

Paper, packaging & forest products

**Stora Enso's approach to
combat illegal logging
Yokohama 3 December 2007**

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Wood Supply, Sustainability

Outline

- Stora Enso in brief
- Sustainable forestry
- Traceability
- Forest certification
- Conclusions



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Stora Enso in brief

Stora Enso

in brief



A world leader

- 16.5 million tonnes of paper and board
- 7.7 million m³ of sawn and processed wood products

Main Business Areas

- Newsprint
- Magazine Paper
- Fine Paper
- Consumer Boards
- Industrial Packaging
- Wood Products

Approximately 44 000 employees
in more than 40 countries

Sales EUR 14.6 billion



Stora Enso Japan

in brief



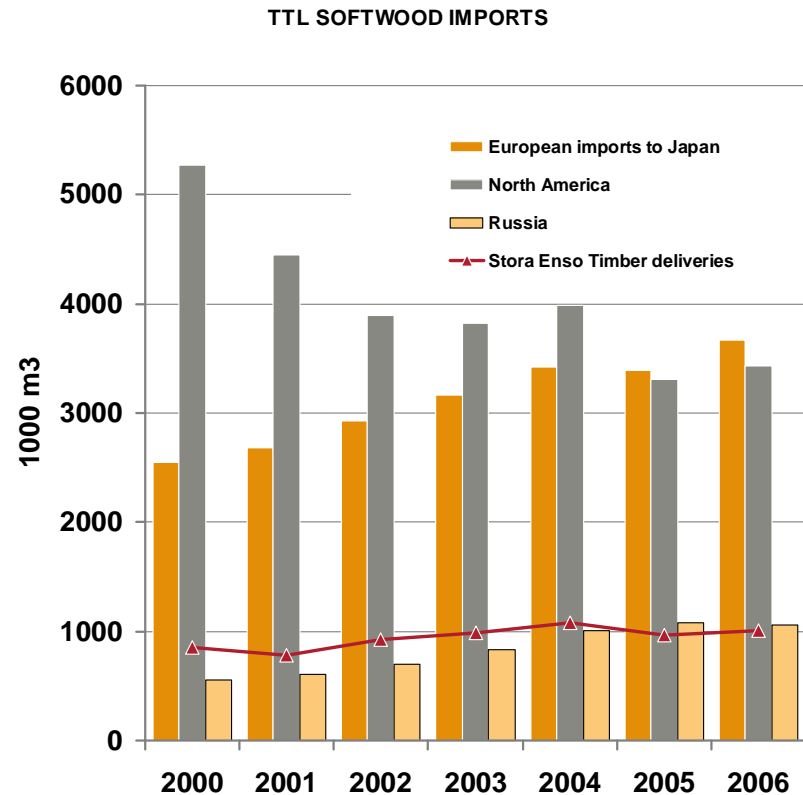
- The key supplier of paper, board and pulp to Japan and Taiwan
- Particularly serves consumer board markets
- Supplies of liquid packaging boards and food service boards
- Supplies of graphical, magazine and newsprint paper
- Annual net sales of EUR 120 Million



Stora Enso Timber Japan in brief



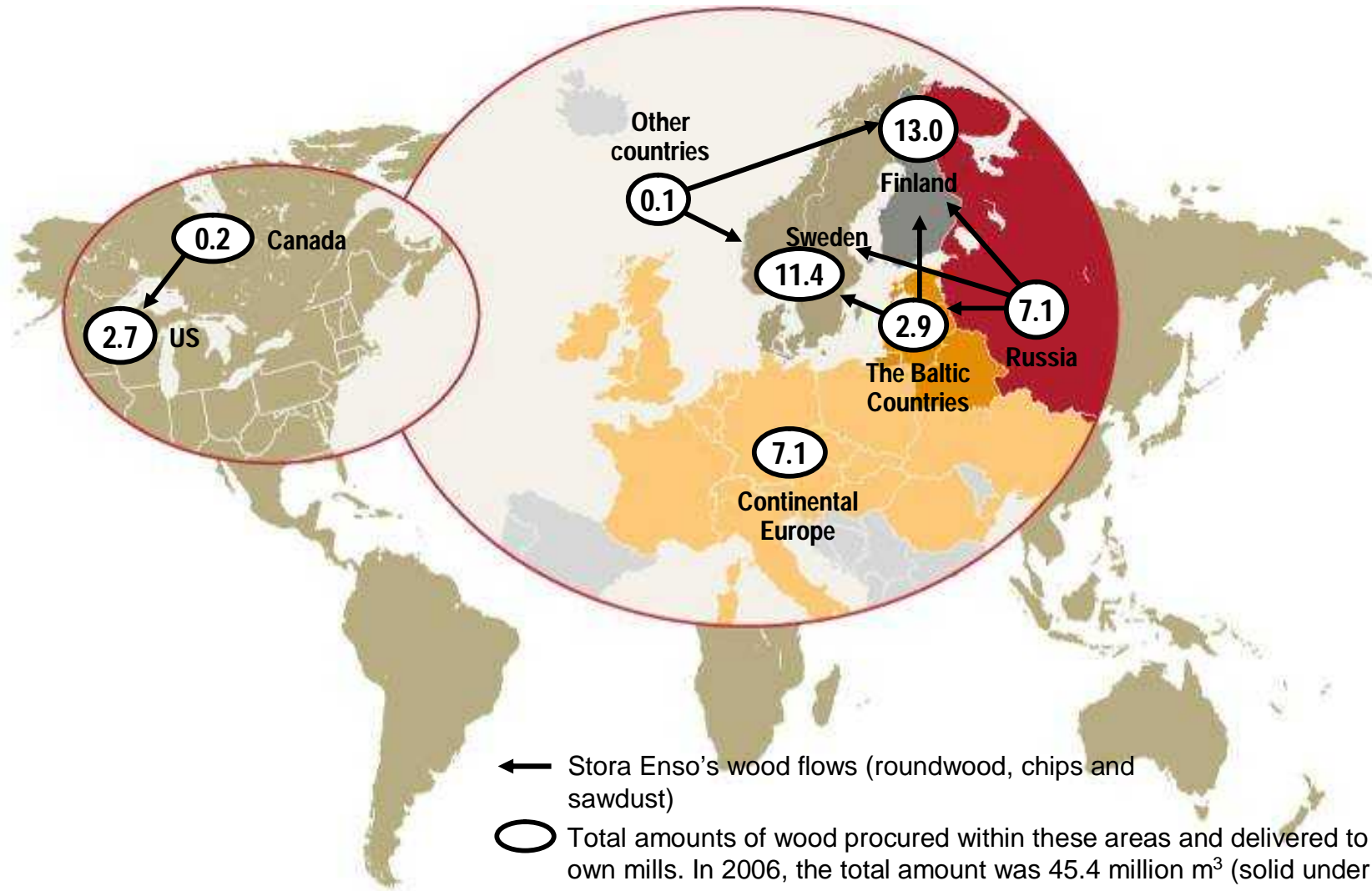
- Leading supplier to Japan, accounting for 27% of imported European timber
- Particularly serves the construction industry (post & beam houses, 2x4 houses, etc.)
- Supplies of European white wood and red wood
 - sawn solid and kiln-dried
 - further processed
 - engineered wood products
- 1.03 Million m³ of timber delivered to Japan in 2006
- Annual net sales EUR 270 million



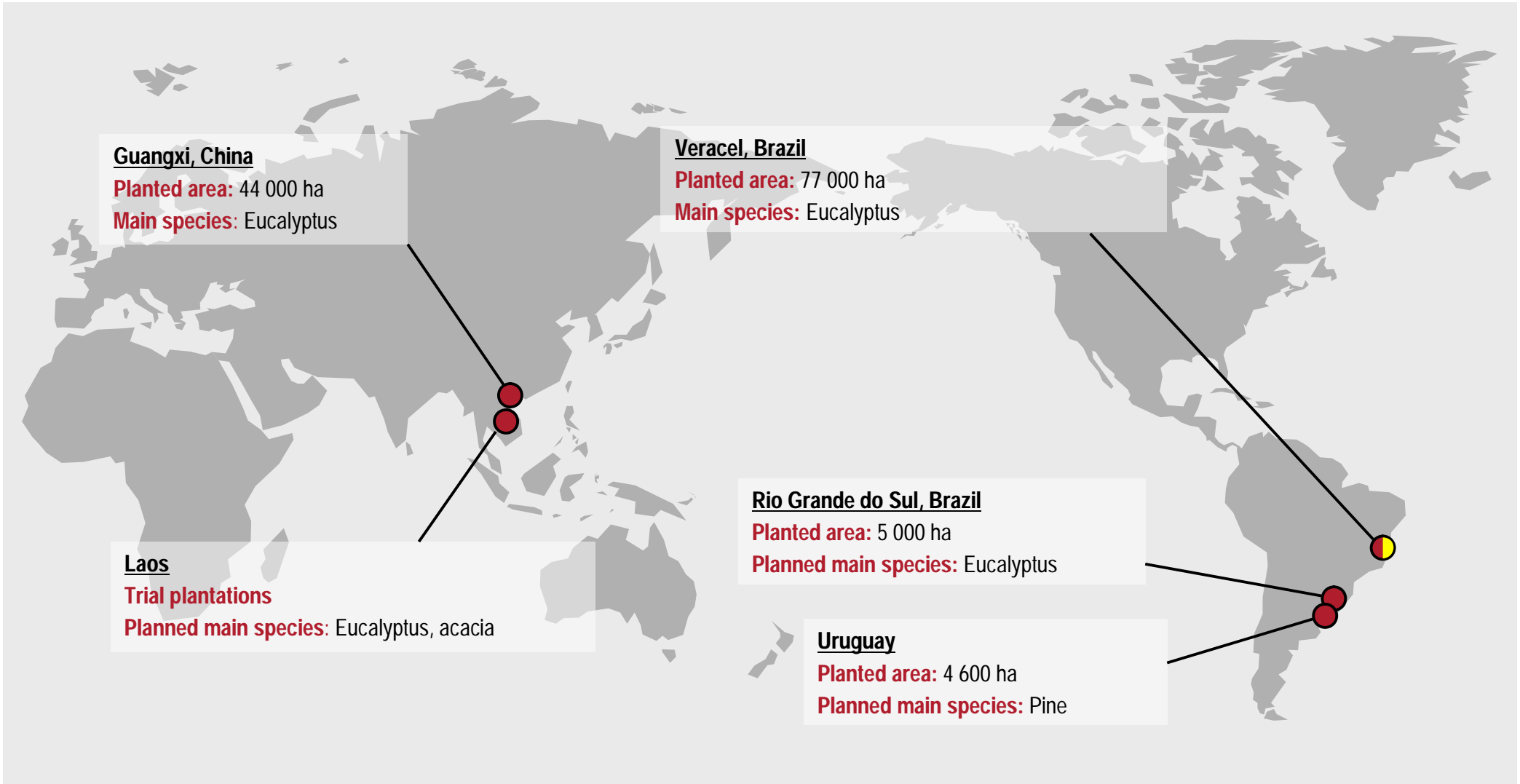
Stora Enso operates in all main forest zones



Operations in the North



Operations in the South



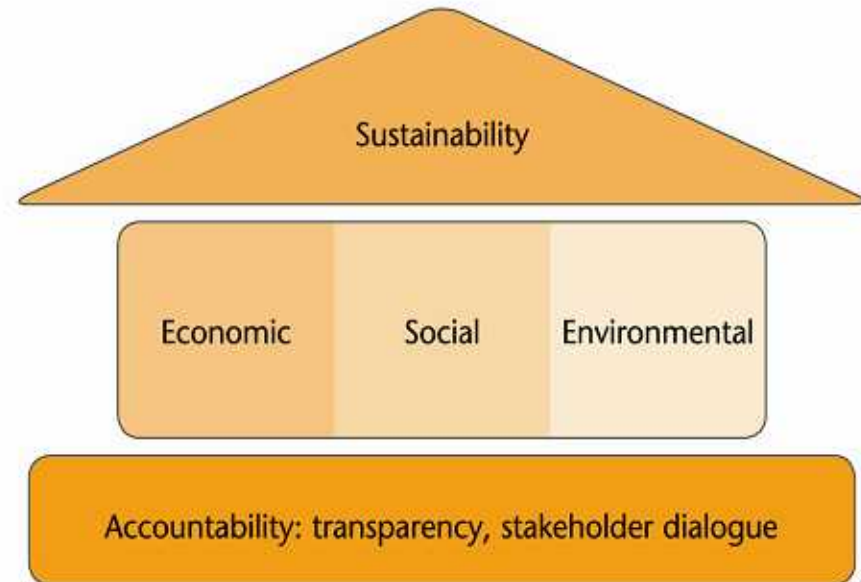
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Sustainable forestry

Sustainability – how we see it

1. A truly sustainable company has beneficial long-term impacts on society
2. Sustainability makes good business sense
 - Customers like it
 - Stakeholders demand it
3. Sustainability has many dimensions...
 - **Economic**
 - **Social**
 - Environmental

... all built on accountability.



Wood – our most important raw material

- Wood is renewable and recyclable.
 - About 80% of our fibre input is wood; about 20% is recycled paper / board.
 - Paper cannot be recycled indefinitely
– fresh fibre will always be needed.
- ▶ Sustainable forestry is a must!



Our sustainable forestry principles

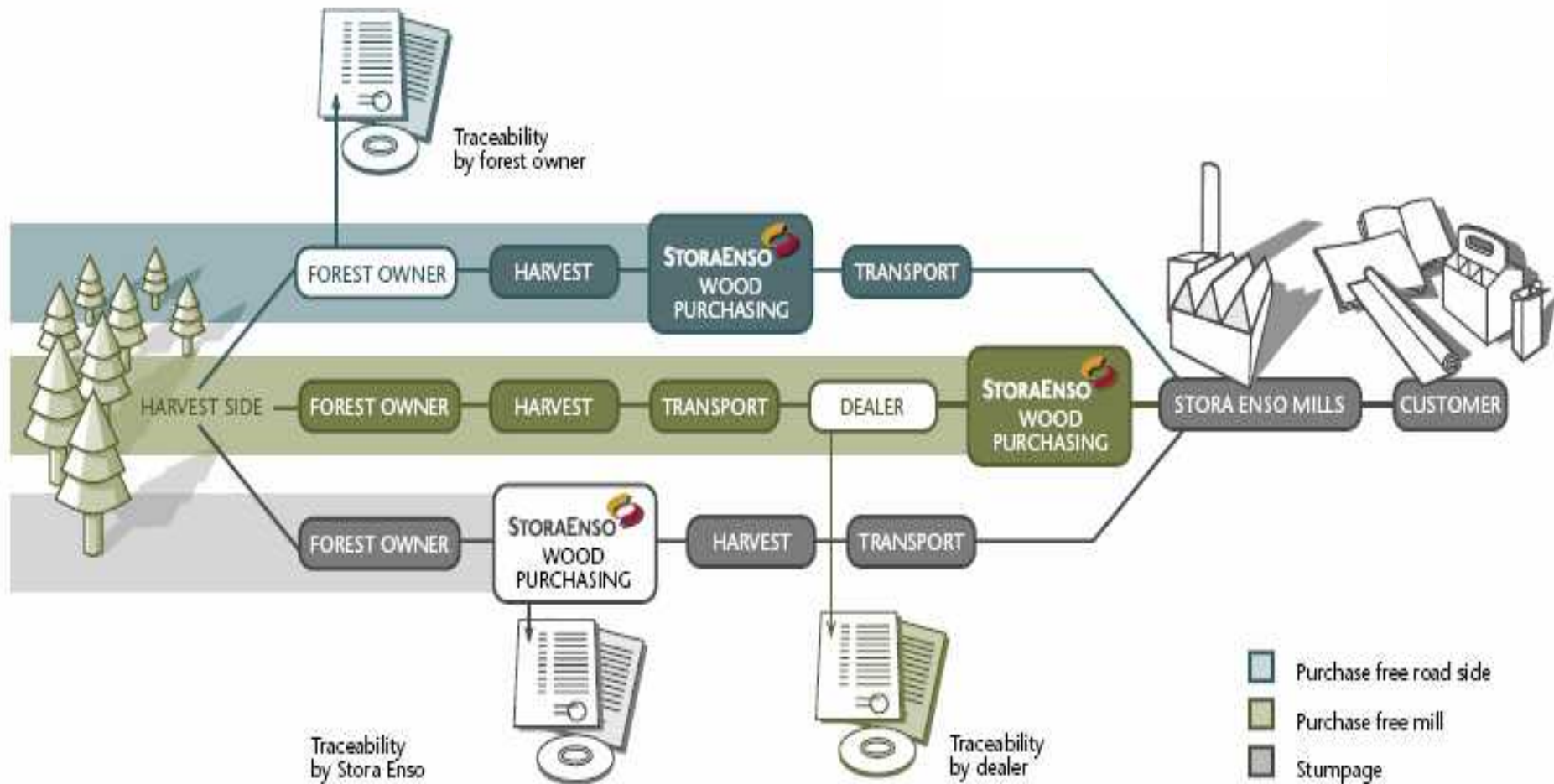
- Whenever trees are cut, new ones are planted
 - no net CO₂ emissions into the atmosphere
- Only legal and acceptable wood sources
 - 100% of traceability
- Promoting forest certification
 - proportion of certified wood 55% in 2006
- Responsible plantation management
 - no conversion of rainforest to plantations



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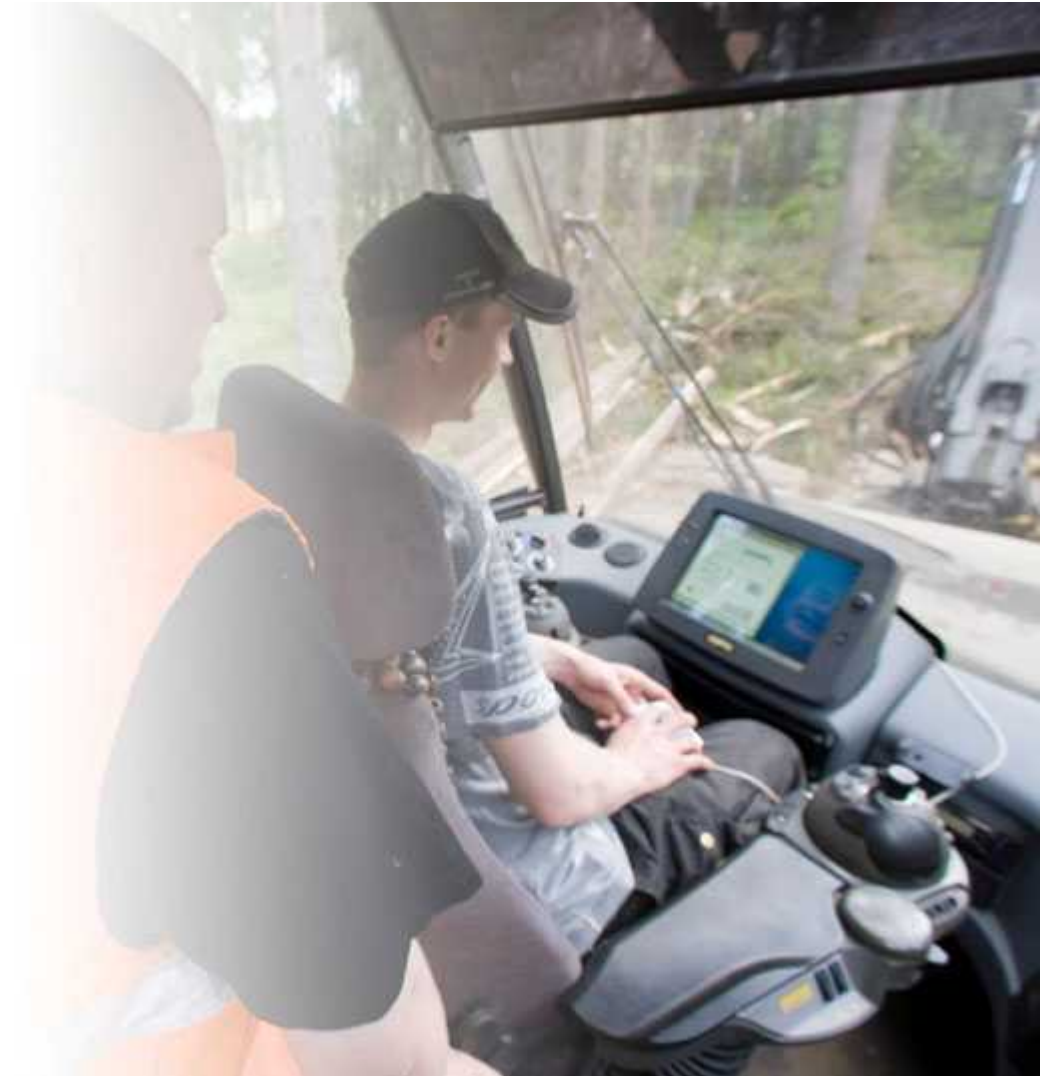
**Traceability –
knowing every step**

Knowing every step – 100% traceability



All our wood comes from legal and acceptable sources

- Stora Enso uses traceability tools to document the origin of **all wood and purchased pulp.**
- Traceability tools:
 - Stora Enso's own traceability systems
 - Forest certification and chain-of-custody systems
- These tools ensure the legality of loggings.
 - Stora Enso does not accept illegal wood.



Legality of wood

Stora Enso's position

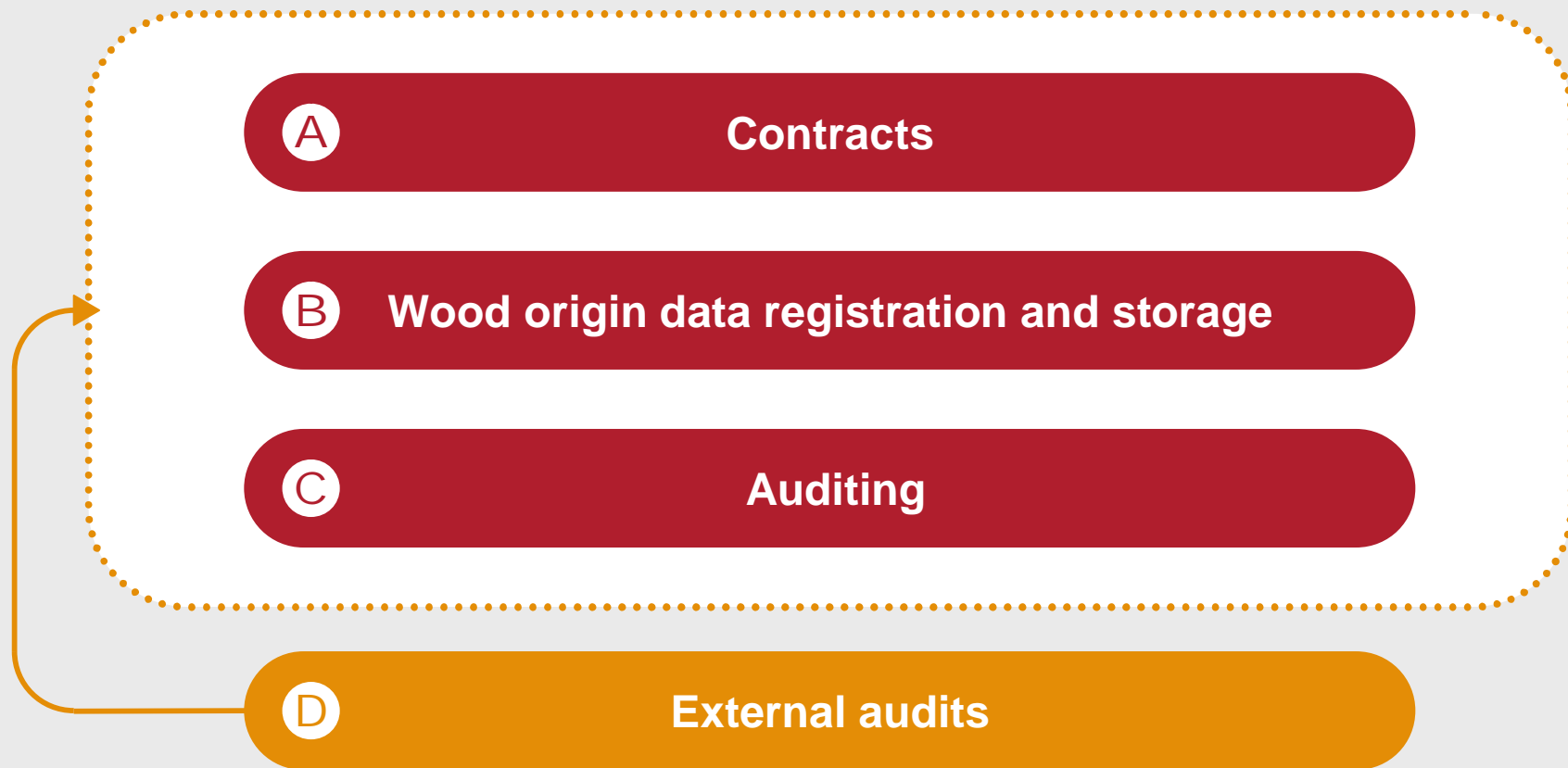
- **Illegal logging** = Wood harvesting in violation of national laws and state laws
 - We actively work to combat illegal logging wherever Stora Enso operates.
 - We seek to prevent any other illegal activities related to wood supply.
 - We co-operate with the authorities and other stakeholders in order to improve the working environment.



Stora Enso's Traceability System



Traceability involves four main operational steps:



Environmental clauses

in every contract



- Wood is procured and logged in accordance with local legislation and instructions.
- No wood is obtained from protected areas, areas planned for protection, or other areas covered by agreed restriction (unless purchases are in line with conservation regulations, goals and plans).
- Suppliers know and are able to verify the origin of all wood.
- Stora Enso has the right to audit suppliers, their logging areas, and the systems used for collecting and storing data on the origin of wood.



Collecting and registering wood origin data



WOODY 2000 - [Version 2.10]

Anwendung Bearbeiten Ansicht Extras Optionen Waage

Pflege Abnahmen (GV) [3.217.223] [evelyn.schmid,01.06.05]

Einkäufer: Meurer
 Nummer: 96404
 SAP-Nr.:

VG.Nr.	KK-Nr.	Gesellschaft	Verwendung	Kaufqualität	Liefernder Lieferant	StNr./UST-IDA/UST-Tatt
5213	18910	Forstamt Bitburg	GW Steinschliff	-normal	14567 Stadt Bitburg	10/657/0487/7
		Handelsware			18910 Forstamt Bitburg	DE-149937900
		Zertifizierung: FSC FOR	GFA-FM/OC-2107	Zahlungsempfänger	14566 Vbgk. Bitburg Land	DE-08 5,0 %

Tag der Abnahme: 11.05.2005
 Holzschlüssel: ME AMM
 Werk: WVOL Wolfsheck
 Fuhrunternehmer: 1035 Meyer Gebr.
 Stapel: Ablagestapel
 Fichte, Rundholz, vermessen
 Waldmass geschätzt: 23,00 AMM
 Abr.Status: gebucht
 Wald. in Basis-ME: 51,75 FMO
 Abr.Datum: 31.05.2005
 Qualität: B
 Art: normal
 Textbaustein:
 Fracht Nasslager: Preis EUR
 Nasslager(Waldmaß):
 DV Nasslager: Nasslager Werksverwiegung
 Wald-Km: Nasslagerbestand:

Fehler zuordnen		Preise ermitteln		Diff.	<input type="checkbox"/> manueller Preis
N-Holz	18,40 AMM 80,00 %	Preis N-Holz	68,50		EUR Vertragsmenge 560,00 AMM
F-Holz	4,60 AMM 20,00 %	Preis F-Holz	56,50		EUR Abnahme gesamt 113,00 AMM
K-Holz		Preis K-Holz			EUR Rest Vertrag 447,00 AMM

Ladeort: 44639 54657 Neidenbach
 GEO-Koordinaten Ost: 6° 31' 48" 2 Nord: 50° 4' 46" 6
 km/ Maut/ Maut AT/ Maut CH
 ins Werk Maxau: 250 172
 ins Werk Wolfsheck: 295 200
 Anz. Kleinstpolter:
 Übernahmeort / Bemerkung: Rev. Bitburg Hr. Ottmar Koch Stadt Bitburg Abt. 52 Po. 1, 2

Transp.-Mittel: LKW
 frachtfrei Tarifabschl. neben DV:

Buttons: **Quotierung** **Vertrags-übersicht** **Kopie Abnahme** **Speichern** **Abbrechen**

Knowing every step – 100% traceability



- Stora Enso's objective is that all fibre sources should be fully acceptable in terms of sustainability, and recognised as such by all stakeholders.
- The best way to do this is to ensure that the origin of the wood used by the Group is fully traced and documented.
- Traceability systems are also one of the most effective ways to combat illegal logging.



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Forest certification

What is Forest Certification?

- Verifies that a forest has been managed in line with principles of sustainable forest management.
- Verification is conducted by an external certifier.
- Globally there are many different forest certification systems with slightly different requirements.



Relevant forest certification systems for Stora Enso

- **FSC** – The Forest Stewardship Council
- **PEFC** – The Programme for the Endorsement of Forest Certification Schemes

Non-European systems endorsed by PEFC:

- **SFI** – The Sustainable Forestry Initiative of the American Forest & Paper Association
- **CSA Z809** – The Canadian Standards Association's Programme for Sustainable Forest Management
- **CERFLOR** – The Brazilian Forest Certification Program, Certificação Florestal

Other non-European systems:

- **ATFS** – The American Tree Farm System



Chain-of-custody



Forest



**Wood
procurement**



Mill



Customers

**PEFC
FSC**

CoC

CoC

CoC

Stora Enso promotes forest certification wherever the Group operates

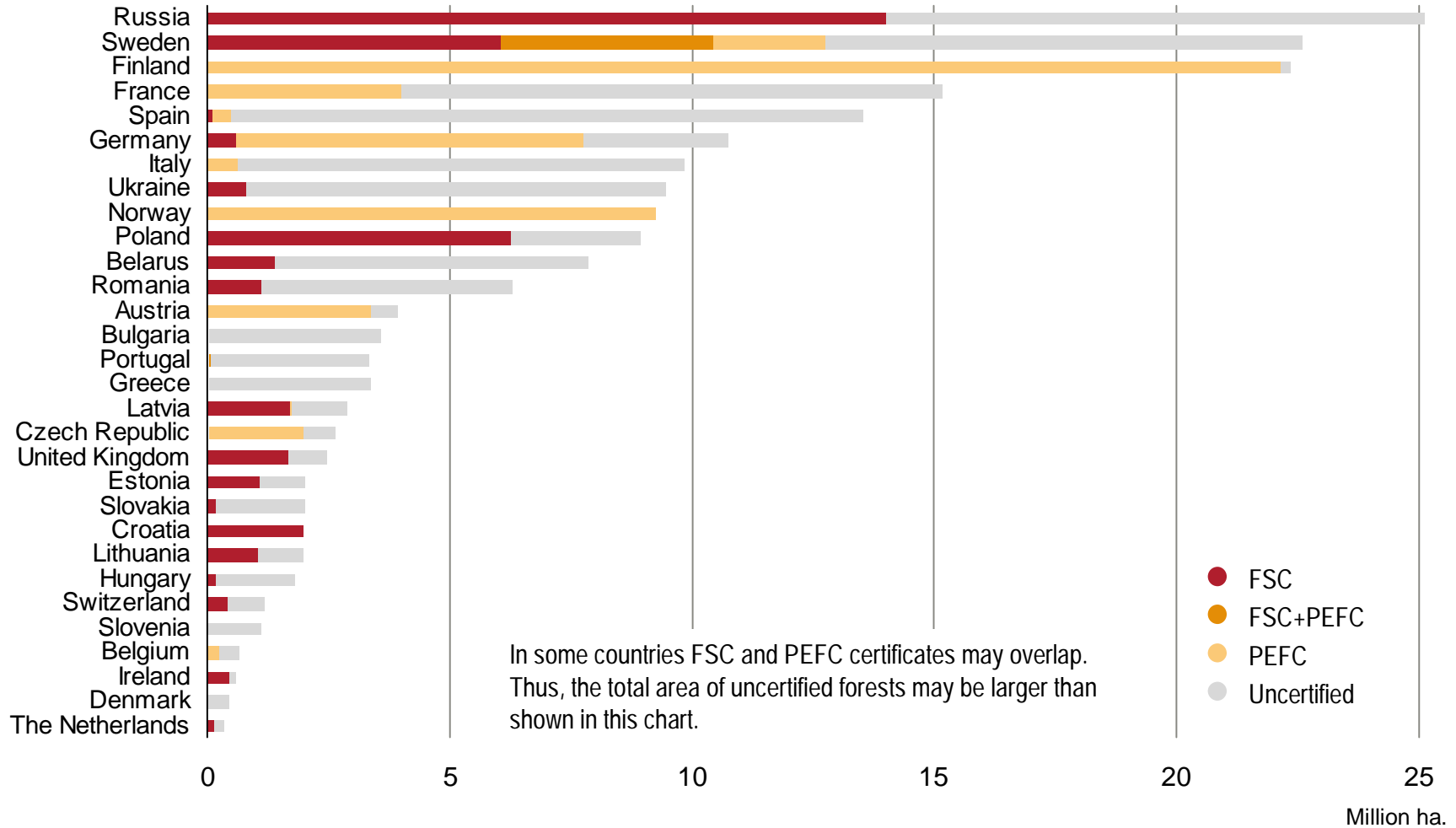


- The Group aims to increase the proportions of wood coming from certified forests.
- Due to local variations in conditions, Stora Enso sees a need for more than one forest certification system.

The origin of all wood procured by Stora Enso is always known in any case – regardless of whether it is certified or uncertified.



Certified and uncertified forest areas in European countries



Sources: PEFC, FSC – March-April 2006

FSC and PEFC

Examples of differences

Founders

- FSC: environmental organisations, indigenous peoples' organisations
- PEFC: forest-owners, industrial organisations

Marketing

- FSC: environmental organisations, e.g. Greenpeace, WWF (The Global Forest and Trade Network)
- PEFC: private forest-owners' organisations

Coverage

- FSC: large forest holdings
- PEFC: small, private family forest holdings

Current challenges in forest certification

Russia

- Amount of certified wood growing, but lacking chain-of-custody due to many suppliers

Brazil

- FSC criteria for plantations challenging
- NGOs critical towards Veracel plantations

Finland

- Current FSC criteria too strict (e.g. compared to Sweden)



Knowing every step – 100% traceability



- Forest Certification is an important tool but...
- Acceptable wood also comes from non-certified sources.
- Traceability systems are in place to verify this!



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Conclusions

Conclusions



- **Depending on sustainable forestry**
Sustainable forestry, which guarantees the continuing availability of wood in the future, is the fundamental basis of all Stora Enso's operations.
- **Maximising wood flows from certified forests**
Forest certification promotes and communicates sustainable forest management. Stora Enso supports forest certification wherever the Group operates.
- **Knowing every step – 100% traceability**
Traceability involves verifying the origin of wood, tracking it all the way from the forest to wherever it first enters Stora Enso's possession.

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Thank you!

From Russia...with Transparency

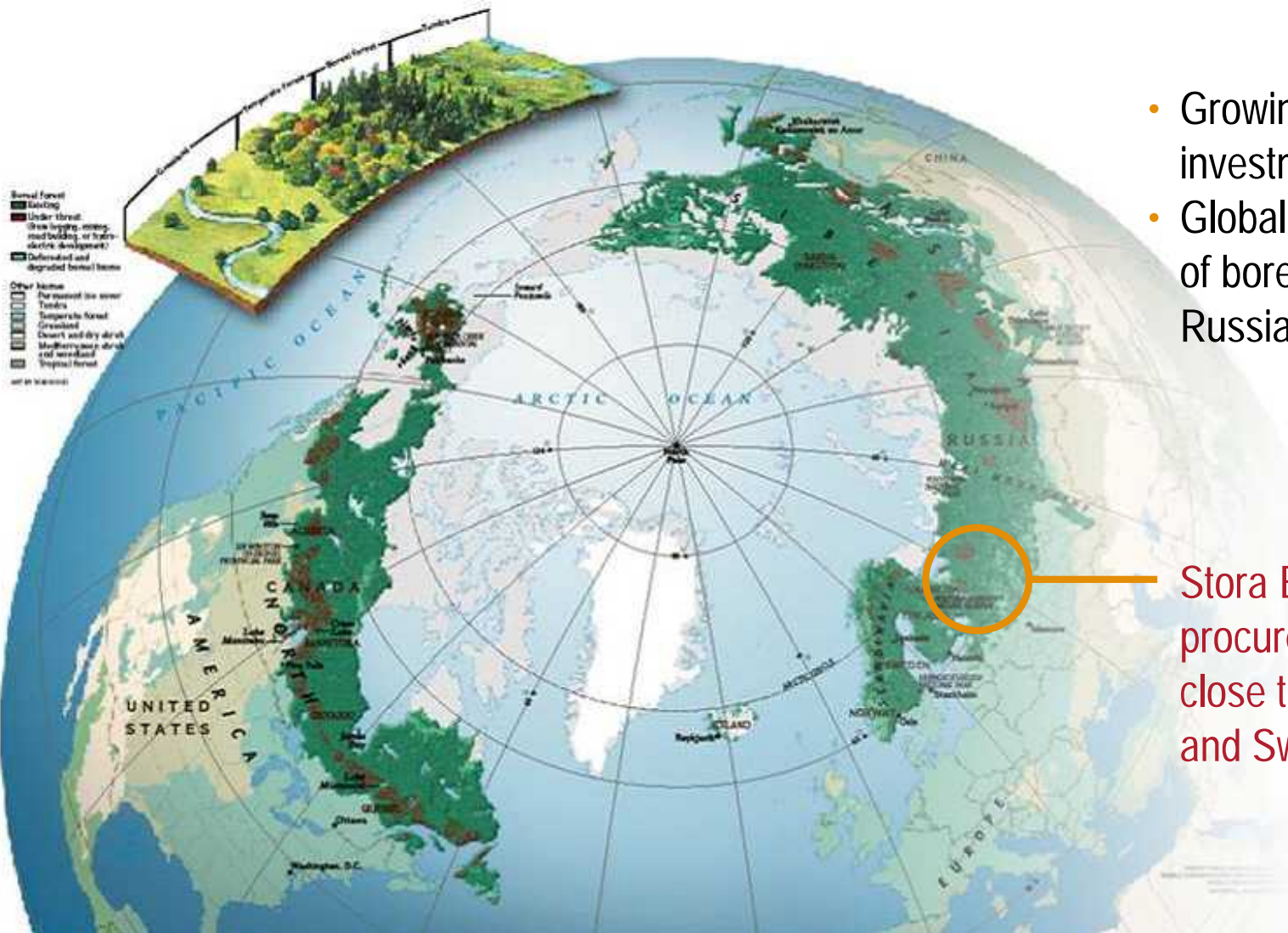
Tikhvin-Chalna Project 2004–2006



Stora Enso • Axel Springer • The Random House Group UK • Russkiy Les • Shuyales • Tetra Pak • Time Inc.

WWW.TIKHVINPROJECT.RU

Why is Russia important to Stora Enso?



- Growing market and investment potential
- Globally over 50% of boreal forests in Russia

Stora Enso's wood procurement area is close to Baltic, Finnish and Swedish markets

Stora Enso in Russia



- Strong long-term presence through own organisation
- Employees 2 000 – over 95% Russian
- Wood procurement 7.3 Mm³ sub
- EMAS, ISO 14001, ISO 9002 for traceability through Wood Supply Finland
- FSC certification for all own cutting volumes by 2006

- WSR HQ
- District office
- Harvesting company
- Packaging board mill
- Sawmill



Why Tikhvin Project?

To cover the whole supply chain

- Acceptability of fibre is crucial
 - Integrate Stora Enso values and corporate social responsibility
 - Balance environmental, social and economic responsibility
- Transparent communication about sustainability in Russian wood supply

To improve the level of knowledge regarding Russia



- Newspapers
- Magazines
- Books

Tikhvin-Chalna Project in Russia

Co-operation along the value chain

- Joint project with customers and wood suppliers to further improve the environmental and social aspects of wood procurement in Russia.
- Four focus areas identified
 - legality of wood
 - labour conditions
 - forest certification
 - community involvement
- Partners
 - Russian logging company Ruskiy Les
 - Customers: Axel Springer, Random House, Time Inc., Tetra Pak
- Critical reviews by
 - Transparency International
 - Karelian Research Centre



Benefits of the Tikhvin-Chalna Project

All partners improved sustainability practices



- Partners
 - reviewed and upgraded their sustainability policies, guidelines, supplier requirements and management systems
- Logging companies
 - adopted new technical tools to ensure the legality of wood
 - improved labour safety
 - Five of Stora Enso's logging companies certified more than 400 000 hectares of lease areas according to FSC
- Results and best practices are shared with other Russian wood suppliers through supplier training
- Read more at www.tikhvinproject.ru

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Thank you!

Third party verification of traceability – Chain-of-custody & Controlled Wood



Forest



**Wood
procurement**



Mill



Customers

**PEFC
FSC**

CoC

CoC

CoC

FSC CW

FSC CW

FSC CW

FSC and PEFC

Examples of differences in Finland and Sweden



Actions compared	FSC (Finland)	PEFC (FFCS)	FSC (Sweden)
Valuable habitats	In the area to be certified, at least 5% of the forest land shall be set aside for biodiversity protection.	No area target (Areas defined by the Forest Act shall be preserved)	In the area to be certified, at least 5% of the forest land shall be set aside for biodiversity protection.
Restriction on final felling	At least 10% of the forest land shall be permanently placed outside final felling operations. This may include the above protected areas.	No area target	No area target
Buffer zones along watercourses	A buffer zone of at least 20 metres shall be reserved adjacent to waters. Logging operations in this zone are prohibited and soil surface may not be broken.	The width of the buffer zone 3-5 metres. Logging can be carried out, but soil surface may not be broken.	The width of the buffer zone not determined. Logging operations are prohibited and soil surface may not be broken. In practise smaller area than in Finland.

Sustainable Harvest

