



storaenso

# Slavery and Human Trafficking Statement 2022

This annual Slavery and Human Trafficking Statement describes the steps Stora Enso is taking to prevent modern slavery in its operations and supply chains, in accordance with the United Kingdom's Modern Slavery Act 2015 and the Australian Modern Slavery Act 2018. This

statement covers the global operations and supply chains of Stora Enso Oyj and its principal subsidiaries during the financial year that ended on 31 December 2022. It does not cover the Group's two 50%-owned joint operations in Latin America.

## Our business and supply chains

Part of the global bioeconomy, Stora Enso is a leading provider of renewable products in packaging, biomaterials and wooden construction, and one of the largest private forest owners in the world. We believe that everything that is made from fossil-based materials today can be made from a tree tomorrow. Stora Enso has approximately 21,000 employees and our sales in 2022 were EUR 11.7 billion (EUR 0.4 billion in UK, EUR 0.2 billion in Australia/New Zealand). Our customers include publishers, retailers, brand owners, print and board producers, printing houses, merchants, converters, joineries, and construction companies. Our head office is in Helsinki, Finland, and we also have head office functions in Stockholm, Sweden. Stora Enso shares are listed on Nasdaq Helsinki Oy (STEAV, STERV) and Nasdaq Stockholm AB (STE A, STE R). In addition, the shares are traded in the USA as ADRs (SEOAY). More information about our financial performance, governance, operations, and sustainability can be found on our [website](#) and in our [Annual Report 2022](#).

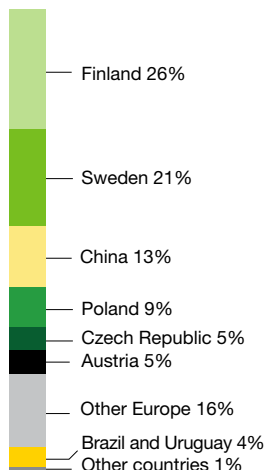
In addition to our [principal subsidiaries](#), Stora Enso also has 50% ownership of two joint operations in Latin America. These operations, located in Uruguay and Brazil, each include

a pulp mill and eucalyptus tree plantations. They are excluded from the scope of this report.

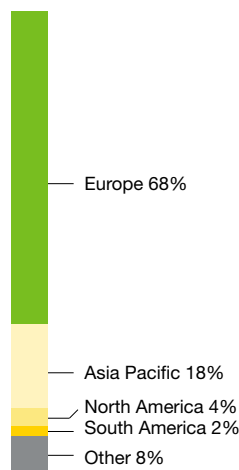
Stora Enso sources raw materials, products, and services from over 20,000 suppliers and contractors, and over 20,000 forest owners globally. Wood and fiber-based materials, such as pulp and Paper for Recycling (PfR), represent 44% of our total variable costs (2022), while chemicals, fillers, energy, fuels, production services and materials, and logistics and commissions account for 56%. Our production units and forestry operations are primarily in the Nordic countries, Central Europe and China, all of which are mainly supported by local supply chains. Certain commodities of a global nature are sourced from regions outside our core areas of operation.

In the United Kingdom, Stora Enso's operations consist of the sales of various paper products, packaging materials, and wood products.<sup>1</sup> Our operations in Australia consist of the sales of various wood products.<sup>2</sup> We also buy various services, fiber-based raw materials, as well as chemicals, spare parts, and other products for our local and global operations from British and Australian companies. We consulted the relevant companies we own or control in the development of this statement.

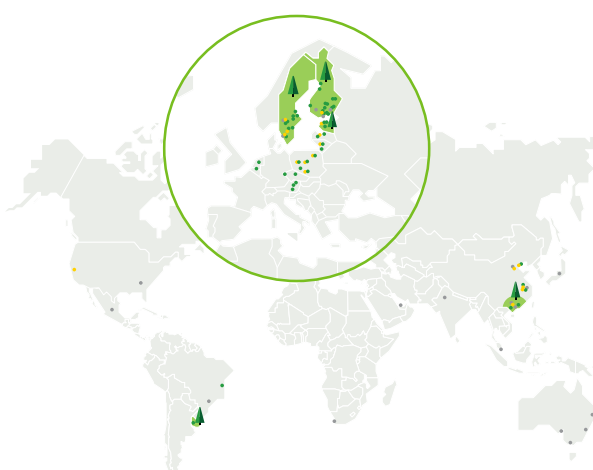
**Employees by country<sup>3</sup>**



**Sales by destination**



**Locations of our operations**



<sup>1</sup> Lumipaper Ltd., Stora Enso Holdings UK Ltd., Stora Enso Pension Trust Ltd., Stora Enso Timber UK Ltd., and Stora Enso UK Ltd.

<sup>2</sup> Stora Enso Australia Pty Ltd. Company number ACN 099 948 491.

<sup>3</sup> Including 50% of the employees at Veracel in Brazil and Montes del Plata in Uruguay.

# Identifying risks of modern slavery

Stora Enso strives to prevent all forms of modern-day slavery, including forced labour and human trafficking. Respect for human rights is integrated into our [sustainability approach](#) and is required to be taken into account throughout our operations, including investment decisions related to mergers, acquisitions, and divestments.<sup>4</sup>

While we recognise that modern slavery-related risks may exist in our own operations, we have determined 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.

We have automated our supplier risk assessments by integrating our sustainability risk mapping tool into the company's main sourcing reporting system. Based on a supplier's environmental, social, and governance (ESG) risk profile, they may be selected for a third-party sustainability audit.

Recycling services, land and sea transportation services, wood supply functions as well as outsourced production and temporary labour in some geographies have been identified as having heightened risk for modern slavery in our sector. Based on an in-depth internal evaluation, we have identified China, Poland, and the Baltic countries as our highest risk markets for forced labour within these sourcing categories.

## Our actions to assess and address modern slavery risks

While we respect and consider all human rights to be important, the following human rights topics remain the primary focus of our work:

- Health and safety
- Fair labour
  - Fair employment conditions
  - Freedom from forced labour
  - Freedom of association
  - Non-discrimination and non-harassment
- Land and natural resource rights acquisition and management
- Grievance mechanisms
- Children's rights (relevant to the forest sector).

In 2022, we continued the implementation of the Human Rights due diligence programme. In preparation for the upcoming EU Corporate Sustainability Due Diligence (CSDD) directive, Stora Enso, together with an external business and human rights consultancy, carried out three pilot projects focused on improving our internal controls for two high risk supply chains, as well as the due diligence processes in our own operations.

Through our membership in the Global Business Initiative for Human Rights (GBI) and the World Business Council for Sustainable Development (WBCSD), we continue to learn from peers and experts as the journey to better embed human rights into operations and due diligence continues.

### Implementing international standards

Stora Enso's pledge to combat modern slavery is publicly expressed in the [Human Rights Policy](#) and the [Stora Enso Code](#). In addition, as a UN Global Compact signatory, we adhere to Principle<sup>4</sup>: "Business should uphold the

elimination of all forms of forced and compulsory labour." Zero tolerance for forced labour is also one of our highest priority human rights.

Our internal policies and requirements that cover human and labour rights include:

- [Human Rights Policy](#) sets out our commitment to ensuring respect for human rights throughout our operations and business relationships, in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs). The Policy was updated in 2020.
- [Human Rights Guidelines](#) provide a comprehensive overview of the objectives defined in the Human Rights Policy. The guidelines also provide more details on our highest priority human rights and describe how human rights are integrated into our sustainability approach. The guidelines were published externally in 2020 and updated in early 2023.
- [Stora Enso Code](#) 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 values are applied wherever we operate. The Code explicitly prohibits the use of child labour and forced labour.
- [Supplier Code of Conduct \(SCoC\)](#) 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. The SCoC covers forced labour and working conditions and applies to all our sourcing categories globally. The SCoC was updated

<sup>4</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.

in 2020 with new requirements on involuntary labour and ethical recruitment practices, including not charging recruitment fees.

- Stora Enso's Minimum Human Resource Requirements for labour conditions are applicable to all employees directly employed by Stora Enso in units where Stora Enso is the majority owner. The Minimum Human Resource Requirements prohibit all forms of forced labour, including prison labour, indentured labour, bonded labour, and overtime work involving threats of punishment. They also state that all employees have the right to enter into and terminate their employment freely; 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. The Minimum HR Requirements were updated in 2020.

#### **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 influence together with relevant stakeholders to ensure that those impacts are remedied.

Access to grievance mechanisms is one of Stora Enso's highest priority human rights. Our formal grievance mechanism is open to all stakeholders globally. The channel enables any stakeholder to report instances where their rights may have been infringed, or where they have observed potential violations of the Stora Enso Code, including those related to human and labour rights.

This service is independently administered by an external service provider. We also have long-standing local grievance channels, in local languages, for communities and other external stakeholders associated with our plantations and mill in Guangxi, China.

Supplier Code of Conduct obliges our suppliers to report any non-compliance with the Code to Stora Enso, as well as to establish a grievance mechanism to enable their employees to report non-compliances.

## Continued efforts in 2022

#### **Developments in our supply chains**

The monitoring of supplier compliance begins before we enter a business relationship. Any supplier in any location who wishes to do business with Stora Enso must first pre-qualify during tendering, or at the latest before a contract is drafted. To pre-qualify, suppliers must submit confirmation of their compliance with our Supplier Code of Conduct, and complete our safety management online training. At the end of 2022, 96% of our supplier spend was covered by Supplier Code of Conduct.

We conduct on-site visits and commission audits by third-party auditors to monitor and improve supplier sustainability performance. Focused audits are done based on risk assessments or concerns raised by our stakeholders. Due to the global pandemic, many of the audits were moved online, where the supplier site tours, interviews and document reviews were conducted with digital communication tools. This method continued throughout most of 2022.

In addition, we carried out two deep dives focused on improving our internal controls for two high risk supply chains.

#### **Deep dive: Improving internal controls for vulnerable groups in forest operations**

In Stora Enso's Swedish forest operations, activities such as clearing and planting are

carried out by silviculture contractors who predominantly employ migrant workers, often from Romania, Thailand, and the Baltics. Following media reports of unfair labour conditions and criticism voiced by the union targeting silviculture contractors and forest owners, Stora Enso engaged a third-party organisation to carry out an impact assessment to improve controls and provide practical advice on avoiding and mitigating risks related to migrant workers.

#### **Deep-dive assessment of Paper for Recycling supply chain**

Paper for Recycling (PfR) is an important supply category for Stora Enso. The project carried out a deep dive assessment of the potential risks to people in the lower tiers of the supply chain as well as an external assessment of internal control processes in relation to international best practices. PfR supply chain has potential for heightened risk due to the nature of the lower tier supply chain where paper is gathered from retailers through municipal collection points, private waste management companies and by companies co-owned by municipalities.

Stora Enso strives to develop the prevention and humane processing of potential human trafficking cases in connection to logistics services. Occasionally, people board our chartered sea logistics line from Central Europe to the Nordic countries without permission and undetected (stowaways). We have preventive practices in place to detect people in hiding.

In 2022, we recorded one case of three individuals hiding on a vessel loaded in Zeebrugge (BE) with destination Sölvesborg (SE). On the way to the next port, the stowaways were discovered and the captain decided to return to Zeebrugge. Upon arrival, the stowaways disembarked the vessel and were apprehended by police and the immigration authorities.

#### **A responsible exit from Pakistan**

Stora Enso continues to support six schools in cooperation with the non-governmental organisation Idara-e-Taleem-o-Aagahi (ITA) in Pakistan. This is part of a remediation programme targeting 640 children identified as child workers in 2015 in the supply chain of our former 35% minority holding in the equity-accounted investment in Bulleh Shah Packaging (Private) Ltd (BSP). The programme continues until March 2023 when the youngest children complete compulsory primary school education. The focus continues to be on preparing the students for leaving school to pursue employment or further education. During the last few years, the students have accessed vocational courses to become an electrician, tailor or beautician, and training in AC/refrigeration repair. Computer labs were set up to extend the skills training for both male and female students.

#### **Global initiatives to protect labour rights**

Stora Enso signed a global framework agreement with labour unions IndustriAll, UniGlobal, and BWI in 2018. Under the agreement, Stora Enso commits to respect human rights, and strives to eliminate forced labour throughout its operations and subsidiaries worldwide. We continued to address these topics in 2022.

Stora Enso is a member of Sedex, one of the world's largest collaborative platforms for sharing responsible sourcing data on supply chains. By the end of 2022, 26 of 53 Stora Enso's production units were registered in Sedex. By the end of the year, 16 of the units had been audited through Sedex Member Ethical Data Audits (SMETA) at least once. As of June 2017, with the introduction of SMETA 6.0, modern slavery has been a specific component of the SMETA audit procedure. No findings of forced labour or human trafficking were discovered.

Stora Enso is also a member of the ethical supplier rating system Ecovadis. The Ecovadis assessment includes questions regarding corporate policies and actions for respecting human and labour rights in both a company's own operations and its supply chains, with particular focus on forced labour and child labour. Since 2017, we have been included in the top 1% of industry supplier performers in sustainability.

#### **Living wages**

Every other year, the global non-profit organisation BSR supports us in defining and calculating living wages in relevant locations. In 2021, more countries and locations were added to the living wage analyses and the study was carried out in 13 countries, representing as many as 95% of the Group's employees. Within these countries, the largest operational sites and offices were included, reaching a total of 44 locations globally. In all of the locations, Stora Enso's minimum compensation was above the living wage defined by BSR.

#### **Training and capacity building**

We continue to raise awareness of modern slavery within Stora Enso. Human rights is a core element in several training modules for Stora Enso employees, for example in Stora Enso's Code training for all employees. All managers in key positions are required to make a personal commitment to the Stora Enso Code. In 2022, a mobile friendly Code e-learning was rolled out to reach production workers. The COMPLY training for 2022 also addressed the close relationship between corruption and human rights.

# 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. We do this by, for example, monitoring compliance with our policies and requirements and by evaluating the quality and quantity of reports received through our grievance channels.

In 2022, a total of 153 reports through Stora Enso's grievance channels were identified as potential non-compliance cases. A total of 140 investigations of potential non-compliance cases were completed in 2022, which includes open cases from previous years. Proven cases leading to disciplinary action, legal action and/or process improvements were identified in 44 of the investigations. None of the proven cases were related to forced labour or human trafficking.

We carry out assessments and audits with our own units as well as suppliers to ensure compliance with our policies and requirements. FSC chain-of-custody audits started in all divisions in 2022, covering new requirements on core labour rights.

During 2022, 42 SCoC audits were conducted, mainly in China, with the majority relating to contracted manufacturing, labour agencies and fiber-based packaging material suppliers. As in previous years, the audits revealed non-conformances particularly related to working hours, basic worker rights, and emergency preparedness. No findings related to forced labour or human trafficking were discovered during audits or site visits.

Stora Enso's Internal Audit discovered working hour recording errors in the operations of Stora Enso's China Packaging in 2021. The investigation following the audit finding resulted in several contracts with labour agencies being discontinued in 2022 due to breaches of the SCoC, working hours reporting, social insurance payment and corruption, among others. No concerns were raised regarding forced labour or human trafficking.

The work to prevent modern slavery throughout our activities continues, and we will continue to learn and integrate those insights 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 section 16 of the Australia Modern Slavery Act 2018. It constitutes our Group's Slavery and Human Trafficking Statement for the 2022 financial year. It has been approved by the Stora Enso Group Board of Directors.



**Annica Bresky**  
President and CEO