

# Stora Enso Sustainability Materiality Assessment 2020

## Our approach to materiality in sustainability

Truly material issues do not change annually within our operations, and therefore Stora Enso's Sustainability Agenda and targets are set for the long term. In order to ensure the Group's work maintains focused and recognises potential new issues, we periodically assess how well our sustainability agenda is aligned both with our social and environmental impacts and the related expectations of our key stakeholders.

In 2020, we again conducted a more extensive assessment on the materiality of sustainability topics. The baseline for our work was the Group's most recent extensive materiality assessment

carried out in 2017. This previous assessment involved an external expert organisation consulting 124 Group-level stakeholders around the world through online and telephone surveys. For more about the previous materiality review in 2017, see our [Sustainability Report 2017](#) or later annual Sustainability Reports.

In our materiality assessment in 2020, we have acknowledged the double-materiality concept as described in the EU Commission's non-binding guidelines in the context of reporting climate-related information. Our sustainability materiality assessment is primarily based on impacts, either positive or negative, from our operations on environmental and social topics along the value chain. This impact-based view

serves our strategic work on sustainability and broad annual sustainability reporting. On the other hand, the financial relevance of any sustainability topic is seen as clear evidence for that topic also being highly material in terms of environmental or social impact.

Our broader sustainability reporting intends to provide information deemed material for various groups of stakeholders such as investors, employees, governments, customers, consumers and civil society. With in-depth information, it complements our [financial risk disclosure based on Enterprise Risk Management \(ERM\)](#) that incorporates sustainability topics from a financial materiality perspective.

## Process steps

1. Identification and prioritisation
2. Internal validation
3. External assurance

## Identification and prioritisation

Stora Enso's Group Sustainability function carried out the initial identification and prioritisation of sustainability topics as an in-house desktop project during the second quarter of 2020. To gain evidence on the materiality of sustainability topics, various information sources representing stakeholder views were analysed as listed in table below. When using these information sources, available records after the Group's latest extensive materiality review in 2017 were considered.

The different information sources, including investor discussions and customer interviews, were analysed for their content and to identify which sustainability topics are most reoccurring in terms of materiality or stated importance. The analyses resulted in an initial prioritisation of sustainability topics.

## Information sources analysed for the identification and prioritisation of sustainability topics

Key stakeholder group represented	Information analysed	Company or sector specific	Time period	Our approach
<b>Investors</b>	Stora Enso's investor meeting records from almost 800 meetings in total.	Company	2018 – first half of 2020	We reviewed our meeting records for statistical analyses to see which sustainability topics are of importance for our investors.
	Stora Enso's Enterprise Risk Management (ERM)	Company	2019–2020	We looked at sustainability topics as part of our key financial risks as a cross-reference for our materiality assessment based on environmental and social impacts.
	Reporting Standards by the Sustainability Accounting Standards Board (SASB)	Sector	Latest standards, 2018	We incorporated the materiality conclusions of the SASB Pulp & Paper and Forest Management sector standards into our assessment.
	ESG research methodologies	Sector	Latest assessments, 2020	We incorporated the materiality conclusions of our priority ESG rating methodologies for our sector into our assessment.
<b>Customers</b>	Stora Enso's division-specific materiality assessments	Company	Q4 2017 – Q4 2019	Our packaging division's in-depth materiality assessments formed one of the cornerstones of the Group desktop work. These assessments involved discussions with 50 packaging customers through interviews.
	Ecovadis ethical supplier rating system	Sector	Latest assessment, 2020	We incorporated the materiality conclusions of Ecovadis for our sector into our assessment. Stora Enso participates in this assessment, which is conducted against indicators deemed material for sustainability performance in our sector.
<b>Suppliers</b>	Stora Enso's stakeholder consultation for the update of the Supplier Code of Conduct	Company	2020	Stora Enso engaged with suppliers, customers and investors to solicit views on the Group's Supplier Code of Conduct which was updated during 2020. Five focus group sessions had participants from 41 companies. The outcomes were utilized in the broader Group materiality assessment.
<b>Governments, Civil Society</b>	Sustainable Development Goals (SDGs)	Company	2018 and ongoing	In 2018, Stora Enso's Group Leadership Team (GLT) confirmed the SDGs most strategic to Stora Enso's business: SDG 12, 13 and 15. Our work with the SDGs and the related prioritisation was incorporated into the Group materiality review in 2020.
	Key regulation development for the company	Company, Sector	2020	Stora Enso's considerations within regulatory developments were incorporated into our materiality assessment. For instance, many areas in the EU Green Deal are of high importance for our sector and the company.
<b>Non-governmental organisations (NGOs)</b>	Key feedback from relevant NGOs	Company	2020	We engage regularly with many important NGOs such as WWF, Greenpeace and Finnwatch. Key feedback in these engagements contributed to our materiality assessment.
<b>Competitors</b>	Competitors' public materiality assessments	Sector	2018–2019	We reviewed the materiality assessments as disclosed in the Annual Reports of our key competitors to contribute to the sector view.
<b>Global sustainability experts</b>	Available surveys and analysis	Sector	2019–2020	We reviewed trends and outlooks on sustainability topics by the World Business Council for Sustainable Development (WBCSD), the annual sustainability survey by Globescan and the global risk report by the World Economic Forum (WEF) for our assessment.

### Internal validation

The internal validation of our materiality assessment and its suggested results included the following steps:

- Our **Group Sustainability function** discussed and prepared the assessment in online meetings.
- Our **Sustainability Council** received updates on the assessment and steered the work.
- Our **Sustainability Forum** with 24 participants held an online vote on the relative importance of sustainability topics. By using an online meeting tool, Stora Enso's experts were asked for their view on the relative importance of sustainability topics today and towards 2030.
- **The results were presented to the CEO.** It was noted that the results are largely in line with previous strategic assessments on Stora Enso's sustainability impacts.
- During the internal validation process above, our view on materiality was further refined as necessary. The process resulted in further clarity on the names of sustainability topics and their consolidation. The internal process also contributed to a 'watchlist' of sustainability topics, i.e. topics that may become more material going forward and thus should be monitored.

### External assurance

Our external assurance provider PwC has performed a limited assurance on Stora Enso's Sustainability Report for 2020. The materiality assessment is a part of the Sustainability report. For the full assurance statement, see **Sustainability 2020**.

### The Covid-19 pandemic

During 2020, the Covid-19 pandemic changed the world and disrupted business. During our materiality assessment, we identified the sustainability topics most affected and considered two alternative impact scenarios from the pandemic on our sustainability agenda.

The pandemic underpins the importance of our social topics such as OHS, employment and community relations. The successful adaption of our social agenda to the pandemic has also enabled the company to continue to focus on contributions to the strategic environmental topics, deemed particularly material.

## Results

Our assessment reconfirmed that all topics in our current Sustainability agenda continue to be material for the company.

Four sustainability topics were identified as particularly material for Stora Enso:

**Global warming** – including topics such as our reduction of greenhouse gas (GHG) emissions along the value chain, our products' positive impact to mitigate global warming and our approach to adapt to climate-related risks and opportunities.

**Sustainable forestry and biodiversity** – using forests and land efficiently while conserving natural ecosystems and biodiversity.

**Renewable and circular products** – including our product sustainability aspects, such as innovation and product circularity, and the success of our renewable products in competition with solutions based on fossil and finite materials.

**Occupational health and safety (OHS)** – due to the Covid-19 pandemic, OHS was deemed one of the most material topics in 2020.

As previously stated, all topics in our current sustainability agenda are deemed material. The inter-connectiveness of sustainability topics is also recognised, as only diligent work on social agenda can enable our contributions to the environmental topics. This view and results of our assessment are in line with Stora Enso's earlier assessment work on the SDGs.

The Group-level materiality assessment in 2020 is considered to represent all Stora Enso's business divisions well. However, it was noted during the process that the materiality of sustainability impacts may be considered differently in our different geographic regions.

In our previous extensive materiality assessment in 2017, human rights, business ethics and responsible sourcing were among the most material topics, together with key environmental topics. The relatively higher materiality of environmental topics in 2020 is justified by the increasingly positive impacts of the Group's products and strategy, growing global pressure on environmental challenges and our further developed management of social topics. Compared to our previous materiality assessment, a further emphasis on product circularity related aspects was given.

During our internal process, Stora Enso's sustainability experts' views on the relative importance of sustainability topics were largely in line both today and towards 2030 – although there was an emphasis on new topics that were considered.