Dear Stakeholder,

Stora Enso's subsidiary Stora Enso Inpac Delta India is receiving attention following the publication of a report on the company's labour rights practices today, September 3, by the Finnish NGO Finnwatch, backed by its Swedish counterpart Swedwatch. The two NGOs investigated Stora Enso Inpac Delta India’s Chennai Mill during spring 2013 in cooperation with Stora Enso, and the report is based on their findings.

Located in the city of Chennai in Tamil Nadu state, Chennai Mill produces consumer packaging (microflute and cartonboard) and transport packaging (master cartons). The company was established in 2005, and became a Stora Enso subsidiary in July 2011 following the Group’s acquisition of a 51% majority ownership share in Inpac International.

Findings of the Finnwatch/Swedwatch report

The report focuses on the mill’s working conditions, occupational health & safety issues, human and labour rights, salary practices and diversity issues. Stora Enso invited Finnwatch’s field researcher to the mill, provided information to Finnwatch as requested and maintained constructive and open dialogue with the organisation during the investigation and reporting process.

The report recognises sustainability improvements realised at the mill since it became a Stora Enso subsidiary. Work-related accidents have decreased significantly, good relations with the relevant trade union have been established, and employees’ rights have been strengthened.

However, the report also finds weaknesses in Chennai Mill’s social responsibility performance. Regarding occupational health and safety, the report notes that the temperature at the mill is too high, dust and noise levels are high, and there are deficiencies in the handling of chemicals and safety training of employees. The report also criticises the wage levels of employees in the lowest salary categories as being too low in relation to the concept of a ‘living wage’.

Moreover, the report notes that the mill does not apply any positive discrimination practices towards women or Dalits, a caste group that still suffers from prejudice in parts of India.

Stora Enso’s response

At Stora Enso we welcome the report, and we feel that it has helped and will help us improve our performance. We would like to thank Finnwatch and Swedwatch for involving us in the investigations from an early stage, as well as for the constructive and detailed discussions we enjoyed during the making of the report.

One of the issues we feel is missing from the report is the business context of Stora Enso Inpac Delta India. When Stora Enso acquired the majority of the shares of Inpac International in July 2011, the subsidiary we acquired in Chennai was an existing mill with its own people, practices and corporate culture. Based on the pre-investment due diligence process, we were well aware of the differences between Stora Enso’s sustainability standards and those then in place at the Chennai Mill. The new joint venture aimed from the start to bring about change.
Over the last two years much has changed. The company has changed its top management, implemented Stora Enso’s Code of Conduct and Business Practice Principles, improved overtime work practices, reduced the proportion of contracted employees from 37% to about 2%, raised minimum wages to above statutory minimum levels, promoted collective bargaining, improved working conditions and facilities such as restrooms and lightning, enhanced the quality of food served in the canteen, updated safety equipment, and promoted occupational health and safety. The most dramatic change has been in the annual number of lost-time accidents, which has plummeted in just two years from 35 to zero so far this year.

Chennai Mill and its whole staff have made good progress. Achieving and adjusting to such changes in workplace culture is not an easy process that can be realised rapidly. Our Indian colleagues have demonstrated strong motivation to improve their safety performance.

We nevertheless agree with Finnwatch on a number of findings, some of which have already been corrected during the investigations and report-making, and some of which the mill will still improve. One example of a problem now addressed is the previously high workplace temperatures: the mill has installed new roof ventilators to ensure that working temperatures meet the related standards. The mill is also looking into noise levels, and is determined to find ways to reduce noise. Noise levels will also be measured more frequently in future. The report’s findings will also be used as a basis for purposeful measures to increase safety training and awareness.

However, the report also makes claims that we do not agree with on the evidence of our own internal investigations and external third-party audits. One such claim is the allegation that the mill does not report all accidents. We are convinced that all accidents are duly reported according to Group OHS guidelines, and we have found no evidence to suggest otherwise. Another such claim alleges that chemicals may be improperly handled at the mill. In fact all chemical management at Chennai Mill is undertaken in line with the instructions given on Material Safety Data Sheets (MSDS). One point that we do accept in this context is that safety discipline in chemical management must still be improved.

Some of the issues brought up in the report are complex due to attitudes that are deeply embedded in local culture. The low percentage of women working at the mill is not due to any discrimination by the company against women, but because the packaging industry as a whole is not perceived as attractive for women in Southern India. The issue of discrimination against Dalits is also complex. Finnwatch recommend positive discrimination to favour Dalits – but the mill does not wish to ask questions about people’s caste in job interviews, or keep records of its employees’ caste status. Many Dalits are not willing to reveal or discuss their caste, and the mill does not want to ask them to do so. Recruitment procedures do not allow any discrimination based on job applicants’ status, ethnic background, religion or community origin.

The issue of a living wage is complex as well, as the report notes. It is not easy to define a living wage in India, and there are no agreed calculations for a living wage in the Chennai area. Our current lowest wages are 25% above the legal minimum wage for our industry in Tamil Nadu, and they are in line with the job market’s wages in the region. On top of monthly salaries we offer our employees bonuses, special allowances and interest free loans. As employees gain experience and more skills, their wages increase more rapidly than in Europe. The salary of a blue collar worker
will in average double in a 5 year period. We are, however, aware of the ongoing global discussion about the concept of a living wage, and we will investigate this issue in Chennai and engage in related dialogue with customers and other stakeholders.

We are also improving our sustainability work in several areas that were not mentioned in the Finnwatch/Swedwatch reports, including forklift truck lanes and truck safety.

**Certified responsibility**

To accelerate the positive developments at Chennai Mill, the company’s management has resolved to adopt further sustainability management systems. On top of its existing ISO 14001 environmental certificate and ISO 9001 quality certificate the mill is now working to obtain certification under the OHSAS 18001 Occupational Health and Safety standard by the end of 2013.

The mill has also recently been audited by a third party according to the SA 8000 and BSCI social sustainability standards in accordance with local laws and International Labour Organisation conventions. The audit included 54 employee interviews, a field visit and document review. Additionally, a comprehensive external legal review of the company’s compliance with all applicable labour laws was conducted this year. Moreover, two global brand customers have recently audited the mill and given it a green light as a sustainable packaging supplier.

We are convinced that such robust management systems and the continuous improvements that they entail will enable us to reach our sustainability targets at Chennai Mill.

We also believe that by being in Chennai and investing in our employees we are improving the social and environmental responsibility of the mill.

If you have any further questions about the sustainability of Stora Enso Inpac Delta India, or about Stora Enso’s Global Responsibility, please do not hesitate to contact us.

Kind regards,

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**Further information**

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