

ESG from the Investor Relations Perspective

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Agenda of the Presentation

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Introduction

- The field of Investor Relations and ESG is emerging, with yet no clear and established practices for companies.
- The expectations and demands of, especially, institutional investors have increased the need for more reporting and information on ESG themes.
- A wide arrange of applicable frameworks are available, while the field of ESG reporting is still developing,



Literature Review / Investor relations

Background of Investor Relations

- “The one who brokers information between the investing community and publicly traded corporations” (Caywood, 2009)



Investor relations

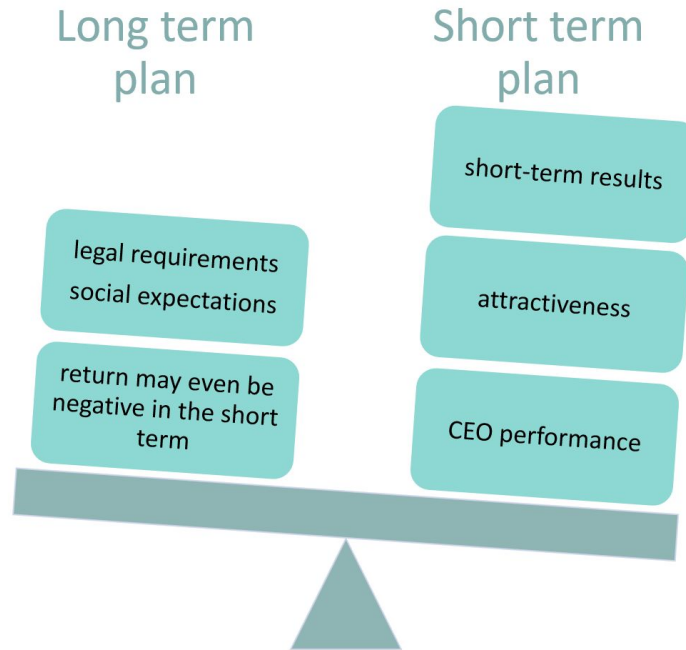
- Combine finance, communication, and marketing to effectively control the flow of information between a public company, its investors, and its stakeholders



Investor relations role in the future

- The role related to social responsibility is changing from broadcasts to more interactive relationship management

Literature Review / IR communications challenges

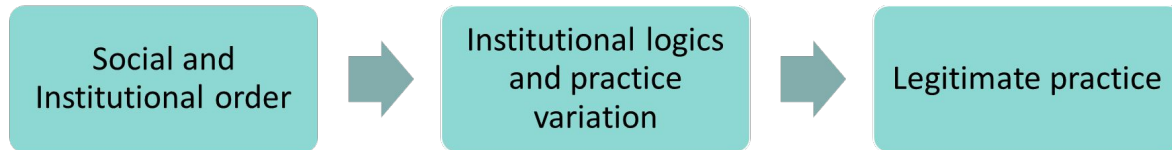




Literature Review / Variation in ESG-reporting

What causes variation in the reports?

- The logics behind the motivations for sustainability reporting come from social and institutional orders
- Different organizations with different practices
 - Organizations rely on logic/practices to construct legitimate practices
 - The logics are historically dependent, and the organization's often use several different logics to justify their sustainability reporting practices





Case Stora Enso



- Stora Enso is a Finnish company that develops and produces solutions based on wood and biomass (e.g. cardboard, packaging)
- The company has 22 000 employees around the world
- Listed on the Helsinki and Stockholm stock exchange
- In 2021 the company's sales were 10 billion euros
- The Finnish state is the largest shareholder , followed by the Swedish Wallenberg family (10 %). The shareholder base is rather international, with 55 % shares owned by international investors
- Company applauded and won several awards related to sustainability reporting in recent years



Strategy



Accelerated growth in packaging, building solutions, and biomaterials innovations

Three focus areas for Stora Enso's growth



Packaging materials and solutions, driven by high demand for plastic free and eco-friendly circular packaging. The company hold leading market positions and see attractive investment options.



Building Solutions, within the wood products division, driven by a growing wooden buildings market. It offers alternatives to fossil-based construction material and is a leading global supplier.



Biomaterials innovation, Stora Enso focuses on lignin segment and plans to grow in new applications and markets.

Investor Relations and ESG

Environment: Stora Enso contributes to materials' transformation in three areas where it has significant impact

- **Climate change:** products help to reduce CO2 and greenhouse gas (GHG) emissions
- **Protecting biodiversity:** the company considers the characteristics of each harvesting site before harvesting to ensure that all aspects of sustainability are taken into consideration
- **Accelerating circularity:** the company pays attention on recycling and a circular economy

Social: the company strive to provide a safe and rewarding workplace for **employees** while aiming to contribute to the vitality of the **communities** around its operations.

Governance: Stora Enso complies with the Finnish and Swedish corporate governance code and conducts the annual general meeting.



Stora Enso's investor relation aims to support the brand with precise, reliable, and trustworthy financial and strategic communications. In addition, it conducted an ESG webinar to provide the company's ESG information to shareholders



Historical Development

History

Stora was found in 1288 in Sweden as a copper mining company, then it entered an ore mine industry.

Around the end of 19th century, Stora divested mining business, and invested in paper and pulp production & forest-related business.

Enso was found in 1872 in Finland as a sawmill business, then it expanded to pulp and cardboard business. In 1987, Enso entered the forest industry

2 companies merged in 1998

Turning Point

After the merger, Stora Enso also expanded business to wood product and packaging product. Paper was the major source of revenues.

Around 2010, Stora Enso started to realize that the demand for paper has decreased, and the trend of online shopping (resulting in more packaging usage) as well as biomaterials and renewable concepts has gained popularity.

That was the turning point from focusing on paper to renewable packaging, which was formed as a strategic direction as well.

Pathbuilder

Due to the decline in paper demand, Stora Enso needed to lay off one-third of its employees in 2011.

The team Pathbuilder was formed of young and diverse groups of insiders to present new ideas.

The Pathbuilder team supported the transformation to the renewable materials company, and established the design process & the new value creation propose.

Then, the new business contributed 70% of revenues. Plus, the company culture has been improving and evolving.



Historical Development (cont.)

Rethink

From 2010 to 2013, Stora Enso issued the Rethink report, apart from financial report.

Rethink is a slogan adapted to all people in the company. Stora Enso aims to be the part of the changing world and wanted to be a pathfinder. Thus, it could not do the business in the way it has done, the rethink is needed.

Stora Enso rethinks the old and expands to the new to offer the customers innovative solutions based on renewable materials.

Progress

The strategy of transformation to renewable material growth company become clear in 2014.

Stora Enso's report also included the Progress Book from 2014 to 2017.

The company annually conducts a materiality analysis for topics related to its global responsibility, which helps to define material topics to address in the development of the group-level strategy

Sustainability

In 2014, sustainability became an independent function. The sustainability governance was reinforced.

This function is responsible for handling the sustainability issues together with other functions. Also, each business division has its own head of sustainability who reports directly to the top management.

The sustainability agenda covers the ESG in the business operation throughout the value chain.

The performance are reported annually in the sustainability report.

Quality of ESG Reporting

- Quality of ESG reporting recognised in Finland and globally
 - Awarded the best sustainability report in Finland in 2021 and 2020
 - In 2020 among the ten best sustainability reports according to the World Business Council for Sustainable Development
- The quality of ESG reporting can be evaluated against the GRI 101 Principles of Quality





Quality of ESG Reporting

Accuracy	Extensive and detailed data over ESG issues. Clear explanations of data sources and calculations methods	Reliability	Stora Enso uses limited external assurance on the carbon emissions in the report
Timeliness	Main information released as annually as a part of the Annual report. Extensive reporting also on quarterly basis.	Materiality	The company acknowledges the concept of double materiality. Comprehensive materiality assessment in 2020
Clarity	Clear and easy to follow, information readily available on the IR site. Extensive use of framework indices to help the reader.	Completeness	Uses all relevant and applicable frameworks (GRI, SASB, TFCF) and thus the scope of reporting is rather extensive
Comparability	Provides extensive historical figures to make comparison easier. The report has changed making comparison between reports harder.	Sustainability context	Stora Enso has wide definition of sustainability and describes their work and targets in a wider sustainability context.
Balance	Overall the report highlights the positive progress, but also shows the shortcomings such as not achieving sustainability targets in 2021	Stakeholder Inclusiveness	Clear analysis of major stakeholders of the company and descriptions of the dialogue.



Conclusion

- The company should pay attention and act in response to the investor interest of sustainability and ESG issues.
- The role of investor relations has evolved to convey more of the company's sustainability story that creates value.
- The sustainability report is essential to illustrate the progress of the company, even though the reporting methodology has not yet been matured.

Q & A





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