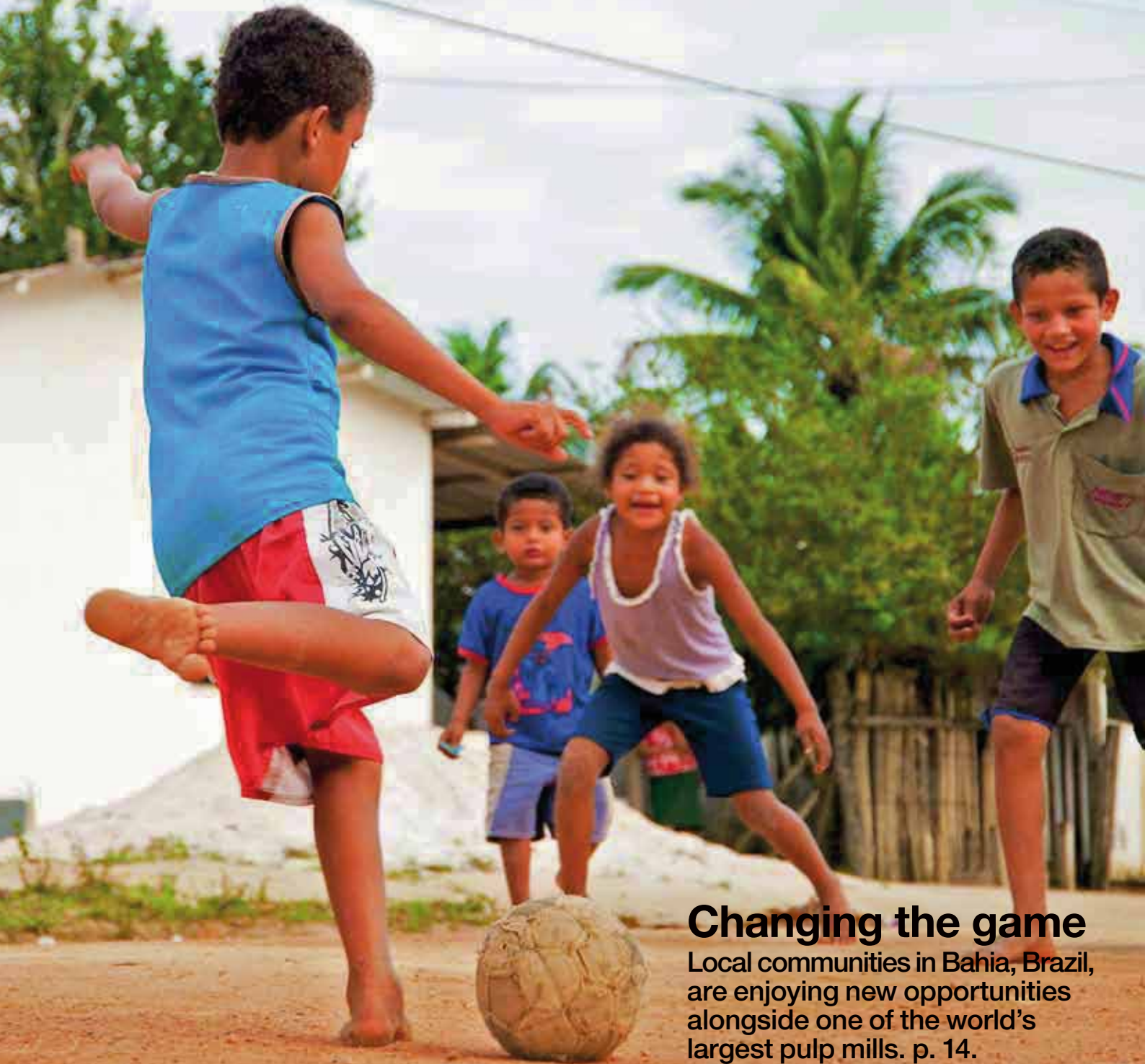


Global Responsibility

Stakeholder Magazine | Stora Enso 2011



Changing the game
Local communities in Bahia, Brazil, are enjoying new opportunities alongside one of the world's largest pulp mills. p. 14.

Dear reader,

This Stakeholder Magazine has been created for you. As one of our stakeholders you are important to us. With this magazine we want to open up topics related to responsibility that you might find interesting, even though such issues may sometimes be complex or confusing. We hope that the magazine's feature articles and expert columns will serve this purpose.

In recent years stakeholders have become increasingly interested in our operations connected to tree plantations. This magazine offers you related feature articles from Brazil, Uruguay and China, illustrating how we engage with our stakeholders there, including local farmers, communities, contractors or our own staff. The picture is not always perfect. We face many challenges related to the needs and wishes of our stakeholders. Our work with tree farmers in Brazil provides an example of how we are meeting such challenges. You can read about this work on pages 14-17.

The way we see it, sharing benefits with stakeholders starts from the responsible sourcing of raw materials. A responsible company has to make sure that its standards are applied right along the supply chain. To learn how we make this happen in practice, read the Auditor's Diary on pages 12-13. But sustainable sourcing is about much more than auditing. It is about working with suppliers to find common solutions that will not be forgotten after a contract has been signed. We strive to find such solutions by sharing best practices and new ideas with our suppliers. This helps both their business and ours.

Access to clean water is a growing global concern. This is something that we need

to take into account wherever we produce paper, packaging or wood products. On pages 6-11 you will find an article about our Skoghall Mill in Sweden, where water scarcity is not an issue, but clean water definitely is. I hope this story will give you an idea of the impacts that our mills can have on the health, well-being and livelihoods of the local community. And how environmental challenges can be tackled, with investments, hard work and cooperation with local stakeholders.

The ultimate outcome of everything we do is, of course, our products. The way in which our products improve the quality of your life, your health and your happiness is very much our business. Quality or safety concerns should not compromise the environmental impacts of products. As I see it, there is ultimately no difference between these issues: if a product ends up in a landfill releasing greenhouse gases, or as trash littering the environment, it will eventually reduce your health and safety, as well as your quality of life.

Companies, Stora Enso included, often talk about stakeholders and partners, forgetting to mention that our most important partner is nature. In addition to sourcing materials from the natural environment, we must cherish it, and learn from it every day. If nature suffers, our businesses and our lives also suffer. For this reason I ask you to give more thought to the way you use and recycle materials, and to the kind of world we want to leave for future generations.

I hope you will enjoy reading this magazine. ■



PETRI ARTTURI ASIKAINEN
Terhi Koipijärvi is the Head of Global Responsibility at Stora Enso

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Stora Enso Global Responsibility Stakeholder Magazine 2011

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Compiled by Eeva Taimisto

Promoting responsible forestry in Northwest Russia

Stora Enso is encouraging the certification of forests in Northwest Russia under the Forest Stewardship Council (FSC) scheme. Stora Enso recently became the first company to set up an FSC forest certification group for independent wood suppliers in Russia. Group certification will enable local logging companies to easily and cost-efficiently certify their forests under the international FSC system.

Stora Enso is supporting local wood suppliers by providing training on certification, preparing the necessary documents, and covering part of the certification costs.

30 million hectares of forest in Russia have been certified.

Stora Enso has promoted responsible sourcing in Russia ever since the company introduced a full coverage wood traceability system for Russia in 1997. The group certification concept for Stora Enso in Russia was created jointly by Stora Enso, WWF Russia and local logging companies. The certification benefits Stora Enso, since the Group can obtain certified wood from these suppliers. It also enhances sustainable forestry practices, and gives the logging companies access to new markets. So far about 30 million hectares of forest in Russia have been FSC-certified. Both Stora Enso and WWF Russia are active in developing the FSC standard in Russia. ■



STORA ENSO



SHUTTERSTOCK

A revolution in a milk carton?

In a world with a growing population and restricted material resources, material efficiency is becoming the key to responsible production.

The packaging business has made phenomenal progress in terms of making more with less. To make a milk carton in the 1970s, you needed more than double the amounts of raw material compared to today. Now, thanks to an innovative material known as Micro Fibrillated Cellulose (MFC), packaging is taking another giant leap in making more out of less. According to **Jan Lif**, Head of R&D and Innovation at Stora Enso Renewable Packaging, MFC has brought along the kind of results which enable a step forward in reducing raw material usage that would normally take more than 10 years of research and development.

Consumers will most likely remain unaware that the amounts of raw materials used in their beverage cartons are shrinking. "If you take a milk carton and tear it up, you cannot see a difference" Jan Lif says. "This is very important. You are getting more from less, but quality is actually enhanced rather than being compromised." ■

Read more about Micro Fibrillated Cellulose in the Rethink 2011 Magazine: www.storaenso.com/annualreports

A passion for safety

For many years Stora Enso's Arapoti Mill in Brazil has been setting an example for the rest of the Group on occupational health and safety performance. None of the mill's workers have been absent due to accidents for more than four years. Arapoti Mill's track record is so excellent that the mill manager **Lucinei Damalio** has been appointed as a Safety Ambassador for the whole Stora Enso Group. His job is to share his knowledge and experiences from Arapoti with other mills.

Damalio explains that his recipe for safety is based on creating a whole culture of safety. "It is important to involve everybody in safety discussions and training at every stage from planning to implementing and auditing," he says.

Damalio emphasises that organisations need well-established safety policies and clear commitment from managers. "It's also important to keep everything simple" he says. "Everybody needs to understand that no task is so urgent or so important that it cannot be done safely." ■

Read more about Safety Ambassador Lucinei Damalio in the Rethink 2011 Magazine: www.storaenso.com/annualreports



SHUTTERSTOCK



DANIEL LOEWE

European consumers use over 1 million tonnes of beverage cartons per year.

Car parts from juice cartons

Most consumers do not think much about what happens to the materials in used beverage cartons after you throw them into a recycling bin. Many people may be aware that the fibres from used cartons can be recovered and used in new recycled board products. But that still leaves the plastic and aluminium used to line many cartons.

Stora Enso's Barcelona Mill, innovatively uses a technology called Pyrolysis to make energy out of the plastics in the cartons, and also recover their aluminium

content for use in new products. This means that materials from your used beverage cartons may end up in car parts, as well as packaging products or fuels.

For this innovation Barcelona Mill received the European Commission's "Best of the Best" LIFE environment award in 2011. ■

A feature article about this advance appears in Stora Enso's Rethink 2011 Magazine: www.storaenso.com/annualreports.

Stora Enso's Skoghall Mill lies on Sweden's vast Lake Vänern, the largest lake in the EU, so water protection is naturally a top priority in its environmental work. But the mill also actively addresses other environmental issues from local noise concerns to global climate change.

Text Fran Weaver **Photos** Lasse Arvidson

Clear water revival for Lake Vänern

Gulls and ducks are swimming on the clear waters of the lake, which stretches off southwards to a distant misty horizon. To the east and west, Vänern is fringed by dark forests dotted with autumnal golden birches. But behind us is a huge industrial facility that produces one sixth of the world's liquid packaging board, and this scene has not always been so unspoilt.

"Back in the 1970s, these waters were badly contaminated with fibrous wastes and other discharges," remembers Skoghall Mill's environmental manager **Margareta Sandström**. "But today we can swim here – and the city of Karlstad's drinking water supply comes from the same bay fed by our treated wastewater outlet. In terms of organic substances, water quality

in Lake Vänern is now as good as it was 100 years ago, thanks to many local improvements in industrial and municipal wastewater treatment."

Ecological cooperation

Sandström participates on behalf of Stora Enso in the work of the Lake Vänern Society for Water Conservation. This organisation provides a forum for discussing issues related to the lake's water quality, and identifying the necessary solutions.

"Skoghall Mill is one of the biggest industrial plants on the lake, so it's vital for us to have an open dialogue with them," says **Grete Algesten**, one of the society's experts on lake ecology, who is also an environmental advisor at the Värmland County Administrative Board.



Skoghall Mill is one of the largest industrial facilities around Sweden's largest lake.

Algesten is delighted that the lake has regained its natural clarity. “Its main ecological problems today concern mercury concentrations and the presence of dioxins in fatty fishes, caused by old environmental sins. Another problem is the artificial regulation of water levels, but this is not related to Skoghall.”

Nutrient concentrations in the open waters of the naturally nutrient-poor lake are also close to natural levels, but Stora Enso still aims to further reduce nitrogen concentrations in effluent.

This is because Vänern’s water eventually flows into the Kattogat, where nutrient pollution is problematic.

“Overall water quality is much better than 20 years ago, and Skoghall is one of the facilities that have worked hard to cut pollutant loads,”

explains Algesten. Thanks to one such significant improvement, resinous acids from the mill’s debarking plant are now burnt as biofuels. The levels of these naturally occurring chemicals in mill effluent used to be harmful to fish. “We also enjoy close cooperation with Stora Enso today on regular water quality monitoring and studies of toxicity levels in fish,” Algesten adds.

Fresh fish

Just along the lakeshore from the mill, local fisherman **Göran Fransson** steers his boat into Lillängen Harbour, where he runs a fish-smoking business with his brother **Christer Fransson**.

The Franssons catch fish for Stora Enso’s ecological sampling work, but most of their



◀ **Environmental manager** Margareta Sandström points out that water extracted from the lake near Skoghall Mill is today clean enough to be used as drinking water in the nearby town of Karlstad.

▼ **Triple benefits.** Environmental investments made at Skoghall have significantly reduced the mill’s energy use, emissions and costs.

catches end up on local dinner tables. “The most important fish for us are vendace, pike-perch and perch,” says Christer, slicing open a small female vendace to extract its orange-coloured roe, a local delicacy.

Göran has fished these waters for 30 years. “The lake water is certainly much clearer today near the mill where it used to be full of pulp fibres,” he says. “Vänern’s fish stocks seem to fluctuate cyclically for natural reasons. We don’t have any problems around Skoghall – in fact the waters around the mill’s outlet are a good place to fish, since the slightly warmer moving water attracts small fish and the bigger fish that eat them,” adds Göran.

Investments in technology and know-how

Margareta Sandström explains that in improving the mill’s wastewater treatment, building up know-how together with the local university and cooperating with the environmental authorities to identify the necessary changes can be just as important as making major investments: “We recently improved the efficiency of biological wastewater treatment in our aerated lagoon, thanks to such collaboration.”

Many of the mill’s environmental investments produce double benefits: reducing harmful emissions, while also recovering materials that can be used as biofuels or for other purposes. “We’re now using biofuel ash together with

“In fact, the waters around the mill’s outlet are a good place to fish.”

Göran Fransson, Fisherman



A world-class board mill



- With almost 900 employees, Skoghall Mill is one of the most important industrial facilities and employers in the Värmland region of Sweden north of Lake Vänern.
- Skoghall's two giant modern board machines make multilayered liquid packaging board and packaging paperboard for dry foodstuffs. The larger machine is almost 300 metres long – comparable to the height of the Eiffel Tower.
- About one sixth of the liquid packaging board used around the world comes from Skoghall. The mill produces enough board to make 100 million one-litre beverage cartons every day.
- This integrated mill has two pulp lines: one for sulphate chemical pulp; and one for chemi-thermo-mechanical pulp. Imported pulp is also used in some board layers.

wastewater treatment sludge to create a waterproof layer to seal an old landfill area," she adds.

Sandström is pleased to report that Skoghall's emissions to air all fall comfortably within the limits set in the mill's environmental permit. But she emphasises that striving to reduce fossil carbon dioxide emissions is a never-ending task, due to the urgency of global climate change.

Mill director **Carl-Johan Albinsson** explains that since Skoghall's Energy 2005 project was launched seven years ago, the mill's oil consumption has fallen by 65 percent, leading to corresponding reductions in emissions of fossil carbon. This is largely thanks to the installation of a new efficient recovery boiler and the conversion of an oil boiler to take biofuels. "It helps that we've also done a lot to enhance energy efficiency throughout the mill. The next major step should be to refit our limekiln to use biofuel instead of oil," he adds.

Skoghall Mill produces about 39 percent of the electricity it needs, mainly from biofuels including black liquor, bark, sawdust, and logging residues. "By increasing Skoghall's pulp production the mill could meet more of its own electricity needs," reckons Albinsson.

Shifts in transportation from road to rail are another way to curb emissions. A new container crane enables imported pulp and outgoing board to be transported in the same specially designed containers through Stora Enso's logistical network by ship and train.



Keeping the neighbours warm and content

Surplus heat from the mill is also used in a local community district heating scheme to warm about 5 000 local homes.

Addressing local residents' concerns is another key aspect of the mill's environmental work. "Our ongoing investments in new woodyard facilities will further reduce noise levels," explains Albinsson.

Local odour problems have been virtually eliminated, except during unexpected incidents and during maintenance stoppages. The mill's communications staff have learnt that by warning neighbours in advance of such events complaints can be minimised.

"On top of our own environmental work, it's important not to forget the environmental friendliness of our fibre-based packages," adds Albinsson, referring to a carbon footprint study conducted by the German Institute for Energy and Environmental Research. The study showed that beverage packages made of board from Skoghall generate 28 percent less carbon dioxide, use 51 percent less fossil carbon, and consume 24 percent less energy than bottles made of monolayer PET plastic. ■

Tracking Skoghall's water footprint

Water scarcity is starting to rival climate change as an issue of global concern. The concept of a product's water footprint was originally developed for agriculture, to examine how much water is consumed during all stages of the production of foodstuffs. Consumers are also getting interested in the water footprints of packaging materials.

"We want to be proactive on this emerging concept, and examine how water footprints are measured," says Skoghall's environmental affairs manager **Ola Svending**. "We realised the best way to do this would be to calculate the water footprint of our own liquid packaging board using methodology devised by the Water Footprint Network."

In collaboration with the Alliance for Beverage Cartons and the Environment, the Confederation of European Paper Industries and the WWF, Svending has prepared a detailed water footprint study, published in September 2011.

Green, blue and grey water

Water footprint studies look at three kinds of water consumption, involving "green, blue and grey" water. The green water footprint of Skoghall's products relates to the water evaporated by the growing trees eventually used at the mill as board ingredients or biofuel.

Grey water footprints measure the amount of water polluted by production processes and energy use all the way along a product chain. Svending explains that the grey water footprint of production at Skoghall Mill itself was taken as zero, since the mill effluent meets all permit requirements for releases into Lake Vänern.

Blue water footprints measure the amounts of surface and groundwater made unavailable to

local society and ecosystems due to production processes and energy use. This part of the calculation involved tracking all the ins and outs of Skoghall Mill's water use.

Water enters the mill in water intakes, as well as in wood and other raw materials. After counting the mill's total outflows of purified effluent, the remaining figure (1.3 million cubic metres of water a year – or 1.9 cubic metres of water per tonne of board) is the mill's blue water footprint. This water ends up released as steam, or in the mill's products or wastes.

Misleading footprints?

Though he believes the study was useful as a starting point for devising a good tool for understanding water-related risks, Svending is critical of the applicability of current water footprint methodology within the forest industry.

"If we look at our final result, which amounts to 2 194 cubic metres of water for each tonne of board, more than 99 percent of this total is the green water used by growing forests," he says. "This doesn't account for the many environmental and social benefits of forests compared to other land uses. Also we think using the same crude cubic metre measure to assess both water consumption and water pollution can be misleading, as these are quite separate issues."

Water footprint calculations can be weighted using water stress indexes. Svending sees a need for better indicators to account for regional differences. "Some areas suffer from a desperate lack of clean fresh water, but here in the Nordic region at least water scarcity is not a problem," he says, looking out of his office window towards Lake Vänern. ■

An auditor's diary

Stora Enso's sustainability specialist and supply chain auditor **Venkatapathy Vaithianathan** conducted his first supplier audits in his native India in December 2011.



JUSSI HELLSTEN

Name: Venkatapathy Vaithianathan (Venki)

Age: 25

Qualification: MSc (Tech) in Industrial Management from Tampere University of Technology, Finland

Position: Global Responsibility Specialist at Stora Enso's Head Office in Helsinki

Day 1

Ready, set, go!

Together with my experienced Swedish colleague **Johan Holm** we arrive in Western India where we have been assigned to audit some of our chemical suppliers. Chemicals are an important raw material for Stora Enso – used for example as dyes and brightening agents. We are armed with Stora Enso's sustainability audit checklists, but I know from my recent auditor's training that the main reason for visiting a supplier in person is to see with our own eyes and hear with our own ears what goes on in their factory. In practice this will mean interviewing employees as well as the management, and reviewing documents relating to certifications, training, wages and working hours.

We have agreed to do the whole audit together, with Johan focusing more on environmental issues and me paying attention to

social issues. We plan our questions based on a pre-audit questionnaire submitted by the supplier in advance. Johan asks me to pay special attention to wages, working hours, and issues related to occupational health and safety. He advises me to do everything hands on. This might involve practical tests like turning on safety showers and carefully following safety instructions in practice to make sure they work well.

Safety, wages and a Krishna temple

In the morning, the supplier's management warmly welcome us and give us lab coats and safety footwear for the factory tour. In an initial meeting we introduce Stora Enso, talk about our sustainability priorities, and explain why responsible sourcing is so important for our business.

Day 2



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During the audit, Johan examines environmental issues including air and water emissions, effluent treatment, waste management and chemical storage facilities. We go through our checklist step by step, reviewing the required documents and asking key questions that will help us to assess their performance with regard to our sustainability requirements. The checklist also contains simple instructions like 'Look around in the factory premises for suggestion boxes that enable employees to report any problems or grievances anonymously to the management.'

While going through the wage records, working time records and safety records, I select a few employees randomly for private interviews. I then ask them questions about their wages, benefits, working hours and recent absences, to check their answers with the official documents provided by the management. I also ask them how they use and store their personal protective equipment. Some of the interviewees seem a bit intimidated by my questions, and are told by the factory management to relax and answer freely.

Our hosts are very hospitable, and offer us a tasty and healthy, homemade vegetarian lunch. They seem genuinely interested in our sustainability requirements, and clearly agree with our overall goals – which makes our work much easier!

After a long day's auditing, we take an Indian auto rickshaw to visit a local temple dedicated to the Hindu god Krishna.

Better business for both

We continue going through documents and interviewing people. After another sumptuous homemade lunch, I meet Johan to discuss our findings, prepare a list of non-conformances, and plan how to communicate them to the supplier. The audit ends with a closing meeting where we discuss good practices and areas for improvement, also agreeing on a timeline for the suggested changes.

Our objective is to make practical and feasible suggestions that will ultimately benefit both the supplier and Stora Enso. We use our findings to make a Corrective Action Plan and plan follow-ups that will be conducted by our purchasers. Our suppliers are positively receptive to our outsider's perspective on their environmental and social performance.

After the trip

A feeling of satisfaction

At the end of the trip, I feel personally satisfied to have been part of the auditing work. Our findings should improve the daily working conditions of our suppliers' employees, and also benefit the local community through improvements such as cleaner air and water.

As an Indian currently based in Finland, I feel well placed to recognise both the company's requirements and the local realities faced by the suppliers and their employees. Companies do not necessarily always understand what the local employees at a supplier's facility want, or how they typically live and work. Communicating such issues effectively is the key to responsible sourcing. It is all about learning from each other and building up shared values. ■



SHUTTERSTOCK

Sustainability audits explained

Responsible sourcing is integral to Stora Enso's supply chain management. The Group evaluates its suppliers using several tools, including onsite sustainability audits. Wood suppliers are covered by sustainability controls and audits through forest certification and chain-of-custody certification schemes. For suppliers of other materials and services, Stora Enso has developed sustainability requirements that are included in purchasing agreements. These requirements cover environmental management, health and safety, human and labour rights, and business practices.

Suppliers are carefully selected for sustainability audits based on a variety of factors such as general conditions in their industry and their country of operation, impressions reported by visiting purchasers, and their responses to sustainability questionnaires. The idea behind audits is not to make 'pass' or 'fail' assessments, but to work with our suppliers to identify their strengths and any areas for improvement with respect to their environmental and social performance. Suppliers should ultimately be encouraged to improve their performance because this will benefit their business. ■

Bahian farmers' efforts rewarded

Group forest certification has been pioneered in Brazil by sixteen farmers growing eucalyptus for Stora Enso's pulp-producing joint venture Veracel. This gives their wood added value on international markets where buyers are increasingly interested in social and environmental responsibility.

Text Joni Mäkitalo Photos Clio Luconi



Additional livelihood.

Pepper is one of the traditional crops that Charles da Silva Virgens grows alongside eucalyptus trees.

Charles da Silva Virgens, a small-scale farmer from Bahia in Brazil, takes us out to his thriving eucalyptus plantation near the town of Guaratinga. "At first I had doubts about possible problems such as the water consumption of plantations, but after studying the issues I learned how well suited eucalyptus is to our region," he says. Alongside his 16-hectare eucalyptus plantation Virgens cultivates coffee over an area of 12 hectares and grows pepper on 2 hectares. His 40-hectare property also includes a nature reserve, as required by Brazilian law.

Virgens is one of the 104 forestry partners of the Veracel Pulp Mill, a joint venture between Stora Enso and the Brazilian company Fibria. Such partnerships link farmers to an international value chain of paper and board production. The mill processes the farmers' eucalyptus logs into short-fibre pulp destined for export. Stora Enso's share of Veracel's production is mainly shipped to the company's fine paper mills in Europe and China.

In hot and humid southern Bahia, eucalyptus farming is 3-4 times more profitable per hectare than cattle ranching, which remains the region's dominant land use. Almost all of the local eucalyptus plantations grow in areas that were formerly degraded pasturelands.

"I come from a family of small-scale farmers here in Guaratinga. This is where I grew up," Virgens says as we look at a group of palm trees from which he harvests coconuts and heart-of-palm for his family's own use. "I want to stay here in the countryside, and farming eucalyptus has made this economically possible for me."

New livelihood for farmers

Southern Bahia does not have a very long or strong farming tradition. After most of the region's native Atlantic rainforest was logged by sawmill companies, in just four decades, local landowners mainly converted their lands to pasture for beef production. The regional economy reached a low when an outbreak of plant disease ended the formerly flourishing cocoa industry in the late 1980s.

Most well-known agricultural crops require a regular dry season for high yields, but Southern Bahia enjoys rains all year round. Trees flourish, nevertheless, thanks to the dependable rainfall and high temperatures. In this region eucalyptus seedlings become mature trees ready for harvesting in less than seven years.

"Since the mill started operating in 2005, we have so far received wood only from the

company-owned eucalyptus plantations," says **Sergio Borenstain**, Forest Director, Veracel. "However, the aim is that our partner farmers will soon account for 20 percent of the mill's total wood supply."

Meeting high standards

Before the mill accepts wood from the farmers, they must meet the same high social and environmental standards and forest certification criteria as the company's plantations. To guarantee high standards in responsibility, Veracel's operations are certified by both the Forest Stewardship Council (FSC) and the Brazilian forest certification scheme Cerflor, which is endorsed by the Programme for the Endorsement of Forest Certification (PEFC).

The certification procedures include annual visits by authorised auditors, who assess the company's operations against economical, environmental and social certification criteria. Requirements relate to issues including employees' health and safety, employees' rights, respect for local land use rights, environmental protection, the rights of indigenous people, and local community relations.

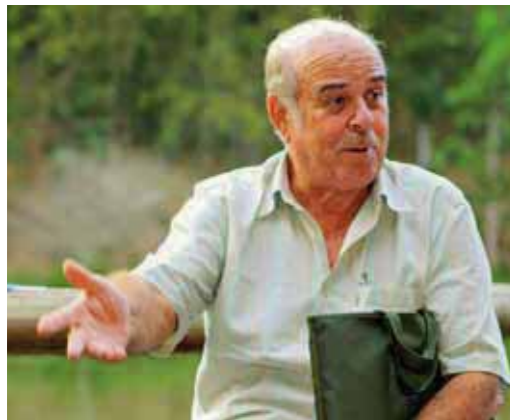
Landowners can also obtain forest certifications in groups. Group certification schemes enable forest owners to share the costs and work involved. Obtaining forest certification is a significant and rewarding achievement for any tree-grower in any part of the world.

Veracel's partner farmers have pioneered the concept of group forest certification in South America. "The biggest challenge has been to create a cultural change. Farmers need to learn to recognise, fulfil, document and maintain all the necessary environmental and social requirements," notes **Wellington Rezende**, Veracel's Land Manager. When the certification programme for partner farmers was initiated, Veracel's sustainability expert visited Stora Enso Sweden to learn from their fifteen years of experience in group forest certification.

Better quality of life

Veracel's first group of sixteen partner farmers were granted FSC and Cerflor forest certification in December 2011. Deliveries of wood from these farmers' plantations to the mill have already started.

Armando Rodrigues Gomes, one of the first certified farmers, is a fairly large-scale landowner, with 1 260 hectares of land, including 400 hectares of eucalyptus plantations. "Several



of my employees actually live with their families on my farm. To meet the social certification criteria we renovated their houses, which are now connected to electricity network,” he says proudly. The forest certification criteria require that the children of rural employees attend school. “There is a public school near the farm, so this hasn’t required any special arrangements in our case,” Gomes says.

Many of the partner farmers have established their own water supply treatment systems, as the municipal network is limited in rural areas. Certified farmers must guarantee safe drinking water for their employees. “I’m still providing my employees with bottled water, but we are exploring the possibility to build our own water treatment system,” Gomes says. “And we have already built up a waste recycling system.”

Contributing to nature conservation

The costs of group forest certification are mainly covered by Veracel, including fees for consultancies, water analyses and workers’ health examinations. Partner farmers meet expenses related to the renovations of facilities, including fences that mark out areas of preserved natural rainforest.

Brazilian law requires that at least 20 percent of each property must be set aside to preserve nature. In practice this regulation is not always followed strictly to the letter, but to participate in Veracel’s forestry partner programme farmers must have clearly defined nature reserves in place. “The partnership with Veracel forced me to study our environmental legislation, which my farm now fully follows,” says Charles da Silva Virgens.

The rainforest reserves established by Veracel’s partner farmers also facilitate the

establishment of ecological corridors across Southern Bahia. The related project, through which Veracel is also restoring extensive areas of Atlantic rainforest habitat in the company’s own lands, aims to establish rainforest corridors to connect isolated areas of natural rainforest habitat and the region’s two national parks.

Vital support from Veracel

Virgens uses a machete to hack open a couple of green coconuts from his coconut trees for us to enjoy their refreshing water. “During the coffee harvest I have around 20 part-time employees helping me,” he says. Virgens sells his coffee beans to a regional marketing organisation, and his pepper harvest is bought by local restaurants.

When it comes to harvesting eucalyptus, Veracel’s partner farmers so far rely on the company’s machinery and experience. In the future farmers will also be able to deliver their wood to the mill, as long as they fulfil chain-of-custody certification requirements. For seedling planting and wood transportation services farmers are able to choose from three locally based certified service companies.

Veracel is currently working with a second group of farmers seeking forest certification, and the plan is that most partner farmers will be duly certified by 2014–2015. The group certification process is scheduled with regard to the order in which farmers’ plantations were established, prioritising those who planted trees first, who will also be the first farmers to deliver wood to the mill.

Virgens started his eucalyptus plantation almost five years ago. The first trees will be harvested in about two years. “I’m looking forward to it!” he smiles. ■



◀ Certified improvements.

Armando Rodrigues Gomes has gained forest certifications after making social and environmental improvements on his farm.

Alternative crop.

Eucalyptus trees grow well in degraded pasturelands.

Time for harvesting.

Income generation schemes have helped the residents of Ponto Central village to set up small-scale farming businesses.

Support for local communities

Veracel’s forestry partner programme effectively distributes the income brought in to this part of Brazil by one of the world’s largest pulp mills. Veracel’s operations as a whole have wide-ranging direct and indirect economical impacts across the region.

But these partnerships with local landowners have primarily been established to build up the supply of wood for Veracel Mill, and they have not been set up as a social programme. The company needs to invest less in acquiring its own land when local landowners can provide suitable raw material. The high logistical efficiency of the mill’s wood supply can also be maintained or sometimes even improved by procuring eucalyptus wood grown by partner farmers who live near the mill.

Veracel additionally makes a variety of purely social investments designed to help needy local residents, including income generation

programmes. These investments are planned and executed in cooperation with the public sector, non-governmental organisations, and most importantly the local communities who receive the support.

Veracel’s income generation programmes include projects that have provided local communities with land, crop seeds, fertilisers, and training in both farming skills and marketing. Local communities have consequently been able to set up small-scale farming businesses growing crops such as cassava, beans, yams, and various fruits. Other income generation projects have supported local co-operatives who produce honey and handicrafts.

The company is also in contact with local landless people’s movements through dialogues that are led by the Government of the State of Bahia, aiming to find common ground for cooperation. ■



EDUARDO MOODY

Stora Enso is reviewing and correcting land lease contracts together with local people in Guangxi in Southern China, where the company has learnt that it is well worth taking time to directly engage with local residents.

Text Kirsi Seppäläinen Photos Jarmo Hietaranta

Chinese lessons



Children at the Pinshi primary school received class photos with a message about the environment.

STEVEN ZHANG

After travelling along a long, muddy road winding through the fields beyond the town of Baisha, we finally arrive at the village of Xin Cun. The centre of the village seems strangely deserted. The village committee leader **Zheng Fuquan** explains that it is the rice harvesting season. Many people have left the village to find better job opportunities in the cities and other provinces, and those who have stayed are all now working in the fields.

Altogether more than six million people live in the region where Stora Enso's tree plantations are located, and around three million of them live in more than 730 village communities which have direct contact with the company's operations.

Complex land rights issues

Stora Enso first started to establish eucalyptus plantations in Guangxi Province in 2002. The company today holds around 90 000 hectares of land where trees are grown. The resulting wood fibre would serve a possible integrated pulp and paper or board mill, but so far no investment decision has been made to build a mill.

Stora Enso Guangxi has a team of sustainability experts working in this densely populated area on challenges linked to issues including land use rights. "In China's recent history land ownership structures and the related land use rights have changed several times, and another social land reform is ongoing in Guangxi today," says **Herbert Pircher**, Managing Director of Stora Enso Guangxi. "This land reform is reallocating collective ownership and use rights over forests within villages among individual households. Borders have not always been clearly marked, and land use rights have been sublet frequently over the last ten years, which complicates things further."

China's population is still growing, making land rights even more important. "The speed of change in China is generally very fast," says **Juha Anttila**, Sustainability Manager of Stora Enso Guangxi. "Urbanisation is also occurring rapidly and people often struggle to adapt to the speed of the changes around them."

Thousands of contracts screened

Stora Enso noticed in 2009 that some local social land lease agreements did not fulfil criteria defined for fairness and transparency. The company started a legal screening for the land lease contracts, involving more than 4 800 contracts, including both direct contracts



with villagers, and sub-contracts involving middlemen. "We are talking about thousands of land lease contracts, and a single contract may contain many discrepancies, so there can be many things to adjust," says **Helen Pan**, Stora Enso's Sustainability Manager for the Beihai Region.

Pan explains that land use rights and borders are often unclear, or contractors may have not paid rents in full to the villagers. In some cases contracts have not been signed by at least two-thirds of all villagers, which would be necessary for them to be valid. "Some contracts can be quite easily fixed. However, many require complete renegotiation with all parties involved – and this could concern as many as a thousand households," she adds.

Juha Anttila believes that one positive aspect of this extensive contract screening and correction is that the company is more

A province of forests. Stora Enso currently holds around 90 000 hectares in Guangxi Province, where a total area of 7.8 million hectares has been designated for commercial forestry.

Better job opportunities in bigger cities have made many people leave their villages.



Many residents sign land lease contracts in the traditional way using their fingerprints.

directly involved with the villagers than earlier. This helps them to understand local people's concerns much better. "Personal contacts are always best, but as it's not possible to talk to all villagers face-to-face, we established a telephone hotline. We distributed cards to publicise this service whenever we visited the villages, and we really hope that people will use this channel. We are working very hard to solve things, and every single contact is important to us," Anttila says.

Piloting social projects

Last year Stora Enso also revised its stakeholder engagement and community development plans for the region. This involved initiating cooperation with the University of Guangxi, whose experts conducted a social baseline study that provided detailed information on the population, local incomes and land and forest areas. This has deepened the company's understanding of the social situation in local communities.

"The next step will be to pilot community development work. Pilot villages will be chosen on the basis of local needs for development and the levels of impacts from our field operations. We will be talking to villagers to find what needs to be done to give them a better future," says **Luo Yang**, Head of Social Responsibility at Stora Enso Guangxi.

Sometimes ideas which at first seem trivial can end up being very significant. "In the Yulin region we have started a community project that involves taking group photos of each class in the local schools. Every child gets a copy of their class photo, with the white space below the picture used to spread environmental messages such as how to prevent forest fires," says **Steven Zhang**, Sustainability Manager for Yulin Region. "Most of these children have never had photos of themselves before, so when they take them home, our important messages get a lot of attention. This is a very small project, but it gives families something they otherwise wouldn't have. We're now thinking of sponsoring family photos, too."

Many local people work for Stora Enso's contractors. New auditing processes have now been introduced to ensure their working

conditions meet legal standards. "Earlier, most of our contractors only made oral contracts with their workers. Our requirement today is that all their workers must have written contracts, social insurance, wages amounting to at least the legal minimum level, and decent accommodation. Ensuring that such requirements are met is quite a new development here!" explains Pircher.

Support from expert partners

Stora Enso is cooperating in Guangxi with several local and international partners. The company is working with Fauna and Flora International to learn about local biodiversity, and building up a better understanding of the socio-economic impacts of tree plantations with help from the United Nations Development Programme (UNDP). Experts from Guangxi University are meanwhile helping with studies of the local water balance and the social situation in local communities.

In 2011 Stora Enso's operations in Guangxi were certified according to widely recognised schemes that assess occupational health and safety management (OHSAS 18001) and quality and environmental management (ISO 9001 and 14001).

The company has also worked on forest certification issues with the national China Forest Certification Council scheme and the Forest Stewardship Council. "This helps us to improve our own operations here, while also serving to develop forestry practices in China in general," says Anttila.

As we leave the village, some of the local children run after us, waving and shouting "Bye-bye!" as long as they can see our car. Today's lesson has been simple: it's worth taking the time to engage with local people. "There are many challenges and it will take time and effort to solve them, but by working together we can create something worthwhile", Pan says.

"We are really committed to this project, and optimistic that we can find the necessary solutions. However, we as a company do not hold all the keys ourselves," adds Pircher. "The answers can only be found through open and honest dialogue, and we need to have a more sensitive ear to local concerns. The best solutions can be found by learning from each other." ■

▼ Interview

Challenges of rapid growth

Text Kirsi Seppäläinen

Last year Stora Enso more than doubled the amount of its Chinese employees by acquiring the majority of the packaging company Inpac International with production operations in China and India. Today, Stora Enso's Chinese mills, plantations and sales offices employ over 4 500 persons.

Lihua Gao, Vice President of Human Resources (HR) in China, tells how the new people are taken on board and what are the challenges of human resource management in China.

Stora Enso's operations are widely spread in China. What impacts this has and how does Inpac fit in the picture?

Stora Enso is located in several geographical areas in China. The local conditions vary extensively what comes to, for example, minimum wages, social security and educational systems. This poses challenges for moving employees across geographical areas. It is our job to facilitate mobility, as it is a very important way to enable people and the company to grow. What comes to Inpac, the acquisition supports Stora Enso's strategy to grow in the Asian market and in sustainable packaging solutions.

How do you see Inpac as a company?

I've been involved in the acquisition process from the very beginning. Inpac is one of these Chinese companies that have undergone rapid growth and many changes. It has a strong culture of entrepreneurship. In terms of sales they have been growing fast and have won big, important customers. The employees are very proud of Inpac.

How are these new employees taken on board?

The preparations for the integration process started long before the deal was closed. Assessments were conducted with the management team to understand capabilities better. Immediately when the acquisition was announced, we held an introduction meeting with the managers and supervisors. We trained twelve people from various Inpac locations with a "train the trainers" approach to roll out the programme in different units. The core of the training was – of course – our Code of Conduct,

but we added elements on our mission, vision and values. Also the history of Stora Enso was important to create an overall picture of who we are and where we want to go.

The employees of Inpac responded positively, as they now feel part of a bigger community with access to best practices and opportunities outside of China as well. By now, the Code of Conduct training has been given to all Inpac employees.

Safety is very high on Stora Enso's agenda. How is the situation in Inpac?

The area of Qian'an, where Inpac headquarters are, has an agricultural background. Urbanization and other changes have been extremely fast. People need training to cope with the industrial environment and how to keep safe, in and outside of the mill. To share best practices, one of our former Suzhou mill managers started working as a safety trainer in Inpac.

What are the biggest challenges for HR in China right now?

Finding the right people and the right leadership skills. Forest industry talents have a good market situation here, so the key is to engage these talents and give them opportunity to grow. Companies are rushing to China to have more business, so we need to be agile and fast. We must grow our leaders to have in-depth knowledge of the local market and courage to take necessary decisions. On the other hand we need people that have experience from many different tasks and cultures, so the question is to find the right balance. ■



DANIEL YU

Lihua Gao is Vice President, Human Resources at Stora Enso China.

A new acquisition in China

- Stora Enso concluded the acquisition of the packaging company Inpac International in July 2011
- The acquisition increased the number of Stora Enso's employees from 1 800 to over 4 500 in China
- Stora Enso Inpac Packaging specialises in manufacturing consumer packaging, especially for global manufacturers of mobile phones and other consumer goods

New Beginnings

Text Kirsi Seppäläinen Photos Ignacio Domínguez

The largest private investment in Uruguay's history also involves a lot of work guaranteeing local sustainability.



In the spotlight. The construction of Montes del Plata Mill has been widely covered by the local media.

Montes del Plata, a joint venture company owned by Stora Enso and the Chilean forest industry company Arauco, is building a state-of-the-art pulp mill at Punta Pereira in the department of Colonia in southwest Uruguay. The mill, which will produce up to 1.3 million tonnes of pulp per year, is expected to start operating in early 2013.

This is the largest single private investment in the history of Uruguay. According to a study by the consultants Deloitte, it will increase the country's GDP by almost 2 percent and create more than 5 000 permanent jobs through the entire production chain from forest operations, through production at the mill, to export logistics. During the construction phase even more jobs will be generated, with as many as 6 000 people working at the site.

But in spite of such positive impacts, any large-scale project is bound to give rise to concern and criticism. The development's wide-ranging impact must be carefully considered. "Our work started with a major environmental and social impact analysis, conducted by a consultancy company, whose findings now form the basis of our work in the sustainability team," says **Sabrina Bicca**, Sustainability Manager at Montes del Plata.

Wider opportunities

Montes del Plata has devised many ways to engage with the local community, emphasising the need to build good relations with local residents. "My approach is to try to imagine the situation in the small town next to the mill site, Conchillas, in 2013 when the mill will be operating. We must consider how residents will benefit from this opportunity," says **José Obes**, Human Resources Manager at Montes del Plata.

Local stakeholders have also highlighted the potential for other parallel forms of local development, including tourism. "Two nearby towns, Colonia del Sacramento and Carmelo, are already important tourist attractions. Conchillas has similar settings and an interesting history dating back to the days when sand from Conchillas was used to construct the port of Buenos Aires," explains Obes.

Obes emphasises the need to explore opportunities together with communities by cooperating with actors including the local authorities, universities and non-governmental organisations. To start building up functioning

networks, Montes del Plata created a Forum for Development together with the Latin American Centre of Human Studies (CLAEH). “We had the first session in Conchillas in October, and I was pleased with the positive spirit there. People were not just bringing up their current needs and expecting simple solutions from the company. Instead the discussion was really about mutual planning for long-term development opportunities in communities around the pulp mill,” he says.

Traffic concerns

One major impact of the new mill will be an increase in traffic. A new road is being constructed by Montes del Plata to link the mill to the nearest highway. “It’s very important to build this link to the national route so that heavy traffic will not pass through the town of Conchillas,” Bicca explains. In the road construction project Montes del Plata has cooperated with the Ministry of Transport and Public Works to introduce a totally new approach for Uruguay in terms of engaging with stakeholders.

“We’ve been in constant contact with the people affected, and the local authorities, through weekly meetings that have found solutions to mitigate negative impacts and define compensation levels for the legal expropriation process,” says Bicca.

Montes del Plata has also launched a traffic safety campaign together with the regional government of Colonia. This involves surveys of all the routes trucks will use, improvements in signage along these routes, measures to keep trucks out of villages, and the construction of speed reduction bumps near schools. A major traffic safety campaign has also been run in local schools, where children have learnt potentially life-saving lessons and been given light reflectors.

“We’ve also contracted traffic wardens to patrol the routes our trucks will use. And we’ve set up a grievance mechanism that the community can use to express their concerns about other issues as well as traffic,” Bicca says.

Engaging with construction workers

Many locals have expressed fears about the arrival of thousands of construction workers in this sparsely populated area. “It’s clear that we cannot interfere with the personal lives of the workers, but we have a wide-ranging plan to mitigate possible negative impacts,” says Obes.

Montes del Plata has established three accommodation centres for workers. Each of the centres has a social assistant whose work is to monitor the situation, analyse risks and meet neighbouring residents. These social



Active dialogues. Sustainability manager Sabrina Bicca is constantly in touch with local stakeholders.

Local views. Community meetings bring people together to discuss projects around the new mill.



assistants will also have regular meetings with workers to discuss important subjects including traffic safety, waste recycling, and health issues including sexually transmitted diseases, and even offer advice on personal finances.

“Another programme we’re running together with a local committee that includes representatives from local government and health organisations is a community health programme designed to prevent domestic violence,” Bicca adds. Workers who live within 100 kilometres of the mill site will be bussed in to work every day from their homes to reduce negative social impacts.

Job opportunities for local people

Many of the jobs on the construction site and eventually in the finished mill require specific skills that local inhabitants may not have. Montes del Plata has sought ways to help local people qualify for other opportunities. “Together with the employment authorities we created a simple brochure to describe the options and how people can apply,” says Bicca.

“For example, we are cooperating with Empretec, a local organisation that trains small-scale entrepreneurs and people wanting to start their own service businesses, to get involved with Montes del Plata. To avoid uncontrolled migration, we’ve ensured that the only way to apply for jobs on the construction site is through employment offices around the country.”

Montes del Plata has also established a programme to recruit local young people with the potential to be trained as technicians for the mill. “We decided to interview all applicants. Even if they can’t be included in this programme, we might be able to suggest other job alternatives, in mill security or in the canteen, for instance,” Obes explains.

The basic principle is always to work together with local stakeholders. “We’re trying to create innovative long-term projects that will bring real added value to the community, not quick fixes. We’re not just doing things that we think are good for the community, but letting local people decide themselves what’s best for them, and then trying to help.” ■

▼ Straw poll

What do you think about the mill?



LUIS GUADALUPE

◀ “It’s positive because it will give jobs to many people, mainly young people. We’ll have to see about the environmental impacts. I don’t really like it that there are so many additional people in town, but I suppose that if that means work, then it’s alright.”

Mariana Lacava 33, Teacher, Carmelo



LUIS GUADALUPE

◀ “It improves job opportunities in the area, not only for the mill itself but for the activities generated by the project and its construction. Even though I don’t know that much about Montes del Plata, I think it’s a sound company that manages resources in a positive way. My situation is changing in many ways. I have more work now, so I can buy and do more things I really want.”

Esteban Constantin 23, Student, Carmelo



LUIS GUADALUPE

◀ “Montes del Plata’s impacts on the region are excellent. It’s an extraordinary project, especially for Conchillas, which had been abandoned. At my age, I don’t think my situation will change, but I am glad it will bring possibilities for young people, and that they will provide specialised training and jobs in the operational phase of the mill.”

Sergio Arenas 54, Butcher, Conchillas



LUIS GUADALUPE

◀ “We don’t know much yet about the impacts that there will be. I see it from a positive standpoint, but I think there’s a bit of everything. I also think that while everything is being monitored it will be alright, but I have some reservations about the environmental impact.”

Liliana Banchemo 48, Nurse, Carmelo

Business and human rights



FIDH

Antoine Bernard
Chief Executive Officer, the International Federation for Human Rights (FIDH)

In June 2011 the UN Human Rights Council endorsed a new set of Guiding Principles on Business and Human Rights. These principles aim to build on international consensus that business enterprises should at all times respect all human rights, by providing practical guidance on how to put the UN's related three-pillar framework "Protect, Respect and Remedy" into practice.

The first of these pillars, Protect, affirms the basic principle of international law that states have an obligation to protect human rights where they are threatened by the actions of non-state actors, including corporations. The second pillar, Respect, deals with businesses' own responsibility to respect human rights. This entails a responsibility to act with due diligence and address any adverse impacts. The third pillar, Remedy, addresses the need to find remedies for victims of human rights abuses involving corporations.



FIDH

Kristiina Kouros
Secretary General, Finnish League for Human Rights; Vice-President of FIDH

These principles were defined at the end of the mandate of the Special Representative on Business and Human Rights John Ruggie, who has been commended for bringing many stakeholders together around the same table. The process of drafting the guiding principles improved all parties' understanding of the respective responsibilities of states and private actors. It also clarified how companies should discharge their human rights responsibilities, through due diligence processes. We believe that consultation and engagement with local communities should have a central place in due diligence processes. Other improvements in the new principles include references to vulnerable groups such as indigenous peoples and migrant workers, and the explicit recognition of imbalances in power between multinational companies and affected people seeking justice.

However, we still see certain shortcomings in the guiding principles. While they encourage consultation with stakeholders, the increasing phenomenon of the criminalization of social protest in the context of economic activities is not acknowledged. Furthermore, the principles still do not adequately address the extra-territorial obligations of states. Instead they even take a regressive approach with regard to the current jurisprudence of UN human rights treaty

bodies, which have explained that states should regulate companies domiciled in their territories even when they are operating abroad.

In our view the third pillar, access to remedy, remains the weakest pillar, as it puts too much emphasis on non-judicial mechanisms, in particular company-based grievance mechanisms. Though such mechanisms may be useful in protecting human rights at an early stage, they do not live up to the definition of an effective remedy in the context of international human rights law. The principles also fail to provide clear guidance to states on how they should address the obstacles to justice that victims often face.

To build on John Ruggie's work, the Human Rights Council has established a working group on the issue of human rights and transnational corporations and other business enterprises, and also initiated an annual multi-stakeholder forum on human rights and business. We expect that this working group, comprised of five independent members appointed in September 2011, will tackle the gaps in the guiding principles, address various concrete and complex current situations, and make recommendations to enhance the access of victims to effective remedies.

Corporations' home states and host states both have an important role to play to ensure that businesses respect human rights. States have an even more important role to make sure that state-owned enterprises are exemplary. However, as clearly explained in the guiding principles, companies should not wait for states to take action and enforce legal requirements, but should themselves in any case exercise due diligence on human rights issues.

We expect companies to identify any possible adverse human rights impacts they may cause or contribute to. Negative outcomes must primarily be prevented, or duly addressed where they have already occurred. Respecting human rights cannot be seen as an option for companies, and it should be embedded in the core strategy of any responsible company. Civil society will ensure that any companies who do not take human rights seriously will be held to account. ■

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