



Sustainability | Leadership | Innovation



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storaenso

Stora Enso: Sustainability at the heart of business strategy

Highly commended: Embedding an integrated approach

Winner: Climate leadership award

What

Stora Enso is a renewable materials company, producing renewable solutions in packaging, biomaterials, wooden constructions and paper. Sustainability is a core element in its strategy and integrated in everything it does. Its approach is based on the triple bottom line model.

At Stora Enso, finance and sustainability go hand in hand. The finance function has played a leading role in driving integrated thinking and embedding this in Stora Enso's business model and practices. In all financial processes, sustainability is integrated into decision-making: from investment to corporate finance to treasury.

By combining commerciality with sustainability, the company has shown climate leadership with its innovative renewable products and science-based targets for reducing greenhouse gas (GHG) emissions throughout its value chain – supported by green financing. Stora Enso issued its first green bond, and its revolving credit facility uses CO2 reduction targets in its pricing.

With its holistic approach, Stora Enso both attracts investors and achieves environmental benefits.



'Our strategy for growth is based on customer insights and innovation, supported by structured processes and motivated employees, and underlined and encircled by sustainability.'

Stora Enso 2019 Annual Report

Why

Stora Enso's business model is firmly based on sustainability. Its business purpose is 'Do good for people and the planet. Replace non-renewable materials with renewable products.' The company turns its climate leadership to competitive advantage by tapping into customer demand for, and investor interest in, green products.

Stakeholders play a key role in developing Stora Enso's sustainability agenda. Customers provide feedback in an annual survey on all aspects of the business, including sustainability. This is an important tool for the company in driving performance.

Stora Enso owns and manages forests as well as creating renewable materials that can replace fossil-based materials. As a result, Stora Enso also believes that it has a distinctive role to play in creating a circular economy.



'Sustainability is embedded in all financial processes and the quality of its non-financial information, which is subject to the same rigour as financial information and reasonably assured, has helped in raising sustainable finance.'

Finance for the Future Awards judges

How

Stora Enso embedded integrated thinking about sustainability into its business at all levels, in the following ways:

- > Stora Enso applied a **triple bottom line** model. This approach is an example of integrated thinking, which takes the standard measure of a company's success – profit – and adds social and environmental measures.
- > Stora Enso carried out a **materiality review**. With stakeholder input, the company identified sustainability topics that are important to Stora Enso and its stakeholders.
- > The review fed into Stora Enso's **9 plus 1 approach**: nine sustainability topics with one cross-cutting element, human rights.
- > A strong **governance** framework is in place to oversee Stora Enso's work on integrating sustainability into its core business. The Board's Ethics and Sustainability Committee meets regularly to discuss strategy. A Sustainability Council meets once a month.
- > Stora Enso set **targets and KPIs** that are a product of, and help to drive, integrated thinking. Strategic target setting is led by the CFO and Executive Vice President (EVP) of Sustainability. Both are members of the Group Leadership Team and report to the President and CEO. Progress is regularly monitored, and consolidated results are reported annually.
- > Through the 9 plus 1 approach, integrated thinking is **embedded throughout the organisation**, and the finance function builds the sustainability-focused strategy into their day-to-day commercial work.
- > The **CFO champions** Stora Enso's sustainable business model internally and externally, as a member of the A4S CFO Leadership Network.

From tree to product: tackling climate change throughout the value chain

Stora Enso believes that everything that can be made with fossil-based materials today can be made from a tree tomorrow.

Sustainability is embedded throughout its activities, and the company has set science-based targets for reducing GHG emissions across its value chain. Stora Enso has committed to reduce GHG emissions by 31% per tonne of board, pulp and paper produced between 2010 and 2030. Between 2010 and 2018, Stora Enso achieved an 18% reduction in GHG emissions.

Stora Enso uses renewable materials to make its innovative products. Beyond this, all wood that Stora Enso uses has a chain of custody so the company knows that it comes from sustainable sources. To fuel

its operations, Stora Enso uses its access to biological waste streams to minimise its reliance on fossil fuels. Raw material residuals and sawdust is turned into products and energy.

Stora Enso works to reduce its climate impact throughout the product life cycle, even in challenging sectors. Stora Enso's cross-laminated timber can be used in construction instead of non-renewable construction materials. So carbon is stored for longer, transferring from the forest into the building – an example of carbon sequestration.

By thoroughly understanding its materials, products and processes, Stora Enso has proactively addressed its climate impact at each step of its activities.

Integrated thinking for everyday sustainable finance

The finance team has thoroughly integrated sustainability into its day-to-day work and decision-making. Integrated thinking is now central to how the treasury team approaches lending and financing. This led to Stora Enso's revolving credit facility, which incorporates a CO2 reduction target into the pricing.

The team also drew up a Green Bond Framework and issued a green bond (SEK 6 billion). Under the framework, green bonds must be used to finance projects under one of six eligible categories. This first green bond was used to buy a sustainably managed and certified forest in Sweden. The forest will provide raw material that will be used to produce more fibre-based products. In this way, the finance team used integrated thinking to drive green financing that supports Stora Enso's business purpose.

Stora Enso has found that investors will not accept lower returns for green products. Many of the company's investors, though, have a policy to only invest in financial instruments that meet ESG criteria.

The higher demand for green financial instruments provided financing opportunities for Stora Enso and could have a small positive impact on the price.

Finance has embedded integrated thinking into all financial processes. In mergers and acquisitions, the team's approach to data analysis has combined traditional financial methods with sustainability, using the 9 plus 1 sustainability criteria. If financial analysis shows too high a risk against commercial or sustainability metrics, the team does not move forward.

For integrated thinking to drive and enable sustainable decision-making, non-financial data needs to be as strong as financial data. Stora Enso uses reasonably assured sustainability data to monitor its progress, and this data also provides credibility for sustainable financing initiatives. As such, the finance function, leading Stora Enso's reporting on financial and non-financial KPIs, has had key insight into the commercial benefits of integrated thinking for Stora Enso.

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