise. Practically all interviewees were against quotas, even when appointing members to task forces and working groups.

"Pick the right boss!"

Interviewees believed that there is a glass ceiling at Stora Enso. Excellent leaders are appreciated, because they identify a person's potential and channel it optimally. They see women as individuals with specific expertise rather than representatives of their gender.

In the best cases, women have found that their superiors provide encouragement and coaching; others, however, have experienced little or no communication between male superiors and female managers. "You really



Most interviewees seem to believe that merely doing your job well is enough to promote your career, but not all. As one female manager put it: “You must also market yourself – if you’ve done a great job, then tell them about it.”

have to pick the right boss if you want to make a career,” commented one manager.

“The sauna door is closed”

Interviewees stressed the importance of good networks, but creating them does not seem to be very successful generally. Women feel that men tend to favour men, particularly when it comes to choosing informal mentors and internal allies.

Other informal behavioural patterns also tend to form barriers. It is common in the Nordic countries to combine business with sauna and hunting, for example. Female managers do not hunt typically and also find themselves sitting alone for a major part of the evening when male colleagues continue the day’s discussion in the sauna.

“When I was younger, I thought everything was possible. But now, I don’t know. It seems impossible to go higher. The sauna door is closed,” said one interviewee.

Certain countries and locations are also perceived as ‘out of bounds’ to women.

“It will take a lot”

Interviewees underlined the importance of a supportive family, as building a career “takes a lot”. On the other hand, getting the balance between work and personal life right should not be seen only as a female issue.

“I hope we don’t only want divorced people and people without children working at Stora Enso,” commented one woman manager.

Combining work and family seems easier in some countries than

others. Some people commented that sites in Sweden are probably more flexible in this respect.

Many women appear to handle their professional and family roles well. Some interviewees pointed out that managing both successfully calls for prioritising. “You have to give up something,” said one of the managers interviewed.

Ready to change

Based on the results of the study, both long and short-term action plans will be prepared and approved by top management. The plan will focus on increasing the number of women in top management positions, creating better possibilities for internal networking, and improving the visibility of women in Stora Enso. ■



Keeping **healthy,** being safe

Employee well-being is a basic prerequisite for good performance.

Employee well-being and occupational health and safety (OH&S) are seen as top priorities at Stora Enso. Personnel are entitled to healthy and safe workplaces.

Stora Enso is committed to a values-driven approach to health and safety, involving management, employees, and all the Group's stake-

holders. The vision is for Stora Enso to be a top performer and quality leader in occupational health and safety within the forest industry worldwide.

Implementing OH & S Policy

The Stora Enso Safety, Health and Security Management System has been designed as a practical tool for

continuous improvement in these areas in all parts of the Group. The system is compatible with Stora Enso Excellence 2005 principles, international quality standards concerning safety, health, and security (e.g. OHSAS 18001, BS 8800, SCC), and ILO guidelines.

Many Stora Enso mills have had

their safety, health, and security management systems certified by an accredited certification body, and corporate management strongly supports this process. For instance, the following units have had their systems certified: Berghuizer Mill (OHSAS 18001), Anjalankoski, Kotka and Summa Mills (BS 8800), and Baienfurt Mill (SCC). Stora Enso's occupational health services in Finland also have ISO 9001 certification, the first of its kind.

To implement OH & S policies and meet management and employee expectations, Stora Enso's divisions have set their own division-specific OH & S objectives. Individual mills and business units have launched unit-specific OH & S programmes and initiatives, and established occupational safety targets.

The Fors experience

Several programmes focusing on employee well-being and OH & S were implemented in 2002. The issues of absenteeism and long-term health were addressed at Swedish units, based on the pioneering work done at the Fors Mill.

An employee is determined as coming into the category of long-term healthy employees if he or she has not been away from work because of ill health for two years. In December 2002, the Fors Mill was nominated as the Most Healthy Company in 2002 in Sweden by Korpen Sporthuset AB and Dagens Industri in a competition with 29 other companies.

The Fors Mill was the winner both

in the category of companies with more than 300 employees and in the whole competition. A project cover-

*Langerbrugge Mill
– no time lost
due to accidents
in 18 months.*

ing long-term healthy employees and involving all Stora Enso's Swedish units has been launched, and the target is that 40% of employees come into this category.

Early actions pay off

In Finland, much emphasis has been placed on early rehabilitation, to ensure that employees showing signs of diminished working ability have the opportunity to attend a week-long early rehabilitation course when needed. The course prioritises proactive measures to maintain and improve mental and physical working capacity, with tailor-made support and follow-up provided by Stora Enso's occupational health care professionals.

A new programme has also been launched in Finland focusing on increasing safety awareness among contractors and suppliers. When the system is fully applied, everyone employed by a contractor or supplier will have to attend safety and security training, followed by an examination, before receiving a safety pass to work at a Stora Enso site. A similar process

is ongoing in Stora Enso units in North America.

Much emphasis has been put on accident prevention, and many units have been successful in this area. For example no accidents resulting in lost work days had taken place at the Langerbrugge Mill for a period of 18 months by the end of the year 2002.

OH & S Management

Stora Enso Corporate Management, headed by the CEO and Deputy CEO and assisted by a designated OH & S executive reporting to the Head of Corporate Human Resources and TQM, supervises and coordinates the management, development, and follow-up of OH & S within the Group. At the country level, responsibilities are defined in line with the requirements of national legislation.

Under the Group's principles of corporate governance, Stora Enso coordinates OH & S plans, follows up the fulfilment of these plans, provides OH & S training, and promotes and monitors safe work conduct and working conditions. Risk analysis and prevention forms an integral part of this. Employees are responsible for working safely by complying with OH & S standards and all applicable safety rules and regulations.

Stora Enso also works through collaborative bodies, including the Group's European Works Council, Divisional Works Councils, and unit/mill health and safety committees. ■

OH & S Policy

Stora Enso's Corporate OH & S policy is based on the Group's corporate values, corporate business and human resource strategies, national OH & S legislation, and agreements made between Stora Enso and its stakeholders. The policy is

designed to comply with quality management principles, and covers all Stora Enso personnel. Country-, division- and/or unit-specific policies are based on and aligned with the Corporate Policy.

The Corporate Policy is based on two

strategic targets: All employees are healthy and capable of working to their full ability; and workplaces are accident- and work-related disease-free.

Measuring performance

Stora Enso benchmarks its safety record against industry standards and other companies within and outside the forest industry on a regular basis.



Common OH & S yardsticks and indicators are used across Stora Enso. The indicators used are: fatal accidents, lost time accidents, accidents causing no lost time, near misses, and sickness- and accident-related absenteeism. Units monitor figures continuously and report quarterly to corporate functions. Beginning in 2003, accidents affecting the employees of Stora Enso's contractors and suppliers at Stora Enso premises will be followed up and reported.

Fatal accidents

Five fatal workplace accidents took place at Stora Enso locations during 2002:

- At the Varkaus Sawmill in Finland, a facility caretaker was run over by a front-end chip loader. Following the accident, action focusing on traffic safety has been taken, including distributing detailed instructions to all Stora Enso and contractor employees.
- At Cartiberia S.A. in Spain, a contractor's employee died when a forklift turned over. Following the accident, forklift operation instructions have been repeated and employees reminded to follow them in detail.
- At the Celbi Pulp Mill in Portugal, a contractor's employee died after a fall during a construction project. Following the accident, more focus has

been put on safety training and safety rules related to contracted work.

- At the Corbehem Paper Mill in France, a contractor's employee died when a tractor turned over. Action focused on safety awareness and proper safety instructions has been taken.
- At the Suzhou Paper Mill in China, a contractor's employee died in a fall while repairing drainage pipes. Following the accident, increased attention has been given to safety training and supervision to increase safety awareness among all employees.

An employee at the Group's French sales company, Stora Enso France S.A., was killed in a car accident while on a business trip.

Accident rates

During 2002, the average lost time accident rate in Stora Enso was 24.0 per 10⁶ worked hours (4.0 per 100 employees), being lower than in 2001 (26.5/10⁶ hrs; 4.5/100 employees).

For all workplace accidents, the rate was 52.5 per 10⁶ worked hours and 8.7 per 100 employees. In 2001, this rate was 53.6 per 10⁶ worked hours (9.1 per 100 employees). From 2002 onwards accident rates of the sales offices are included in the corporate statistics.

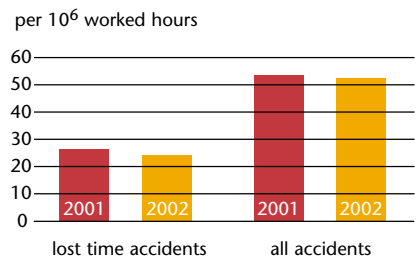
Safety performance and accident

rates varied between different units and operations, and there were also noticeable country-specific differences in average accident rates. At North American mills, the rates were generally lower than in most European units. Action has been taken to encourage units to learn from best practices in accident prevention, and a special focus has been put on units with low safety performance.

Absenteeism

Average sickness- and accident-related absenteeism in Stora Enso in 2002 was 4.9% of total theoretical working hours. In 2001, the corresponding figure was 4.5%. ■

Accidents in Stora Enso



Better purchasing

It has become increasingly important to manage and incorporate sustainability issues throughout the supply chain.

Stora Enso has evaluated its suppliers against a set of environmental criteria for a number of years, and began work on evaluating supplier's social performance as well during autumn 2002.

Wood is by far the most important raw material for Stora Enso. The company promotes good forest management and tracing the origin of fibre is the most important tool to guarantee that the wood procured is from sustainably managed sources. All fibre sources must be in accordance with the company's values, strategies, and policies. These include the Stora Enso Corporate Social Responsibility Principles, which form the framework for the operations of the Group's regional wood procurement organisation.

Stora Enso is also a large purchaser of transport services. Stora Enso Transport and Distribution is responsible for transporting products from mills to customers, and negotiates its own agreements with transport suppliers on a regional basis. During 2003, the department will focus on addressing CSR Principles in their operations, giving special attention to business practices.

Working with suppliers

The other main categories of materials and services purchased annually by Stora Enso are binders, pigments, chemicals, packaging, paper machine



clothing, maintenance, repair and IT investments. Pigments, binders, and chemicals are the single largest categories of materials in terms of volume and value.

The purchasing of these raw materials is carried out at both the Group and local level. Stora Enso Purchasing, headed by the Senior Vice President, Purchasing, operates on a regional basis in close cooperation with divisions and mills. The unit is responsible for evaluating all suppliers systematically, setting purchase agreement standards and negotiating corporate and regional purchase agreements.

A software solution used to evaluate suppliers' environmental performance has been expanded to evaluate suppliers' social performance. The criteria will become stricter stepwise and implementing these criteria at the local level will be one of the

priority areas in 2003. Areas currently under evaluation include:

- Business practice
- Health and safety
- Harassment (sexual, racial, ethnic)
- Child and forced labour
- Discrimination (gender, age, race, religion, sexual orientation)
- Freedom of association

Stora Enso Purchasing has also prepared a document entitled 'How to do business with Stora Enso', outlining the Group's expectations regarding how its partners do business with Stora Enso. This document has been sent to all Group suppliers. ■



A priority area

While business must continue to satisfy customer's key buying criteria, such as quality, appearance, availability, and convenience, ethical standards and global reputation are becoming more important than ever.

Stora Enso has a good reputation as a reliable business partner. The Group's reputation is a combination of many factors, one of the most important being employee behaviour. One of the priority areas in corporate social responsibility has been to create the Group's key message and common codes of conduct in the area of business practice.

During 2002, the sales and marketing organisation created a task force to develop the Stora Enso Business Conduct Guidelines. According to these guidelines, the main principle is to ensure that the Group's reputation and credibility is never endangered because of unethical business practices.

Ethical standards in action

Stora Enso North America is a forerunner in code of conduct issues. Its

Guidelines

- Cooperation between Stora Enso and our stakeholders shall be open-minded, fair and based on equal terms.
- Practices defined as bribes, kick-backs, price-fixing and similar behaviour are prohibited.
- Employees must avoid conflicts of interest between their private financial activities and the conduct of company business.
- All business transactions on behalf of Stora Enso must be reflected accurately and fairly in the accounts of the company.
- Local legislation regarding free competition on the market must be strictly followed.

Code of Business Conduct was adopted in 1997, but some policies have been in place for more than 40 years.

The Code is directed at five key groups: customers, suppliers, employees, shareholders, and local communities. The Principles cover several areas, including antitrust compliance, purchasing policies, confidential information, and environmental management. The very nature of the Code of Business Conduct is about the integrity of decisions and problem-solving in everyday situations.

The Code has been distributed to all staff members in North America. The Code is now being revised to reflect Stora Enso's acquisition of Consolidated Papers. The updated Code will discuss compliance requirements for both European and United States securities. ■

Depth and transparency in reporting

In addition to Group-level reporting, a total of 44 Stora Enso units publish environmental statements. These reports comply with the EU's EMAS Regulation and are third party-verified.

The use of environmental management systems ensures that units focus on the most critical aspects of their operations in terms of the environment. In addition, the EMAS Regulation requires annual public reporting on performance. Stora Enso was recognised by the EU for its successful implementation of EMAS in 2002, as well as for its active development of Web-based EMAS reporting.

Although EMAS has been used primarily to improve and monitor the environmental aspects of operations, several Stora Enso units have started to integrate other sustainability-related issues as well. Reports can cover occupational health and safety issues and community involvement, for example. A good example of this is the Oulu Mill; the mill's EMAS statement for 2002 was recognised as the best in Finland.

Perception counts

Several mills conduct image surveys, and there are numerous country- or industry-specific rankings. Due to differences in methodology, sampling, and criteria, it is not possible to derive an overall picture from these, however. How various stakeholders perceive Stora Enso has not been evaluated systematically on the corporate level.

One way to assess the perception of Stora Enso's communications is to participate in various competitions. Stora Enso's annual reports, web com-

munications, and stakeholder magazine have been ranked highly in several national and international surveys.

Openness versus insider rules

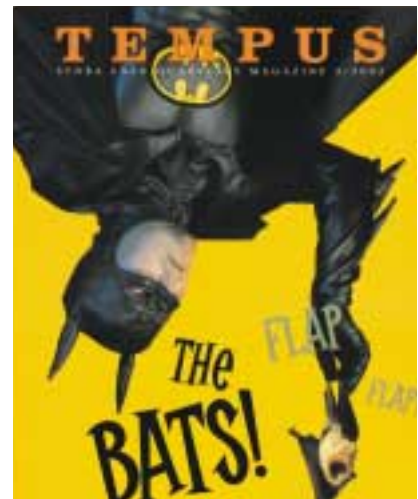
In its corporate communications guidelines, Stora Enso employees are encouraged to talk openly about the company. Restrictions affect the financial area, however, where personnel must adhere to the rules and regulations of the different exchanges on which Stora Enso is listed. The Group must provide sufficient and accurate information to all parties on the capital markets, and ensure that they receive the same information simultaneously. The CEO, Deputy CEO, and Head of Communications act as Stora Enso's corporate spokespeople.

Stakeholders ask Stora Enso

The number of sustainability-related questionnaires sent to Stora Enso has increased rapidly over the last few years. Research companies providing services to investors have been particularly active.

During 2002, Stora Enso replied to 23 surveys, including the Dow Jones Sustainability Index, EIRIS, Henderson, the Investor Responsibility Research Center, Robur, and Skandia Asset Management.

Questionnaires normally cover all aspects of sustainability – economic, environmental, and social issues.



Stora Enso's stakeholder magazine Tempus has been widely praised.

Stora Enso's units also answer numerous questions from stakeholders, such as customers, the media, local citizens, and NGOs. The substance and frequency of this dialogue are not monitored systematically. ■

Principles

Credibility and transparency

Information delivered must be accurate, timely, and based on facts. Communication must be transparent.

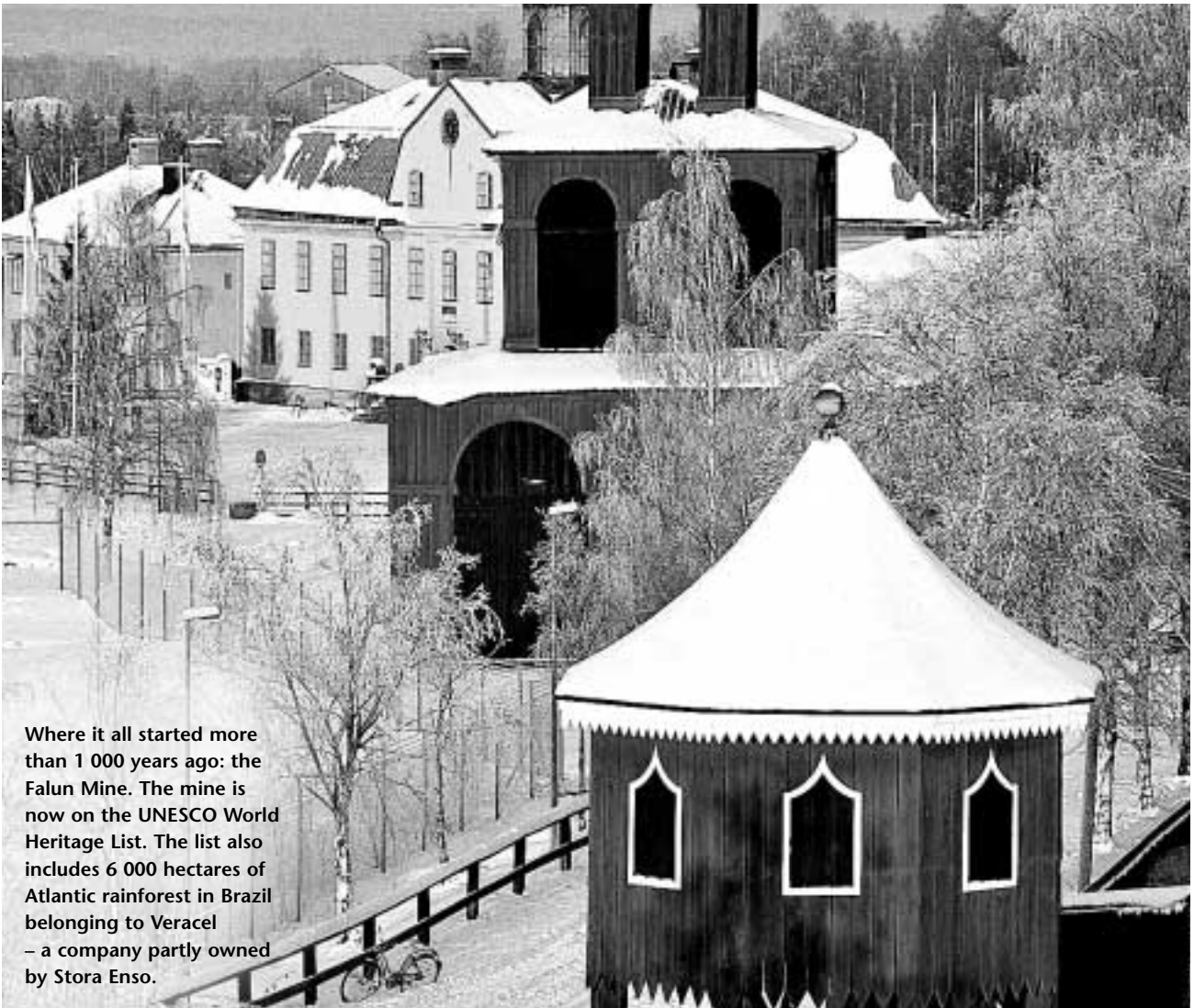
Responsibility

Stora Enso's communications must be characterised by responsibility and a commitment to the criteria of sustainable development. It must respect the cultures, customs, and values of individuals and groups in countries in which Stora Enso operates. The company must respect local laws, regulations, rules, and agreements.

Proactivity and interaction

Stora Enso provides information promptly, and advocates an open dialogue with stakeholders to work more effectively with them.

[Read more in the Web report](#)



Where it all started more than 1 000 years ago: the Falun Mine. The mine is now on the UNESCO World Heritage List. The list also includes 6 000 hectares of Atlantic rainforest in Brazil belonging to Veracel – a company partly owned by Stora Enso.

Engaging stakeholders

Mills play an important and active role in the communities they operate in through close cooperation with schools, local government, shared infrastructure or services, and by sponsoring sports or cultural events.

As this is Stora Enso's first year of reporting on corporate social responsibility issues, a survey was sent out to all units to gather information on their community involvement and to identify best practice within the Group. The results cover 83% of Stora Enso mills.

Community involvement and type of activity

	Share of units
Schools/universities	100%
Public bodies	96%
Trade and business associations	75%
Communications	79%
Sponsorship (cultural, sport, other)	93%
Stakeholder interaction (open house, image surveys)	82%
Shared infrastructure/services	79%

[Read more in the Web report](#)

Highlights

- In addition to offering subjects to university students for diploma theses, organising study visits to the mill, and arranging school projects for local students, the Imatra Mill has worked to raise interest in the forestry industry among girls. Since 1996, the mill has worked with ninth-grade girls at local schools in promoting subjects leading to a career in the paper industry.
- At the Nymölla Mill, regular meetings are held with local politicians and other elected representatives throughout the year. Representatives from the mill also attend committee meetings on environmental and fishing issues.
- Stora Enso North America participates in various activities coordinated by state-wide and regional business organisations – including the Wisconsin Paper Council, Wisconsin Manufacturers & Commerce, and Forward Wisconsin – to foster and develop small businesses in the community. Stora Enso North America is also a corporate member of several forestry-related committees devoted to sharing best practices.
- The Celbi Mill has participated in image surveys linked to the image of the paper and pulp industry in Portugal, and has organised open house days for retired employees and local residents. In addition, regular meetings are held with trade union representatives to discuss issues and inform unions about the mill's performance and objectives for the upcoming year.
- Many of Stora Enso's mills work in close cooperation with local fire brigades, and several mills have their own emergency on-site services. In all, nine mills provide district heating to their local communities and some process municipal wastewater in their treatment facilities.

Cooperation yields results

Stora Enso is a sponsor of a project managed by WWF Russia known as the Pskov Model Forest. The project is aimed at developing an environmentally appropriate, socially beneficial, and economically viable forest management model for the Pskov region. It also aims to encourage the dissemination of the positive experiences and lessons learned to the forest industry sector in the region.

The first phase of the project, to be completed in May 2003, has focused on raising public awareness, increasing public participation in the management of the forest resources of the region, and sustainable forest management. Stora Enso leases the land on which the project is being carried out; and Stora Enso's Russian harvesting company, STF-Strug, working in close cooperation with WWF Russia, carries out harvesting.

The project has given Stora Enso invaluable experience on the practical implementation and market impact of forest certification in Russia, experience that can be applied in other regions in Russia.

Investing in public awareness

The Pskov Model Forest project has done a lot to increase public awareness of the forestry sector and its



The organisers of a festival in Strugi Krasnie, Russia bid farewell to winter.

importance in the surrounding area. Study visits for local students have been arranged, and training material produced for courses on the fundamentals of forestry.

Ecological trails open to the public have also been built as part of the project. These include information on forestry and the project, and highlight rare plants and tree species. Written material is distributed through the local media and WWF

Russia. Forest clubs have been organised in the surrounding communities and local schools; these clubs are open to everyone with an interest in forests, and organise trips to local forests and educate people about sustainable forestry practices.

Preparations and negotiations involving Stora Enso are under way on the second phase of the project, which is scheduled to start in the autumn of 2003. ■

Environmental and social responsibility policy

Responsible business

Stora Enso is committed to developing its business towards ecological, social and economic sustainability. These tasks are recognised as shared responsibilities within Stora Enso enabling a continuous improvement of our operations.

Eco-perspective

Stora Enso's objective is to supply customers with products and services that satisfy various needs related to printed communication, packaging and construction purposes. These products are mainly produced from renewable raw materials, and are recyclable and safe to use.

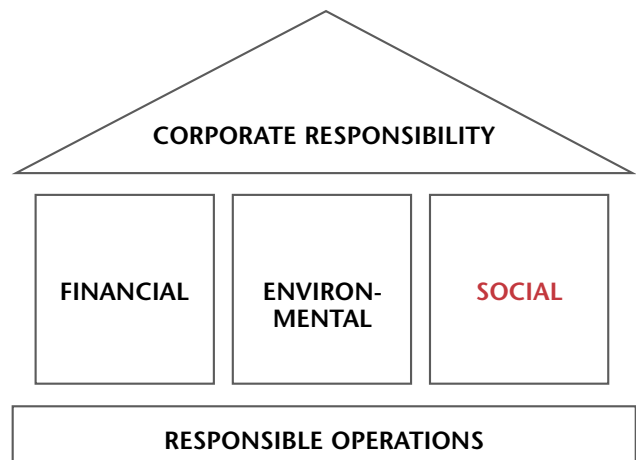
The concept of product life cycle guides our environmental activities and provides the framework for our efforts. We expect the same commitment from our suppliers and partners so that at every stage, from raw material to the end product, the impact on the environment will be minimised.

Social respect

As an international company, Stora Enso acknowledges its role as a model company in the global, national and local society. Our attitude shall be characterised by respect for the cultures, customs and values of individuals and groups in countries where we operate. When developing our business to earn credibility, we will comply with and when necessary go beyond the requirements of national standards and legislation.

Transparent interaction

In order to continuously strengthen our operations and develop environmental and social issues in a sustainable way, Stora Enso considers an open discussion and interaction with all stakeholders, both governmental and non-governmental, as fundamental.



The Stora Enso principles for corporate social responsibility

Business Practice

- Cooperation between Stora Enso and our stakeholders shall be open-minded, fair and based on equal terms.
- Practices defined as bribes, kick-backs, price-fixing and similar behaviour are prohibited.
- Employees must avoid conflicts of interest between their private financial activities and the conduct of company business.
- All business transactions on behalf of Stora Enso must be reflected accurately and fairly in the accounts of the company.

Communication

Communication is based on credibility, responsibility, pro-activity and interaction. These apply equally to all stakeholders. We advocate an open dialogue.

Community Involvement

We shall be a responsible member of the communities in which we operate through focused partnerships at local, national and global levels. We encourage our employees to take part in the local community work.

Reduction in Workforce

Any reduction necessary in the workforce shall be carried out with respect for the individual and proper sensitivity to employees' needs.

We support the UN's Universal Declaration on Human Rights and the core conventions of the International Labour Organization (ILO), from which Stora Enso has derived the following principles:

Working conditions

Our employees are entitled to safe and healthy workplaces. No employee shall be subject to any physical, psychological or sexual harassment, punishment or abuse.

Diversity

We recognize diversity as a strength. Discrimination against any employee in respect of race, ethnic background, gender, disability, sexual orientation, religion, political opinion, maternity, social origin or similar characteristic is prohibited.

Freedom of association

Employees have the right to organise, join associations and bargain collectively, if they wish to.

Free choice of employment

Any form of involuntary labour is prohibited.

Child labour

Use of child labour is not permissible. The minimum age for employment shall be in accordance with the ILO convention (14 or 15 years) or the age specified by local legislation if higher. The employment of young persons shall not jeopardise their education or their development.

Remuneration

Wages shall be paid direct to the employees. Employees shall be paid at least the minimum legal wage or the wage specified in an applicable collective labour agreement.

Working hours

Working hours shall not exceed 48 hours and overtime 12 hours per week on average over a year, unless other conditions are specified in local laws or an applicable collective labour agreement.

Key stakeholders

Customers

All current and potential companies and individuals that choose our company to provide goods or services to them.

Employees

All employees of the company and employees in operations controlled by the company.

Investors

All current and potential owners of our company's equity and debt.

Partners

- Suppliers
- Co-investors and those who join us in other mutually beneficial activities.
- Trade and business associations of which we are members.

Society – Civil

The individuals in our neighbouring communities. Organisations engaged in civic and charitable work as well as non-governmental organisations.

Society – Governmental bodies and administrators

Local and national governmental bodies, administrators, politicians/elected officials and transnational bodies such as the UN.

Organisation and responsibilities

Operational management has primary responsibility for performance in the corporate social responsibility area and for complying with the Group's commitment. A CSR Steering Committee, chaired by the Deputy CEO, serves as the coordinating body for Group-wide CSR issues. Stora Enso CSR is headed by the Vice President, Corporate Social Responsibility, who reports to the Executive Vice President, Human Resources. The VP, CSR works closely with and supports divisions, units, and staff functions.

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