

Claims and Answers

Stora Enso's plantation activities in Rio Grande do Sul area

Introduction

It is very difficult to imagine a world without paper. Its most important raw material, wood, is renewable. Paper can be recycled several times before using it for energy. It can be used instead of non-renewable materials for example in packaging. Paper is a sustainable solution.

The world's growing population needs more paper for many necessities. This is why Stora Enso establishes plantations – plantations that are established and managed in a sustainable way.

Sustainably managed plantations enhance the welfare of local communities and support the conservation of native ecosystems. The plantations are located in remote areas where other prospects for economic development are limited. They provide new opportunities for local communities and help reverse economic decline and rural depopulation.

It is clear that a plantation as a new element in landscape and surrounding society raises questions and even concerns. Stora Enso here, truly openly, discusses recent concerns regarding especially Rio Grande do Sul area:

“1 – Land acquisition in the state of Rio Grande do Sul was contrary to Brazilian legislation concerning border zones. The Company did not follow the required legal procedures in the land acquisition.

Stora Enso began to establish tree plantations in Rio Grande do Sul in 2005. Foreign companies need a special permit from the Brazilian government to obtain title to land in the border zone. Stora Enso' Brazilian subsidiary is in the process of getting the permits and has followed all the steps established by Brazilian law.

“2 – The Company (Azenglever) established by Stora Enso's Brazilian managers with the aim of circumventing the law, which may lead into investigations by Brazilian federal police and authorities.”

Stora Enso is in the process of getting the required permits to obtain title to land in the border zone. The purpose of Azenglever is to hold the land until proper authorization is given by the Brazilian National Security Council ("CSN"). Azenglever is owned by two Stora Enso directors in Brazil, Otavio Pontes and João Borges, and is filed in the company register. This arrangement has been made in full transparency with the Brazilian authorities and according to Brazilian laws.

“3 – Putting pressure on political decision-makers and plotting to breach environmental legislation. This has generated protests and offence among the citizenry that has damaged the Company’s image and reinforced the perception that illegal actions are condoned practices. Pressure from the Company has led to the dismissal of the federal civil servant responsible for assessment of environmental effects and the President of the environmental body FEPAM. Civil servants at the environmental authority protested against the dismissals.”

Stora Enso is in no position to influence political decision making processes. All permits and approvals are based on legal procedures, which are analysed and granted by technical experts, and have no connection to political campaigns.

“4 – Allocating significant resources to political election campaigns, which is legal but immoral and unacceptable because the Company depends on the same decision-makers granting the permits and approvals.”

During 2006, Stora Enso paid a total sum of BRL 1 006 604 (EUR 365 812) in contributions to the election campaigns of Brazil’s President, governors, federal and state representatives, and senators. All our contributions are totally transparently disclosed on a Brazilian government site (www.tse.gov.br), and the total amounts of political contributions are also disclosed in our annual report. Our policy was to contribute evenly to the top 3 or 4 candidates of the public favorites lists – or in the case of just two candidates, we contributed evenly to the both.

In November 2007 new Business Practice Principles of Stora Enso were approved and launched by the Chief Executive Officer. According to these principles we avoid political contributions. Only the CEO can approve exceptions. So far none have been approved and we are not aware of any to come.

“5 – The Company underestimates the effects of planting vast eucalyptus plantations in the pampas, and the consequences for groundwater and hundreds of characteristic types of flora and fauna.”

Tree plantations are long-term investments where good environmental management contributes positively both to the environmental protection and productivity.

Stora Enso’s plantations are established in areas of low biodiversity value. During the planning stage any valuable ecosystems such as native forests or wetlands, are identified, protected and actively restored. At the landscape level, plantations are designed to enhance the long-term survival of valuable ecosystems, for example, by reducing their isolation. In areas where with very high rainfall– like Rio Grande do Sul – plantations have a positive total water balance, and they do not reduce the availability of groundwater.

At Stora Enso’s plantations in Rio Grande do Sul, a little more than half of the area is used for tree plantations and the rest is reserved for conservation and restoration of valuable ecosystems. In total, only 0.65% of Brazilian territory is covered by tree plantations.

Stora Enso always carries out environmental and social impact assessments before establishing any new tree plantations. Potential environmental and social impacts of the Rio Grande do Sul tree plantation project have been comprehensively investigated in an Environmental and Social Impact Assessment (ESIA). It was conducted by an independent third party between 2006 and 2007 and is also part of the legal permitting process.

“6 – Acquisition of land suitable for land reform and using it for eucalyptus pulp production. This has caused protests from family farmers and the landless. Landless farming families have waited for years in camps dreaming that they will get land through the Brazilian government’s land reform programme. Stora Enso’s actions frustrate these families and society at large, creating hostility towards the Company.”

None of the land purchased by Stora Enso has been reserved for the land reform. In Rio Grande do Sul, the land purchased by Stora Enso was previously owned by private individuals. The plantations in the area are being established on former pasture lands, where the original native grassland vegetation (pampas) has been heavily modified by grazing over the past century.

Stora Enso wishes that land reform programme in Brazil proceeds successfully. Solutions are best found through a democratic process in which Brazilian people and government as well as authorities together make decisions and set targets.

“7 – Subjection of female farmers to brutality, at Stora Enso’s instigation, when they drew attention to the irregularities and social and environment problems that the Company is causing. That is a shocking infringement of human rights.”

The usage of violence is totally against Stora Enso’s policies and we don’t accept it. We regret the violent actions of police. This was made clear already when the invasion occurred.

“8. – To point out Stora Enso’s environmental violations, the Friends of the Landless mentioned in the press conference (21 Aug 2008) about the court decision Veracel has received due to cutting down 64 hectares of native forest in 1993, and that the court has given Veracel 8 million euro fine and ordered the company to cut down 47 000 hectares of current plantations and reforest the area within one year with native trees.”

Veracel is Stora Enso’s associated company. From Veracel’s point of view the court decision is unfounded. Extensive environmental impact assessment was undertaken in 1994–1995 as part of the legal permit requirements. Veracel has obtained all the environmental and operating licences for its industrial and forestry activities from the Brazilian authorities and respects Brazilian laws. Thus, Veracel has asked the court for clarification of the judgement and also will appeal against the ruling.