

# Creating Value

## **Stora Enso Guangxi**

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## Field visit in Beihai

- Guangxi State-owned Qinlian Forest Farm Plantation (Qinlian makes introduction of planting history.)
- Trial site 2002 (Risto Vuokko)
- Lunch in Shankou Town
- Stora Enso's plantation in Baisha (Moacyr Fantini)
- Shankou Forest Farm's plantation (Shankou Forest Farm makes the introduction.)
- Stora Enso's plantation in Shankou (Moacyr Fantini)
- Community Plantation (Introduction by Christian Cossalter)
- Dinner (Dan Jia Peng), Waisha Island, Beihai City

# Stora Enso in Brief



**Publication  
Paper**



**Fine Paper**



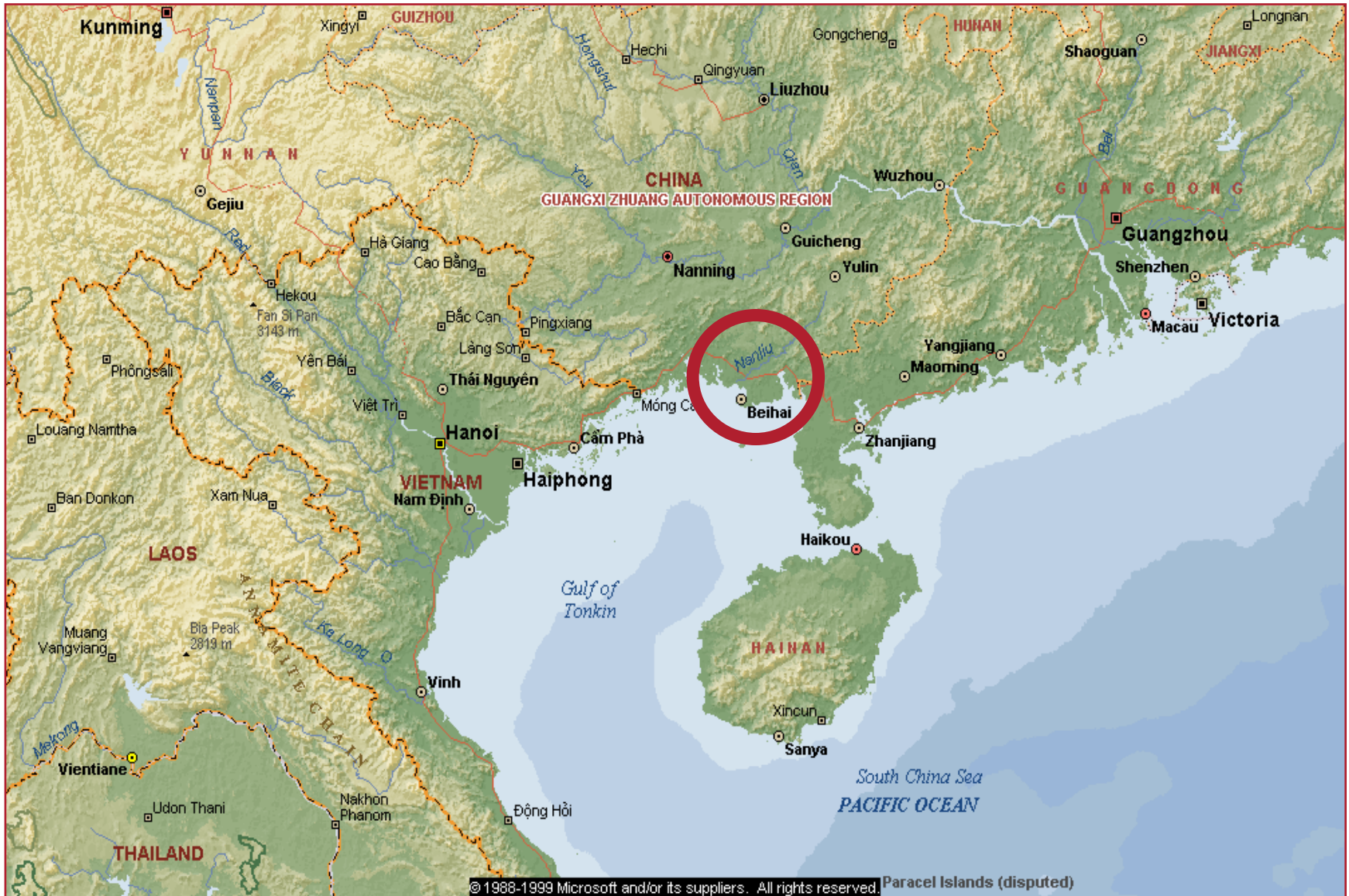
**Packaging  
Boards**



**Forest Products**

- A world leader
  - 16.9 million tonnes of paper and board
  - 7.7 million m<sup>3</sup> of sawn and processed wood products
- Four main divisions
  - Stora Enso Publication Paper, Stora Enso Fine Paper, Stora Enso Packaging Boards and Stora Enso Forest Products
- Sales: EUR 13.2 billion
- Approximately 46 000 employees in more than 40 countries
- Shares listed on Helsinki, Stockholm and New York stock exchanges

# South China



# Guangxi Stora Enso

- Stora Enso Guangxi (SEGX) was established in 2002 as a wholly foreign owned enterprise in Guangxi;
- SEGX has a mission
  - to establish a sufficient low cost eucalyptus fiber base in Southern Guangxi;
  - to develop an integrated forest-pulp-paper industry in the area together with Chinese partner, Gaofeng Group;
- SEGX has about 60,000 ha of land usage rights including 35 000 ha of eucalypt plantations.





# Operational Strategy

- Land acquisition by renting forestry lands
  - Long-term leasing
  - Focus on farms
- Silvicultural operations are outsourced to private contractors
- Modern concept for plantation forestry;
  - mechanization, if applicable
  - superior genetic clonal material
  - tailor-made silviculture
  - Expected growth 35 m<sup>3</sup>/ha/yr after 2nd rotations
- Technical standards and quality and costs controlled by Stora Enso
- Global network to support HR and IT



# Guangxi Sustainability Agenda

- Best silviculture practices and technology
- Best environmental practices in the plantations
- Strong social commitment
- Active dialogue with stakeholders
- Positive economic impact on the region



# Best Environmental Practices in the Plantations



- Participates to environmental protection:
  - trials for restoration of native species;
  - guidelines for the use of chemicals;
- Certifications:
  - ISO 9001/14001, OHSAS
- Developing and testing new clones for better growth and pest and disease resistance;
- Optimizing fertilization;



# Strong Social Commitment

- Supports local communities with Social Development Fee
  - Village funds for schooling, roads, bridges based on delivered hectares.
  - Flexible rental payment system
- Employing local people;
- Use of regional suppliers and contractors;
  - Over 100 contractors, and over 2000 laborers at the peak time
  - Over 10 000 full time jobs when the project reaches full operation
- Following corporate principles in Human Resources and Corporate Social Responsibility: CSR is incorporated in all business contracts



# Sustainability - ESIA

- Environmental and social impact assessment (ESIA) was carried out together with UNDP in 2005;
- Why ESIA
  - ESIA is a common practice in Stora Enso at the early stage of an investment decision;
  - The result of ESIA will help SE to fully understand the environmental and social impacts of its operations; develop the necessary action plans; and allocate resources to reduce any possible negative impacts;
- Why UNDP
  - UNDP has 25 years of working experience in rural China through its mission of poverty reduction;
  - as an independent 3rd party
  - with rich experiences from similar projects elsewhere
- ESIA results:
  - There are no major environmental and social issues that would jeopardize the project;
  - There are potential risks in areas listed in following slides.

# ESIA Action plan outline (1)

ESIA findings	SEGX Actions	Timeframe	Responsibility
Communication issues: there is a critical need to improve communication with stakeholders	<ol style="list-style-type: none"> <li>1. Tele-center</li> <li>2. Face-to-face meeting</li> <li>3. Children's education day</li> <li>4. Medical doctor's opinion on eucalypt does not harm health</li> </ol>	2006-2010 2006- Annually 2006	UNDP/SE Wood production Wood production Business development
Biodiversity risks: Genetic biodiversity Landscape biodiversity	<ol style="list-style-type: none"> <li>1. Testing of clones carried out and several clones used in plantations.</li> <li>2. Developing of new clones started.</li> <li>3. Large species trial planned for 2007</li> <li>4. Acacia mixtures are tested and extensive acacia plantations maintained (purchased plantations).</li> <li>5. Indigenous species in trials</li> <li>6. Maintaining Mangrove</li> </ol>	On-going, More clones available for operations along the years          Trial phase continues until 2010. Few ha annually.	R&D department          Sustainability

# ESIA Action plan outline (2)

ESIA findings	SEGX Actions	Timeframe	Responsible person
Employment issues:			
1. No contracts between contractors and workers	1. Formulate and provide to contractors a standard contract	Implemented already	Legal + wood production
2. Workers don't have access to emergency service	2. Provide 1 <sup>st</sup> aid kit to contractors and a detailed instructions in emergency situation; accident reporting required from contractors	2006	Wood production
3. Working conditions	3. Deliver food to workers (a good meal, eggs); Study the possibility of setting up temporary camps for workers	To be investigated during 2006	Wood production Sustainability team
Operational issues:			
1. Concerns on fuel wood	Clarify during face-to-face meetings	2006	Wood production
2. Records of village stakeholders	Improving the existing database	2006	Planning + IT + Wood production
3. Slowness in paying the rent	Will issue company statement explaining why the rent has not been paid on time.	2006	Financial department + Wood production



# ESIA Action plan outline (3)

ESIA findings	SEGX Actions	Timeframe	Responsible person
Environmental issues: Water quality and water use Soil: optimization of fertilizer Pest and disease	1. Literature review about positive or negative effects of eucalypt plantations to water quality and water balance; action to be decided based on the review	2006-07	Sustainability team + R&D + wood production;
	2. A trial for optimum level of N, P or K is underway (RITF). Additional trials are going to be established in collaboration with RITF and SLU (Swedish Agricultural University); 3. Acacia mix as N-fixer tested; 4. Pest and disease resistant clones are sought through clone testing;	On-going	Sustainability team + R&D + wood production;
Development fund needed for health services and education, drinking water and road, etc.	MoU- UNDP, Project document	2006-2010	UNDP

# Partnership with UNDP-MoU

- As an immediate follow up of the ESIA, UNDP and SEGX have initiated a partnership in following 2 key areas:
  - Conservation of biodiversity in Guangxi;
  - Social engagement through rural communication and information centers and improving community social well-being in areas of health, safe water, hygiene practice and basic education.
- Following the MoU signed today, Stora Enso and UNDP are going to further discuss a cost sharing agreement with detailed project document, action plan and cost breakdown for each component;
- SEGX has reserved 1 Mill USD for the co-operation with UNDP until 2010;

**Thank You for your  
attention!**

