

# Slavery and Human Trafficking Statement



June 2018



# Addressing modern slavery

Stora Enso recognises that modern-day slavery, including forced labour and human trafficking, is a growing global concern. Our operations and supply chains involve certain activities generally recognised as having a heightened risk of forced labour. Therefore, we must and do take the risk of modern slavery seriously.

While we recognise that modern slavery-related risks may exist in our own operations, we feel that the greatest risk is in our complex and extensive supply chains that include supplier categories and geographies which we have identified as having high human rights risks. For this reason, we have taken a risk-based approach to addressing modern slavery

by focusing our efforts on our supply chains. Together with our Human Rights Strategy, currently under development, the Modern Slavery Act gives us an additional tool for focusing on Stora Enso's highest priority human rights issues and for demonstrating the steps we are taking to address them.

The Act also enables us to meet our stakeholders' expectations of us and to help our customers fulfil their own human rights commitments. In this way, proactive human rights due diligence becomes more than simply risk mitigation.

## Implementing international standards

Human rights are comprehensively addressed in Stora Enso's policies. Elements of modern slavery, such as child labour and forced labour, are specifically addressed in some of these policies.

### Stora Enso policies related to modern slavery include:

#### Code of Conduct:

Our company [Code of Conduct](#), "Do What's Right," is a single set of values defined for all our employees to provide guidance on our approach to ethical business practices, environmental values, and human and labour rights. These same values are applied wherever we operate. The Code explicitly prohibits the use of child labour and forced labour.

#### Statement on Human Rights:

Through our [Statement on Human Rights](#), we commit to fully respect human rights throughout our operations. The statement recognises all human rights as defined in the International Bill of Human Rights and other universally accepted international human rights instruments.

#### Minimum Human Resources Requirements:

Our internal Minimum Human Resources Requirements (Labour Conditions), applicable to Stora Enso's own employees, prohibit the full-time employment of anyone under the minimum working age, as defined by the International

Labour Organization Minimum Age for Employment Convention (C. 138) or national legislation, whichever is higher. In addition, these Requirements prohibit all forms of forced labour, including prison labour, indentured labour, bonded labour, and overtime work involving threats of punishment. The Requirements also state that all employees have the right to enter into and terminate their employment freely. Management is prohibited from confiscating employees' identification documents, passports, travel tickets, or other documents, or deducting recruitment, training, or tuition fees<sup>1</sup> from employees' wages. Any loans or salary advancements to employees must be based on fair terms that have been clearly explained to the employee. These Requirements apply equally to all Stora Enso employees, and explicitly state that foreign/migrant employees must not be treated less favourably than local employees, and that all employees must have relevant and valid work and residence permits.

#### Supplier Code of Conduct:

The governing document of our supply chain management, our [Supplier Code of Conduct](#) is a legally binding document that imposes mandatory sustainability requirements for suppliers regarding human and labour rights, occupational health and safety, environmental protection, and responsible business practices. Covering forced labour and working conditions, it applies to all our sourcing categories globally.

## Human rights due diligence

Respect for human rights is a cross-cutting element of our [Sustainability Agenda](#) and embedded in our sustainability practices across all our operations, from investment decisions through to operations and production, and including divestment and decommissioning<sup>2</sup>. We are currently developing a Human Rights Strategy, which will define our overall approach to human rights due diligence. In 2018, the focus will be on completing the identification of Stora Enso's highest priority human rights. Once completed, a due diligence and compliance monitoring programme will be defined and implemented. The ambition is to have this work completed by the end of 2018.

### Human rights assessments and action plans

Stora Enso conducted a comprehensive group-wide Human Rights Assessment in 2014, which consisted of separate unit-based assessments at 93 operations in 22 countries. The resulting [Human Rights Assessment report](#) was published in February 2015 and based on its findings, a Human Rights Action Plan was developed. The implementation of the corrective actions required by the Action Plan commenced in Q3 2015 and was completed in 2017.

<sup>1</sup> Our Minimum Human Resource Requirements provide that, for post-graduate degrees, alternative arrangements such as retention schemes and payback agreements are allowed.

<sup>2</sup> Our investment guidelines stipulate that environmental and social risks and impacts, including those related to human rights, must be duly identified, assessed, and addressed prior to any investments in projects with business-critical risks. Business ethics risks and specific investment compliance with our Code of Conduct and Business Practice Policy are also assessed.

While our Human Rights Assessment pre-dated the UK Modern Slavery Act, it addressed elements of modern slavery, such as child labour and forced labour. Of the 93 units assessed, it found that there was little or no risk of child labour or forced labour in any of the operations or direct suppliers of Stora Enso Oyj and its consolidated companies covered by this Statement.

**Grievance and remediation mechanisms**

Stora Enso is committed to remedy any situation where our activities have caused or contributed to adverse human rights impacts. In circumstances where human rights violations are committed by third parties directly linked to Stora Enso through our operations, products, or services, we strive to use our leverage together with relevant stakeholders to ensure that those impacts are remedied.

A third-party-administered grievance channel, Do What’s Right hotline, is available to all our employees, enabling them to report instances where their rights may have been infringed, or where they have observed violations of Stora Enso’s Code of Conduct. The hotline is also available to external stakeholders in China, Russia, Laos, and Brazil, where national legislation does not restrict the collection of personal data related to non-employee misconduct. We have long-standing local grievance channels for communities and other external stakeholders associated with our plantations and mill in Guangxi, China. Similar local grievance channels exist for our project in Laos, and our joint operations Veracel in Brazil and Montes del Plata in Uruguay. In 2017, we initiated a process to map all our existing community grievance mechanisms to ensure alignment with the UN Guiding Principles.

Our Supplier Code of Conduct obliges our suppliers to report any non-compliance with the Code to Stora Enso’s Head of Internal Audit, as well as to establish a whistle-blowing system to enable their employees to report non-compliances.

In 2017, a total of 61 reports through Stora Enso’s various grievance channels were identified as potential non-compliance cases, of which proven misconduct was identified in 14. None were related to child labour or forced labour.

**Minimum human resource requirements for Stora Enso employees**

Stora Enso’s Minimum Human Resource Requirements prohibit all forms of forced labour. Compliance with the Requirements is monitored through:

- our annual employee survey. The survey specifically asks employees if they have witnessed any Code of Conduct violations. In 2017, 91% of Stora Enso employees completed the survey.
- a survey of all operating units, conducted every two years. All unit managers are required to verify that their unit is in full compliance with the Requirements. Group Human Resources supports units with developing assessments and corrective action plans when needed, and monitors their performance.
- ad hoc site audits to verify compliance, as warranted, conducted by Group Human Resources.

Based on these processes, no allegations or findings involving slavery or human trafficking were made at Stora Enso during 2017.

**Our sourcing process and supplier audits**

For Stora Enso, responsible sourcing means fulfilling our commitment to sustainability by addressing the concerns of key stakeholders, complying with regulatory frameworks, striving to implement best practices, and managing supply chains – including human and labour rights risks such as forced labour or child labour – through obliging our suppliers to accept and comply with our Supplier Code of Conduct.

Any supplier in any location who wishes to do business with Stora Enso must first pre-qualify before being awarded a contract. To pre-qualify, suppliers must register in our supplier management portal and submit confirmation of their acceptance of the terms and conditions of our Supplier Code of Conduct. At the end of 2017, 95% of our supplier spend was covered by our Supplier Code of Conduct, meeting the target of 95% for the year.

**Managing supplier sustainability risks at Stora Enso**



Supplier Code of Conduct Steering Group  
 Consultation and decision body, follows progress

\* Corective action plan

Our suppliers are also asked to provide information about their own suppliers, such as sub-suppliers operating in high-risk countries.

In addition to enforcing our Supplier Code of Conduct, we actively engage with our suppliers to help them improve their sustainability performance. In 2017, we initiated topic-based “deep dives” or thorough reviews of specific supply chains. Deep dives help us better understand the operations, opportunities, and challenges of a supply chain beyond first-tier suppliers, including topics related to modern slavery. In addition, we conduct on-site visits and focused supplier audits to monitor and improve supplier sustainability performance. Focused audits are conducted based on risk

assessments or concerns raised by our stakeholders. Our joint operations in Brazil and Uruguay also conduct external and internal audits of their suppliers.

Stora Enso’s supplier sustainability risk mapping tool, created in collaboration with the non-profit organisation BSR, supports our purchasers in conducting risk assessments of potential suppliers. Based on a pre-evaluation of the supplier’s social and environmental risk profile, suppliers may be selected for a third-party sustainability audit, conducted together with the purchaser. Two supplier visits to assess risk of child labour and forced labour were conducted in 2017. No violations were identified.

## Stora Enso’s efforts in preventing modern slavery in 2017

In early 2018, we held our second modern slavery risk-scoping workshop to validate risks identified the previous year, to document actions taken, and to identify potential new modern slavery-related risks in operations and supply chains. The workshop was a cross-functional and cross-divisional event, involving staff from group and divisional Sustainability, Sourcing, and Human Resources, and group Logistics. Based on the findings of the workshop, we will continue to refine and implement our plan to address the identified risks. Our approach to addressing modern slavery is part of our ongoing Human Rights Due Diligence Programme which, when finalised, will be progressively implemented and continuously improved.

Recycling services, land and sea transportation services, and wood supply functions have been identified as having heightened risk for modern slavery in our sector. We have preliminarily identified China, Laos, Russia, Poland, and the Baltic countries as our highest risk markets for human rights risks. However, further assessments are needed to validate whether actual risks or impacts related to modern slavery exist within Stora Enso operations or its supply chains, specifically.

### Increased efforts in our supply chains

In 2017, Stora Enso continued to conduct third-party supplier audits with a focus on suppliers in high-risk areas, on chemical sourcing, and people-intensive sourcing categories such as service providers and logistics. These categories were chosen because of increased stakeholder interest in chemicals sourced with mining and agriculture inputs, and because of heightened awareness of modern slavery issues in our Sourcing function as a result of our first related workshop in 2017.

Similarly, in 2017, we conducted a mapping of high-risk exporters of migrant workers and provided targeted training to relevant sourcing functions on how to identify and address related risks. In addition, we conducted category-specific discussions (chemicals, logistics) to educate our purchasers about modern slavery and to identify potential risk, and published an updated checklist to help them better identify modern slavery risks during site visits.

Based on the input from our internal 2017 slavery risk-scoping workshop, our Sourcing and Logistics function paid special attention to land transport services during 2017 and will continue to focus on this segment in 2018. New sustainability requirements, covering modern slavery-related issues, were created in 2017 for sea transport services.

In Pakistan, where Stora Enso previously had a 35% minority holding in the equity accounted investment Bulleh Shah Packaging (Private) Ltd. (BSP), we focused on the promotion of decent work and elimination of child labour in supply chains. This work was part of a multi-year Public Private Partnership with the International Labour Organisation (ILO) which includes research, training, and the mobilisation of societal actors to improve labour practices in the broader business community’s supply chain networks. Although the divestment of BSP was completed in September 2017, the ILO partnership will continue until the end of 2018.

### Global initiatives to protect labour rights

In 2017, as the first company in Finland and as the first in its sector globally, Stora Enso negotiated a global framework agreement with labour unions IndustriAll, UniGlobal, and BWI. Under the agreement, Stora Enso commits to respect human rights, and in particular strives at the effective elimination of all forms of forced labour, throughout its global operations and subsidiaries. The agreement was signed in early 2018.

Stora Enso is a member of Sedex, one of the world’s largest collaborative platforms for sharing responsible sourcing data on supply chains that is used by more than 50 000 members in over 150 countries. During our membership, there have been 28 audits of our units, done according to Sedex Members Ethical Trading Audit (SMETA) requirements. As of June 2017, with the introduction of SMETA 6.0, modern slavery has been a specific component of the SMETA audit procedure. While no SMETA 6.0 audits were conducted at Stora Enso units during 2017, one took place in early 2018 and demand for such audits will likely increase in the future, supplementing Stora Enso’s internal modern slavery due diligence efforts.

Stora Enso is also a member of the ethical supplier rating system Ecovadis. The Ecovadis assessment includes comprehensive questions regarding corporate policies and the steps being taken to ensure respect for human and labour rights in both a company’s own operations and its supply chains, with particular focus on forced labour and child labour. In 2017, we obtained a score of 80/100 and were included in the top 1% performers, achieving the highest recognition level, Gold.

**Providing living wages**

Every other year, the global non-profit organisation BSR supports us in defining and calculating living wages in relevant locations. In 2017, we reviewed the current situations in Brazil, China, Russia, Laos, and Uruguay. The results of this study indicate that overall, Stora Enso pays minimum/entry level wages above the living wages defined by BSR.

**Training and capacity building**

In 2017, we organised an internal workshop on modern slavery for our Legal function where we confirmed the requirements of the Act and clarified the internal process for ensuring compliance with them.

Our Consumer Board division conducted a series of human rights and social sustainability trainings for different functions at our Beihai Mill and plantation operations in Guangxi, China, covering Sedex content related to modern slavery.

We continue to raise awareness of modern slavery within our divisions and functions, and encourage them to organise training sessions for their personnel.

**Assessment of effectiveness in preventing modern slavery**

We understand that modern slavery risks are not static, and that our due diligence approach to addressing them must be periodically assessed to ensure that it continues to be effective.

One indication that our prevention methods are effective is the fact that there were no suspected or reported cases of forced labour or child labour at Stora Enso or in our supply chains in 2017. In addition to continuing these efforts, we will also integrate the assessment of our effectiveness in preventing modern slavery into our broader Human Rights Due Diligence Programme.

This statement is made in accordance with section 54(1) of the UK Modern Slavery Act 2015 and constitutes our group's Slavery and Human Trafficking Statement for the 2017 financial year. It has been approved by the Stora Enso Group Board of Directors.



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