

Climate-related financial disclosures (TCFD)

Table key:
 SR – Sustainability 2020 ST – Strategy 2020
 FR – Financials 2020 CG – Governance 2020

The Financial Stability Board’s (FSB) Task Force on Climate-related Financial Disclosures (TCFD) recommends a framework for disclosing climate-related risks and opportunities that goes beyond current practices. In the online index table, we list our disclosures with reference to TCFD recommendations, and refer to those locations where these issues are addressed in our annual reporting. The location references are complemented in the index with additional information, as necessary.

Scenario analysis in 2020

The TCFD recommendations encourage companies to use scenario analysis to help ensure that their strategies are resilient to climate change in a range of possible future states. Leading practice shows that this is best approached by breaking down the full scope of scenario analysis into a set of smaller scopes considering asset type and geography, and to apply prioritisation in conducting the full scenario analysis.

Stora Enso is one of the largest private forest owners in the world with forest assets valued at more than EUR 7 billion (land and biological assets, including Stora Enso’s share of Tornator) in 2020, including the biological assets of EUR 6.4 billion in Sweden and Finland. Furthermore, 65% of Stora Enso’s wood was sourced from Finland, Sweden, Norway and Northwestern part of Russia. Effects of climate change such as milder winters have already shown to have material impact on the harvesting and transport of wood in northern regions and related costs. To support our annual Enterprise Risk Assessment (ERM), in 2020 Stora Enso developed a scenario analysis with the qualitative assessment of the physical climate impacts on the Nordic forests and our business until 2050. This work was based on the Business-As-Usual scenario by the International Panel for Climate Change (RCP 8.5 scenario) that would deliver a temperature increase of 4–5 degrees. The climate change attributes considered are pests, diseases, droughts, wildfires, floods, periods of frost, water scarcity, changes to precipitation patterns, sea level rise and changing temperatures.

| Disclosure focus area | Recommended disclosure | Key locations and comments |
|---------------------------------|--|---|
| I - Governance | | |
| | a) Describe the board’s oversight of climate-related risks and opportunities | CG: Board of Directors, The Board of Directors’ and management’s annual working cycle FR: Risks and risk management - Risk governance SR: Sustainability governance |
| | b) Describe management’s role in assessing and managing climate-related risks and opportunities | CG: Management of the Company, The Board of Directors’ and management’s annual working cycle SR: Strategy, governance and stakeholders - Sustainability governance SR: Materials, water and energy - How we work SR: Carbon dioxide - How we work SR: Forest, plantations, and land use - How we work |
| II - Strategy | | |
| | a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term | FR: Report of the Board of Directors - Risk management: Key risks in 2020 <ul style="list-style-type: none"> • Global warming - physical risks • Strategic investments and related opportunities • Competition and market demand • Sourcing • Physical assets • Regulatory changes • Forest and land use ST: Transformation |
| | b) Describe the Impacts of Climate related risks and opportunities on the organisation’s business, strategy and financial planning | FR: Risk management ST: Transformation SR: Environmental agenda, Economic agenda |
| | c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2C or lower scenario | ST: Transformation FR: Risks and risk management, Scenario analysis in 2020 SR: Environmental agenda, Stora Enso’s GHG performance and scenarios |
| III - Risk management | | |
| | a) Describe the organisation’s processes for identifying and assessing climate-related risks | FR: Risks and risk management SR: Strategy, governance and stakeholders |
| | b) Describe the organisation’s processes for managing climate-related risks | FR: Risks and risk management |
| | c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management | FR: Risks and risk management |
| IV - Metrics and targets | | |
| | a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process | SR: Our sustainability targets and key performance indicators SR: Environmental agenda ST: Transformation - Positive climate impacts through substituting fossil-based materials |
| | b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks | SR: Carbon dioxide <ul style="list-style-type: none"> • Progress • Stora Enso’s GHG performance and scenarios • Stora Enso’s carbon footprint 2016-2020 |
| | c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets | SR: Our sustainability targets and key performance indicators |

The results show that whilst under the right circumstances a higher temperature increases the growth rate of the forest and hence positively affects wood availability and forest valuation, the

other attributes assessed primarily decrease wood availability and increase wood prices. In 2021, we will continue analysing our strategic resilience using different climate-scenarios as part of our annual risk

assessment. We will advance the work on physical impacts as well as assess the business impact from a global transition required to limit the temperature increase in line with the Paris agreement.