

# Climate-related financial disclosures (TCFD)

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 this 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 2021

The TCFD recommendations encourage companies to use a 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.

In 2020, Stora Enso developed a scenario analysis with the qualitative assessment of the physical climate impacts on the Nordic forests and the Group's 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 by the end of the century. The climate change attributes considered are pests, diseases, droughts, wildfires, floods, periods of frost, water scarcity, changes to precipitation patterns, rise in sea level and changing temperatures. In 2021, the work with physical climate impacts continued by a deeper analysis of measures improving resiliency of the forests against the negative impacts of global warming. Results show that

sustainable forest management practices as well as possibilities to monitor and to react to events such as forest fires and diseases, play an important role in mitigating the negative impacts of climate change.

During 2021, Stora Enso assessed a business impact scenario for 2030 according to the global transition required to limit the global average temperature increase in line with the Paris agreement of 1.5 degrees (RCP 1.9). The assessment was done based on the TCFD transition categories as part of the Group's annual strategy process.

The work concluded that the overall transition to a low carbon, circular bioeconomy is well aligned with Stora Enso's strategy. The Group's strategy is to provide sustainable, renewable alternatives to fossil-based solutions, presenting attractive growth opportunities going forward. The Group's innovation, product development and investments in energy and raw material efficiency also help customers to reach their climate targets as well as meet consumer demands for low-carbon products.

The scenario work also showed that potential new regulations and market mechanisms motivated by the ambitions to limit climate change and its effects on the society and environment could impact Stora Enso's operating costs by limiting wood harvesting volumes or forest management practices as well as increasing greenhouse gas emission costs and energy prices. Sustainable product initiatives and requirements may also have an impact on the Group's future market access, product demand growth and product development requirements.

During 2022, Stora Enso plans to further integrate TCFD recommendations into the strategy and enterprise risk management processes.

Disclosure focus area	Recommended disclosure	Location in Stora Enso's Annual Report 2021
<b>I – Governance</b>		
a) Describe the board's oversight of climate-related risks and opportunities		<b>Governance:</b> Board of Directors, The Board of Directors' and management's annual working cycle <b>Report of the Board of Directors:</b> Risk management - Risk governance <b>Sustainability reporting:</b> Sustainability governance
b) Describe management's role in assessing and managing climate-related risks and opportunities		<b>Governance:</b> Management of the Company, The Board of Directors' and management's annual working cycle <b>Sustainability reporting:</b> <ul style="list-style-type: none"> <li>• Sustainability governance</li> <li>• Emissions and energy – How we work</li> <li>• Sustainable forestry – How we work</li> </ul>
<b>II – Strategy</b>		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term		<b>Report of the Board of Directors:</b> Risk management <b>Our strategy:</b> Strategy, Climate change
b) Describe the Impacts of Climate related risks and opportunities on the organisation's business, strategy and financial planning		<b>Report of the Board of Directors:</b> Risk management <b>Our strategy:</b> Strategy, Climate change
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2C or lower scenario		<b>Our strategy:</b> Strategy, Climate change <b>Report of the Board of Directors:</b> Risk management, TCFD Scenario analysis in 2021
<b>III – Risk management</b>		
a) Describe the organisation's processes for identifying and assessing climate-related risks		<b>Report of the Board of Directors:</b> Risk management <b>Sustainability reporting:</b> Strategy, governance and stakeholders
b) Describe the organisation's processes for managing climate-related risks		<b>Report of the Board of Directors:</b> Risk management
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management		<b>Report of the Board of Directors:</b> Risk management
<b>IV – Metrics and targets</b>		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process		<b>Sustainability reporting:</b> Sustainability targets and KPIs <b>Sustainability reporting:</b> Emissions and energy <b>Our strategy:</b> Strategy, Climate change
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks		<b>Our strategy:</b> Stora Enso's greenhouse gas emissions
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		<b>Sustainability reporting:</b> Sustainability targets and KPIs