ESG FROM THE INVESTOR RELATIONS PERSPECTIVE

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Introduction

The field of Investor Relations (IR) has emerged rather recently, while the field of sustainability and Environmental, Social, and Governance (ESG) is even more new. Especially, the field of ESG and sustainability has emerged strongly as investors have started to require more and more information about companies' ESG impact. Although it is good to note that the whole field is rather emerging, especially related to ESG and sustainability, there are few established practices related to the extent of sustainability disclosure and reporting.

The literature on investor relations and ESG focuses on a variety of topics, covering the expansion of the IR's role in inclusion, also ESG and sustainability related themes. The literature also tried to answer the differences in reporting quality and extent, while highlighting the different logics are targets for companies when determining their way of reporting. Overall, the literature highlights the emerging nature of the field and shows great variation between companies in how they report and include ESG related themes in their investor relation functions.

The emerging nature of the field can also be seen in our case company, Stora Enso. Firstly, the developments related to ESG disclosures have changed dramatically over the last decades, while ESG is also becoming more integrated with the company's strategy. Emerging nature can also be seen in the multiple sustainability and ESG standards used as the basis for reporting, as no single framework has yet been established as the main norm for the company to use.

The paper is structured to start with an overview of key literature on the topic of investor relations and ESG. The second section focuses on the case company, Stora Enso, and their investor relations on the ESG issues. Firstly, we analyze Stora Enso's strategy from an ESG perspective to shed light on how integrated ESG is in their strategy. Secondly, we analyze the ESG development over the company's life in the company's disclosures and reports to better understand how the field has emerged in recent years. Thirdly, we focus on the quality of ESG reporting by the company compared to industry standards and applicable frameworks.

Literature Review

Background of Investor Relations

The concept of publicly quoted companies seeking investment through stock exchanges dates to the 17th century. However, the company function that facilitates this process, investor relations, is comparatively a relatively recent discipline. A professional in investor relations can be defined as, “the one who brokers information between the investing community and publicly traded corporations” (Caywood, 2009).

Although consumers have always met with investors to seek investment, the first actual investment relations department did not emerge until the 1950s. General Electric, one of U.S.’s largest companies, coined the term “or Relations” in 1953 after starting a program aimed at attracting individual investors to invest in their company’s shares as company’s share rolls began to expand and the idea that communicating effectively with sources of investment capital gained acceptance. The goal of this investor relations program was to bridge the information gap between the business and their shareholders. This was a result of the economic boom after the World War ll.

In addition, in 2002, the Sarbanes-Oxley Act, otherwise known as the Public Company Accounting Reform and Investor Protection Act, was passed. This was a regulation that drastically increased how much and how often publicly traded companies were required to report financial and trading information (Corporate Finance Institute, 2018). This Act led to companies being more transparent about their business transactions with their investors, and an influx in demand for investor relations professionals.

Investor relations professionals hold a critical role in a company’s success. They combine finance, communication, and marketing to effectively control the flow of information between a public company, its investors, and its stakeholders (Corporate Finance Institute, 2018). The "traditional" role of investor relations professionals is thus to ensure that companies' shares are priced fairly and thus the effectiveness of investor relations can be viewed largely from the perspective of securities analysts or based on the volatility of the share price. NIRI, 2001 has defined the function of corporate relations as follows: “Investor relations is a strategic management responsibility that uses the areas of finance, communication, and marketing to manage the content and flow of corporate information to maximize relative value to financial and other stakeholders”.

Investor Relations Role in the Future

The role of investor relations staff in matters related to social responsibility is changing from broadcasts to more interactive relationship management. Today, fund managers and investors consider social and environmental performance as a part of non-financial risks.

According to research (Hockerts & Moir, 2004), corporate responsibility expands the tasks of the IR function; it has also led to the integration of the IR function into other departments of the company. IR functions collect information from, for example, marketing, the financial department, and the responsibility department.

Investor relations personnel are aware of the underlying issues of the Hockerts & Moir, 2004 research. The two key concepts highlighted by those interviewed in the study are "corporate responsibility" and "sustainable development of companies". However, most of the interviewees framed the topic in economic terms, so the value of social responsibility for the company was particularly emphasized. Its value was not only related to reducing costs or saving innovation costs, but also to obtaining and maintaining a license.

Companies are beginning to realize that disclosure and reporting of social and environmental performance must be improved. The company should not only change actions and decisions related to sustainable development, but also the business model related to sustainable development. Research shows that a company that made a model change reported a 60 percent increase in sustainable development revenue (Unruh. et al, 2016). Consequently, the change improves the company's reputation and improves financial performance. Investor relations is still a relatively young profession. Therefore, its development potential is significant. For example, the communication task of investor communication can be assumed to become more two-way in nature.

IR Communications Challenges in ESG-reporting

Companies with long planning horizons are likely to consider it in their shareholders' best interests to make investments that go beyond legal requirements as they respond to changing societal expectations. However, justifying these investments to the share owners is not easy because their return expectations may even be negative in the short term. Investors' interest in short-term results limits the attractiveness of companies operating on this principle. This leads to companies often complaining that most investors are not interested in sustainability issues and that their focus is only on short-term results. In a way, the same problem also applies to the CEO. A CEO who doesn't make it in the short term will not benefit from the results achieved in the long term because he is likely to have been fired due to poor short-term results.

Just a few years ago, corporate executives ignored the topic of sustainability because they believed investors do not care. To date, however, many studies have shown that investors today are paying more and more attention to the company's sustainable development (Unruh. et al, 2016). Investors do not want to invest in companies with a sustainable strategy if the company cannot present convincing business cases that demonstrate the link between sustainability and long-term financial performance (Lazy et al, 2012). A significant barrier to advancing ESG goals in many companies is the lack of a credible story to tell about their company's ESG performance, even though most companies recognize the importance of sustainability that can impact overall competitiveness (Unruh. et al, 2016).

The Investor Relations department is responsible for communicating company information to investors. However, a survey by MIT Sloan and NIRI found that only 24 percent of IR professionals have been asked by their company to tell investors about the value of sustainability in the company's financial performance. Almost 40 percent are not given instructions on sustainable development reporting at all. Almost 80 percent do not regularly consider sustainable development issues in investor presentations. Respondents from IR departments also do not believe that a sustainable development strategy is needed to maintain the competitiveness of their industry (Unruh. et al, 2016).

Separate ESG briefings are not the final answer to the growing need for information regarding the consideration of sustainable development in business. Separate ESG briefings can be a good place to start, but eventually this content needs to be incorporated into the quarterly call. If companies do not make significant changes to the content and format of quarterly calls, even if they are supplemented with integrated reporting and ESG briefings, the market will continue to doubt the meaning of sustainability. A company can claim to have a sustainable strategy, if it does, we cannot even begin to address all these questions. Otherwise, the company has a sustainable development strategy at best and "greenwashing" at worst.

Variation in ESG-reporting

Why are ESG reports different and what causes variation in the reports? Variation can be attributed, for example, to different organisations and their different practices. The link between logics and practices is addressed in institutional studies (e.g., Thornton, 2002). Institutional analysis explains how organisations are embedded in fields that form a constellation of logics and practices. Organizations rely on these logics and practices to construct legitimate practices. Logics are historically dependent and organisational suppliers often use multiple logics to justify their sustainability reporting practices. Because different logics are associated with different practices, it is likely that different practices used by different organizations will cause variation in sustainability reporting (Mahmood 2019).

An emerging sector is inherently a 'blank space' where multiple actors can shape social practices. It has been argued that sustainability reporting is one such space, dominated by multiple and often conflicting logics, leading to variation in practices. That is, as a result, reporting varies in terms of, for example, approach, emphasis on sustainability strategies, senior departments involved, consultants, sustainability reporting guidelines and assurances, stakeholder engagement, and sustainability goals (Mahmood 2019).

According to Thorton's research, society is conceived as a system of institutions. The study has identified seven institutional orders - market, firm, occupation, state, family, religion, and community (Thornton et al., 2012). Institutional orders can be understood as social orders governed by distinct logics. As part of a social system, organisations and individuals are subject to the influence of these institutional orders and their underlying logics. Each order represents different expectations (logics) and shapes in different ways how the logics of action are perceived and experienced.

Institutional theory defines an 'institution' as 'a way of thinking or acting that has some degree of pervasiveness and permanence and is rooted in the habits or customs of a group of people'. Such patterns of thought and behaviour can be said to embody 'programmed actions' (Berger and Luckman, 1967). The idea of 'legitimacy' can be directly related to the concept of 'social contract'. Legitimacy theory itself relies directly on this concept. In particular, it is considered that the survival of an organisation is threatened if society considers that the organisation has violated its social contract. Accounting, for example, represents one form of institutionalised practice of an organisation. According to Covaleski et al. (1996), accounting as an institution can be "a ceremonial means of symbolically demonstrating an organisation's commitment to rational behaviour". The fact that an organisation follows expectations, norms and beliefs valued by society can help it to gain social support and thus legitimacy (Scapens, 1994).

The underlying logics of sustainability reporting motives are derived from social and institutional orders. Institutional orders, such as markets/companies, profession, community/country, profitable business, transparency, accountability, and regulatory logics. These different logics underlie the different motivations of companies when they engage in sustainability reporting. The existence of multiple logics also reflects the heterogeneous context and institutional complexity that are the main source of variation in sustainability reporting practices (Mahmood 2019). That is, each of these logics, driven by broader institutional arrangements, shapes corporate sustainability programmes and produces different outcomes. Institutional orders and the motivations behind the underlying logics provide an explanation for why companies adopt different sustainability reporting practices in the same context (Mahmood 2019).

Case Stora Enso

Stora Enso is a Finnish company that develops and produces solutions based on wood and biomass. The company has over 22,000 employees around the world. The company is listed on the Helsinki and Stockholm stock exchange. In 2021, the company's turnover was 10.2 billion euros and the operational EBIT was 1.5 billion euros. (Stora Enso 2022b) The company's ownership is rather diverse, with strong institutional owners from both Finland and Sweden. The largest owner is the Finnish State (through Solidium) with 11 percent of ownership, followed by 10 percent of ownership by the Swedish Wallenberg Family (through FAM), and international investors own 55 percent of the shares. (Stora Enso 2022a). Stora Enso has won multiple awards related to sustainability disclosures and reporting in both Finland and globally (Aalto 2021 & 2022).

Stora Enso has also set ambitious targets related to sustainability and ESG. This includes targets for a reduction in the carbon emission for production (scope 1 and 2) by 50 percent by the end of 2030 (2019 baseline, -14 percent in 2021) and reduction in carbon emissions in the supply chain and transport (scope 3) by 50 percent by 2030 (2019 baseline, -2 percent in 2021). Related to the circular economy, the company targets to have 100-percent technically recyclable products by 2030 (93 percent in 2021). Related to biodiversity, the company targets at least 96 percent certification coverage of owned and leased lands (99 percent in 2021). The company has also set a wide arrange of metrics related to responsible business practices such as zero noncompliance events related to environmental incidents (6 in 2021), -0,8 percent annual energy savings until 2030 to improve energy efficiency (-0,6 percent in 2021), at least a 98 percent process residual utilization rate (98 percent in 2021), a decreasing trend in total water withdrawal and discharge (not achieved in 2021), a 85 leadership index by 2022 (n/a in 2021), a 4,0 target for the total recordable incident TRI rate (6,2 in 2021), a positive trend in the code of conduct index (n/a for 2021), implementation of the human rights due diligence program, increase to 70 percent the community investments (42 percent in 2021), and at least a 95 percent supplier coverage of the Supplier Code of Conduct. (Stora Enso 2021 Annual report).

Overall, the above-mentioned targets can be seen to be ambitious as the company has not been able to achieve all their targets and needs a lot of improvements to achieve the targets for 2030.

Interestingly, some of the data points are still missing for 2021, which points to a worrisome picture that the company has set targets but cannot provide evidence and data over the progress.

Stora Enso’s Strategy

Stora Enso is a leading provider of renewable materials. In 2021, its external sales by the business are packaging materials (37%), wood products (17%), paper (16%), biomaterials (15%), forest (8%), and packaging solutions (7%). Moreover, Stora Enso is one of the world’s largest private forest owners. Its forests have a positive impact on the world’s climate as carbon sinks. According to global megatrends like eco-awareness, customers are increasingly aware of products that are sustainable and climate friendly. Thus, Stora Enso attempts to deliver solutions to reach their expectations and needs.

Stora Enso's strategy is to emphasize accelerated growth and leading positions in packaging, building solutions and the biomaterials innovation program. Its innovations focus on sustainable packaging material, the biochemical platform in lignin, forest and wood products, which create value to Stora Enso. According to packaging materials and packaging solutions, they are the main products and services which generate sales. Moreover, they are driven by high demand for eco-friendly circular packaging. Stora Enso positions itself as the market leader and keeps improving its products. For example, in 2021, the company invented paper bottles and containers made from wood fiber pulp which are sustainable products and alternatives to plastic and glass. Building solutions are the second area for the company’s growth, it is driven by a growing wooden building market. It provides an alternative to fossil-based construction material which causes negative impact to the climate and is a leading global supplier. Last, Stora Enso's biomaterials innovation focuses on lignin, and it attempts to develop and create new solutions to replace fossil-based and dangerous materials including novel applications such as carbon for energy storage, bio-based binders, and bio-based carbon fiber.

Obviously, sustainability is deeply embedded in Stora Enso’s strategy and responsible business practices. It continues to develop innovative products and solutions based on renewable and recycled materials made from sustainable sourced trees that benefit from being the biggest private forest owners in the world. In addition, it intends to reuse resources and minimize waste.

Stora Enso's Investor Relations and ESG

Stora Enso pays attention to ESG and achieves good ESG ratings from rating agencies. It has board members who are experts in sustainability, ESG, and the business environment relevant to the operations of the company. During 2021, Stora Enso participated in many ESG rating agencies' assessments such as CDP, FTSE Russell, MSCI, and VigeoEiris. On average, the results have shown that Stora Enso has gotten ratings above the industry average level, and it can maintain or improve its score compared to the previous score. These indicators help investors perceive the company's performance based on many categories and specific ESG criteria.

The company continuously strives to improve sustainability performance and to keep investors informed of its progress, ambition, and future direction. To be responsible for the environment, the company contributes to materials' transformation in three areas where it has significant impact: climate change, biodiversity, and circularity.

First, its products help to reduce CO_2 emissions by providing low-carbon alternatives to solutions based on fossil fuels and other non-renewable resources. Furthermore, the company was the first forest products company to determine science-based targets (SBT) to reduce greenhouse gas (GHG) emissions. For the company's roadmap, it will keep reducing CO_2 and GHG by investing in improving the energy efficiency of production processes and using more clean energy sources. Second, biodiversity is an important ecosystem to both the planet and people. The company shifts its sustainability goals from minimizing negative environmental impacts to being a positive contributor towards biodiversity. It makes sure that its forest grows more than they are harvested and does not establish plantations in inappropriate areas such as water-sensitive areas. Moreover, it considers the characteristics of each harvesting site before harvesting to ensure that all aspects of sustainability are taken into consideration. Third, Stora Enso designs its products by recognizing circular economy. It focuses on creating circular products recycled and designed to optimize the environmental and societal benefits of wood and fibers used in production processes. It attempts to increase the benefits of raw materials through recycling. The wood fiber would be recycled 5-20 times until fibers get too degraded to recycle, then it uses those fibers to make bioenergy. The company pays attention to recycling and a circular economy from product design to recycling systems.

In the aspect of social responsibility, Stora Enso aims to provide a safe and healthy workplace for its employees as well as contribute to the vitality of the communities around its operations. The company provides an accident-free workplace based on international standards for employees. Furthermore, it extends the safety approach to other stakeholders such as contractors, suppliers, and on-site visitors. To operate in more than 30 countries, the company engages with the local communities. When Stora Enso sources raw materials and manufactures products, it depends on local communities for its workforce. It collaborates with these communities to support their economic, social, and environmental sustainability. In order to minimize negative social and environmental impacts and maximize positive influence, the company's actions must be managed responsibly. It has a community investment program that manages and funds locally by focusing on education, the environment, and resilient local communities.

To strengthen accountability and build trust among stakeholders, Stora Enso complies with the Finnish and Swedish corporate governance code. The company conducted the annual general meeting of shareholders to present the company's performance, nominate board members, and other agendas. The board consists of all independent members. They have the power to appoint the CEO who oversees the day-to-day management of the Company in accordance with the Finnish companies act and orders issued by the Board. Moreover, the company has internal control like auditor, ethics and compliance as well as risk management to provide confidence and transparency to stakeholders.

Stora Enso's investor relation aims to support the brand with precise, reliable, and trustworthy financial and strategic communications. It provides adequate updated information on the development of business strategy, performance, financial position, and markets to all stakeholders. According to the annual report 2021, the investor relations team organized many individual and group meetings, mainly virtually, with shareholders, research analysts, investment banks, and brokerage firms. IR team members also gave presentations at shareholder conferences in Scandinavia, Continental Europe, the United Kingdom, and North America. In addition, it conducted an ESG webinar to provide the company's ESG information to shareholders. This webinar created the company's image and communication of social and environmental responsibilities as well as principles of corporate governance and sustainability.

It seems that investor relations create positive impacts to the company in terms of fairer stock price, stock liquidity based on stock turnover, and building and maintaining investor relationships. However, if investor relations do not communicate well enough about company information, the costs may outweigh the value created. The costs can be direct costs such as the annual meeting organization cost and indirect costs like opportunity costs. Moreover, it is quite a challenge for investor relations in growth firms because high public disclosure may undermine their effectiveness. Therefore, it is important to balance between the costs and benefits of investor relation communications.

Historical Development

Stora Enso was formed by the merger of a Swedish company Stora and Finish company Enso in 1998. The history of Stora originally begins in 1288 where it is known as the issuer of the oldest preserved share certificate in the world. Stora back then was a copper mining company and gained its peak during the 17th century. In the 18th century, the copper mining industry started to decrease in importance, so the company entered the ore mine production. Around the end of the 19th century, it divested the mining business and invested in paper and pulp production, and forest-related business. Enso began its history in 1872 where it started the sawmill business. Then, it expanded business by buying the pulp and cardboard companies. The company had entered the forest industry since 1987 by buying and merging with other companies.

After the merger of Stora and Enso until 2009, Stora Enso expanded its business in Europe, South America, North America, and Asia. Most of the activities are acquiring and purchasing wood product business, packaging business, and paper and pulp business. However, some of them did not help generate the value creation for the company and later needed to be divested from the company portfolio.

Consequently, Stora Enso realized that the demand for paper is declining and the share of paper products, which was the major source of the sales revenues in the company portfolio, decreased to 38 percent in 2014 from 62 percent in 2006, while packaging products and wood products increased the share of sales revenues. That was the turning point of the company business from focusing on paper to focusing on renewable packaging. By that time, the trend of online shopping (resulting in more packaging usage) as well as biomaterials and renewable concepts has gained popularity. Therefore, Stora Enso realized the possible future growth in these areas, and formed a part of the strategic direction of the company. In 2014, its renewable packaging unit contributed a third of the sales revenues, compared with about a fifth in 2006.

The story of transformation is not that smooth. The decline in paper demand in 2011 forced Stora Enso to lay off around one-third of its employees. The CEO at that time came up with the idea neither to hire a consulting firm nor rely on the senior management, instead he believes that the new and fresh perspective of the young generation could defeat this crisis. Thereafter, the team called Pathbuilder was formed of a diverse group of insiders to present the senior management the new ideas. The Pathbuilder supported the company's transformation to the global renewable materials company. The team successfully established the organization design process and the new value creation proposes which align with the current disruptive innovations and digitalization. Since then, the new business has contributed around 70 percent of sales and profit for the company, the share price has more than doubled, and the culture has also been evolving and improving. However, the movement would not be effective if the top management did not make a right decision and outline the company structure of mutually reinforcing and self-sustaining actions. Significantly, this allows Stora Enso's transformation strategy to be achieved.

Since 2010, apart from the financial report, Stora Enso has issued a report called Rethink to inform about the company's development progress. At first, Stora Enso would like to be a pathfinder, not a follower, since the world is changing at a fast pace, and the company aims to be a part of the changing world. The customers also adapt the way they do their business to the changing world. That is why it could not just do the business in a way it has done, the Rethink is needed. The Rethink slogan is adapted for all the people in the company at every level. Stora Enso promises the stakeholders that Stora Enso is the global rethinker of the packaging, paper, and wood products industry. Stora Enso always rethinks the old and expands to the new to offer the customers innovative solutions based on renewable materials. During the years of Rethink, however, the company still faced many difficulties, high costs, and did not come up with a totally clear strategy until 2014.

After Stora Enso clearly defined the company's strategy, which is to transform into a renewable material growth company, it reported the progress in the progress book that is separated from the company annual report. In 2014, Stora Enso annual report consisted of 4 reports, which are progress book, financial report, global responsibility performance, and corporate governance report. 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, while also facilitating the global responsibility performance reporting. Thereafter, every year the reports of the company consist of all the matter information regarding the ESG issues.

The sustainability governance was reinforced during 2014 when sustainability became an independent function with its own executive vice president who reports directly to the CEO. Every day the sustainability function is responsible for handling the sustainability issues together with the legal, human resources, and sourcing functions. The implementation of the sustainability agenda must be supported by all levels of employees. Each business division has its own head of sustainability who reports directly to the executive vice president of the division. In addition, for the key business units such as wood supply, logistics, and sourcing, there are sustainability experts of their own. The sustainability agenda covers the ESG in the business operation throughout the value chain. It addresses 10 sustainability topics which are Employees and wider workforce; Community; Business ethics; Materials, water, and energy; Carbon dioxide; Forests, plantations, and land use; Customers; Suppliers; and Investors. The company sets the target and KPIs for the sustainability work. The progress is regularly monitored at group level and via division-level business reviews. Then, the consolidated results on the performance are reported annually in the sustainability report.

The transformation brought Stora Enso to become a leading provider of renewable solutions in packaging, biomaterials, wood and paper on global markets. The aim is to replace non-renewable materials by innovating and developing new products and services based on wood and other renewable materials. The focus is on fiber-based packaging, plantation-based pulp, innovations in biomaterials, and sustainable building solutions. Stora Enso has continued to develop expertise in renewable materials to meet the needs of its customers and to meet today 's global raw material challenges. Being responsible for the people and the planet underpin the approaches to every aspect of doing the business.

The distinct institutional logics behind Stora Enso business motivate the company to operate business in a way that it aims to become a global renewable material company and this combination of institutional logics has rooted for the company's main strategy. The institutional orders such as the company itself, market/society, and regulations each have underlying logics. For the company, the practices and beliefs are clear after the transformation that sustainability became the most important strategic issue and the value driver. For the markets, both product market and capital market, they even value and emphasize sustainability as an important risk factor and the criteria to demand product or stock, which encourages the company to be eager to implement sustainability in the business operations. It may also seem as a relatively competitive advantage for the company who acts early. For regulations, since Stora Enso business deals with the environment and forest, it is required to comply with the local laws and regulations regarding the environment, which then motivates the action of sustainability awareness and the inclusion in the report. Furthermore, all these motives are represented in a way Stora Enso conducts its ESG report in which they highly highlight the company's ESG and sustainability concepts and implementation.

Quality of ESG Reporting

Stora Enso's ESG reporting can be measured by its comprehensiveness and use of current applicable standards. The widely used GRI 101 Standard includes principles of quality such as Accuracy, Balance, Clarity, Comparability, Reliability and Timeliness. The standard also includes principles to evaluate the scope or reporting against Stakeholder Inclusiveness, Sustainability Context, Materiality, Completeness (GRI 2016).

Overall, the Stora Ensos sustainability reporting can be seen as having good quality related to its peers in Finland and globally as the company has won twice in 2021 and 2022 the award for the best sustainability report in Finland (Aalto 2021 & 2020) and in 2020 was among the ten best sustainability reports according to the World Business Council for Sustainable Development (WBCSD) (Stora Enso 2020a).

Regarding the completeness of Stora Enso's reporting, the 2021 Annual report is done according to all the major applicable frameworks. Stora Enso reports according to the GRI Standard, the SASB standard and the Task-force on Climate-Related Financial Disclosure. Overall, the company's 2021 report covers all relevant ESG issues identified by the above-mentioned frameworks and standards, and the company provides extensive data over their ESG impact. The company is also at the forefront of adopting new frameworks related to reporting such as the EU Taxonomy. In the 2021 Annual report the company reports that it has established an internal working group to also include the new regulation related to the EU Taxonomy to the sustainability reporting.

Related to the accuracy of sustainable reporting by Stora Enso, the report is extensive and provides accurate data over their ESG metrics. The information and data are detailed in the sense that it provides information for each production center separately. The accuracy of the reporting can also be verified by extremely detailed examinations in the "consolidation of sustainability statements" part and in the footnotes in the annual report. The company goes extensively through the limitations of the data used as well as explanations behind the calculation methods. One area to improve is to report data over all the sustainability targets the company has set, it painsta a worrisome picture that the company does not have data available for 2 of 15 of the key sustainability targets and KPI's. The accuracy of the ESG performance can also be validated by the extensive ESG scores and development of ESG scores received from external sources reported on Stora Enso's IR webpage. This could also improve the comparability of different companies in the same industries as investors can compare the external ESG scores of the companies.

Regarding the timeliness of the reporting the company has a clear routine and schedule for providing ESG related information to shareholders. The annual report represents the most extensive report on ESG issues, interestingly the company also included sustainability and ESG performance in their quarterly reports. The quarterly reports the company provides information on the development of their sustainability related targets such as carbon emission reduction (scope 1-3 emissions), biodiversity (forest certification coverage) and responsible business practices (gender balance, work safety water usage). The company also includes a summary of their ESG scores and external recognitions (such as the ESG scores from CDP, FTSE Russel and MSCI sustainability rankings and scores). However, it is good to note that the company does not include sustainability developments in their quarterly press and investor conference.

Clarity of Stora Enso's reporting is good. The sustainability reports are comprehensive but also easy to read, find, and comprehend. The ESG issues are also easy to find on the company's IR website. The clarity is also enchanted by the separate GRI, SASB and TFCD content indices. Overall, the information related to ESG is easily available for shareholders and investors.

Regarding the balance of the report, the GRI Standard guides companies to reflect both positive and negative aspects of the ESG reporting. Overall, the report highlights the positive work of Stora Enso, although the company also describes and mentions the negative parts of their performance. For example, the company openly states that they did not achieve a lot of their sustainability KPIs and they give detailed explanations behind the reason. Altogether, the reporting is rather balanced.

The comparability of Stora Enso's reporting is good in the sense that the company provides historical figures from up to 6 years, which makes the comparison between years easy and transparent. However, the company's reports have changed in recent years as the frameworks used have changed making the overall comparison between years cumbersome and more challenging. As mentioned above, the information about the company's ESG scores by external rating companies (such as CDP, FTSE Russel, MSCI etc.) also include information about the rating against peers. The Q3 report in 2022 shows how all the external rating providers deem Stora Enso to be clearly adobe industry average when it comes to ESG scores.

Regarding the reliability of the reporting, Stora Enso is a rare company in the sense that it uses external assurance providers to audit their sustainability reporting. In 2021, they had PWC do a limited assurance on the direct and indirect CO2 emission in the report and added the assurance report to their annual report. It is good to note that only the carbon emissions related to scope 1 and 2 are verified by the external Assurance provider, while the scope 3 emissions (supply chain) are not verified. Using external assurance related to sustainability reporting is still a rather new phenomenon in Finland. Nevertheless, it is good to note that Stora Enso only had a limited assurance that covered only emissions rather than applying the assurance more broadly to all sustainability metrics.

The company has also acknowledged the concept of double materiality, and thus the reports not only state the financially material issues, but also material issues that are related to the environmental and social questions. The concept of double materiality means that the scope of material issues is considered wider, meaning that the company does not only report on financially material ESG issues, but also on ESG issues material for the wider society, people, and environment. The company updated its materiality assessment in 2020, which can also be found on its investor relations webpage (Stora Enso 2020b), while the SASB standard used at the company also distinguishes the material ESG issues for the industry. The SASB standard for forest and packaging companies has identified material ESG issues related to forestry management (human rights of indigenous people, climate change adaptation, ecosystem services), containers and packaging (greenhouse gas emissions, air quality), energy management (use of renewable, energy efficiency), water and waste management, supply chain management and product safety.

Conclusion

As investor interest in sustainability and ESG increases, the companies need to pay more attention and act in response to the investor demand. Especially, the investor relations play the important roles of not only communicating and bridging the information gap to ensure the share pricing, but also evolving to do a more interactive relationship management to convey the company's sustainability stories. However, the company that succeeds in the ESG perspective should have formed the ESG-related strategy that leads to the integration among company functions. Subsequently, the sustainability report has emerged. Although it has become requisite and imperative, the variation still exists due to different organization contexts and motives behind the commitment to sustainability.

Our case company, Stora Enso, is so far one of the good examples of a company with a good ESG reputation. The company has responded to the change in the global trend and has successfully transformed itself to focus on sustainability approach and even set it as a core of strategy. Eventually, this has become the value creation of the company. Moreover, Stora Enso's sustainability report provides comprehensiveness and good reporting quality according to the global standards which made it achieve many awards.

Stora Enso has clearly branded and positioned itself as one of the leaders related to sustainability in the field of paper, wood and packaging products. The question of the benefits of such extensive ESG reporting is legitimate to raise. One could argue that the company's position as the leading sustainability company in the sector could attract possible investors as more and more institutional investors value and demand information and good sustainability practices. The extensive ESG reporting for Stora Enso has also led to good ESG scores by external ranking providers that can in term lead to inclusion in different ESG related ESG indices. This can be seen to improve and increase investor demand for the stock, although providing empirical evidence of the value of extensive ESG reporting is hard. Also, while looking at the ownership base of Stora Enso, one could argue that the large ownership by the Finnish state and Finnish pension funds could increase the need for quality ESG reporting and a sustainable strategy as these investors have been at the forefront in shifting their investments towards more sustainable companies.

To conclude, both the investor relations role and the sustainability role are still in the developing phase. Apparently, investors increasingly view sustainability as a part of the non-financial risk, therefore it is crucial for the company to address these issues and act as quickly as possible and appropriately communicate to the outsider by effective investor relations strategy to create value and ensure the share price.

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