

Creating Value

**A healthy corporate culture –
the Stora Enso perspective**

Presentation by Paavo Jäppinen at
the EfH Management Conference,
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Stora Enso in Brief



Publication Paper



Fine Paper



Packaging Boards



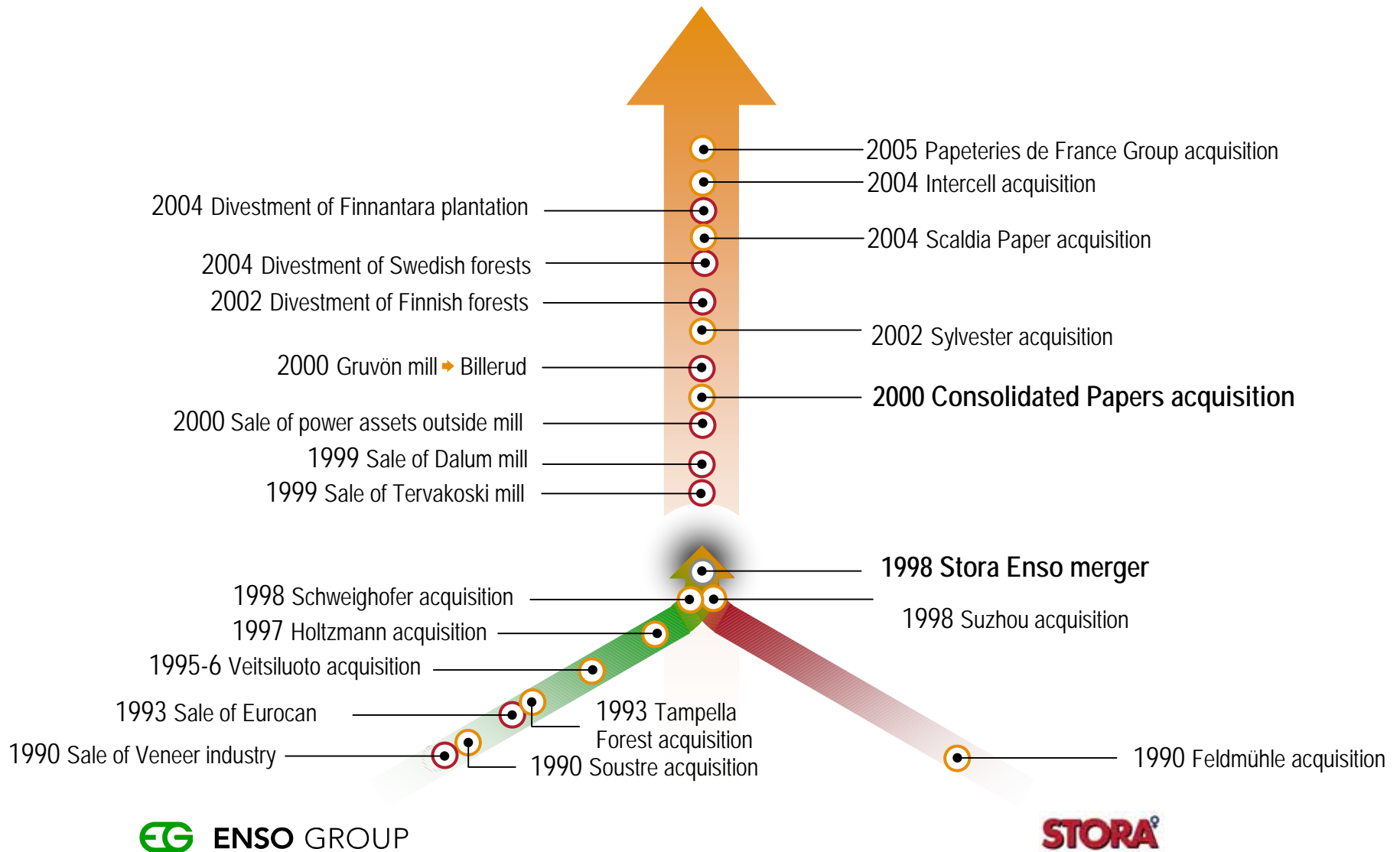
Forest Products

- A world leader
 - 16.4 million tonnes of paper and board
 - 7.7 million m³ of sawn and processed wood products
- Four main divisions
 - Publication paper, Fine Paper, Packaging Boards and Forest Products
- Sales: EUR 12.4 billion
- Approximately 45 000 employees in more than 40 countries
- Market capitalisation: EUR 8.6 billion
- Shares listed on Helsinki, Stockholm and New York stock exchanges

Production Plants

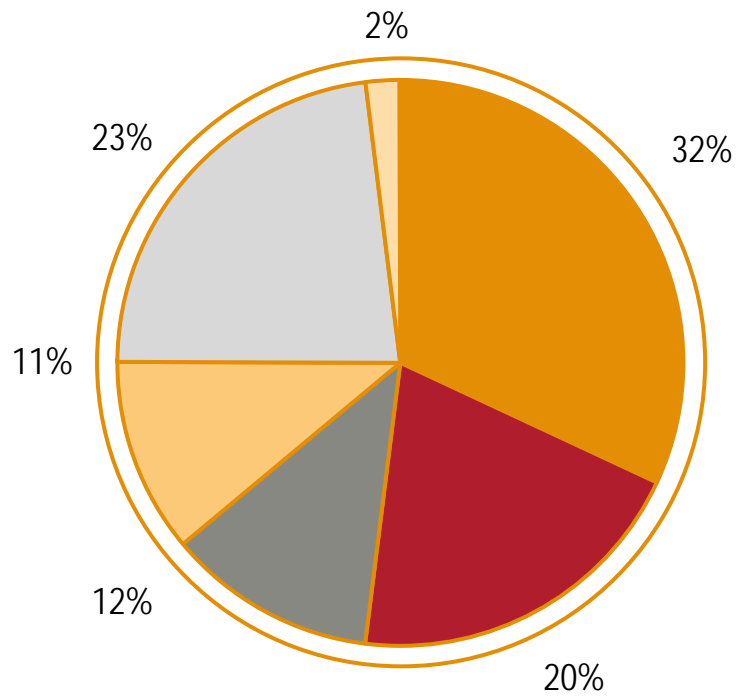


Major Structural Changes

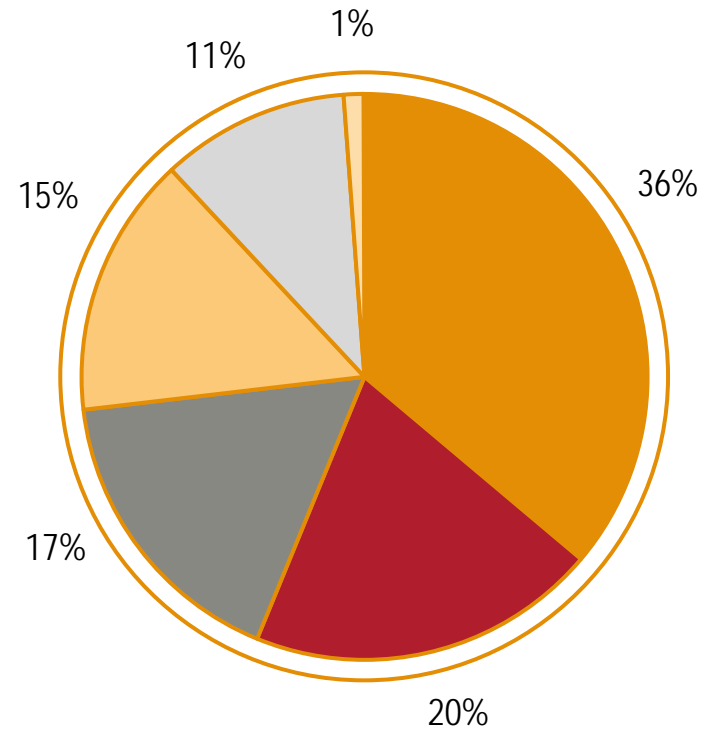


Breakdown by Location

Number of Employees



Paper and Board Capacity



- Finland
- Sweden
- North America

- Germany
- Other European countries
- Asia

Mission, Vision and Values

Mission We promote communication and well-being of people by turning renewable fibre into paper, packaging and processed wood products

Vision We will be the leading forest products company in the world

- We take the lead in developing the industry
- Customers choose us for the value we create for them
- We attract investors for the value we create
- Our employees are proud to work with us
- We are an attractive partner for our suppliers

Values

- Customer focus - "We are the customers' first choice"
- Performance - "We deliver results"
- Responsibility - "We comply with principles of sustainable development"
- Emphasis on people - "Motivated people create success"
- Focus on future - "We take the first step"

A healthy corporate culture

- How corporate culture can be defined?
 - Two examples of many available definitions
 - The set of shared attitudes, values, goals, and practices that characterizes a company or corporation
 - "How things are done around here"
- In most organizations there are many subcultures and this cultural diversity should be seen as a strength
- What is a healthy corporate culture?
 - A healthy corporate culture is based on values-driven leadership and it aims to comprehensive organizational health and employee well-being enabling thus best possible human performance
- Long-term business success is not possible without a healthy corporate culture
- Development of corporate culture is a long process
 - A healthy, performance-oriented corporate culture does not develop by chance – one has to work for it
- Development of corporate culture should be monitored

Towards superior performance

Company strategy: “Stora Enso wants to achieve operational excellence, superior performance and image in sustainability”

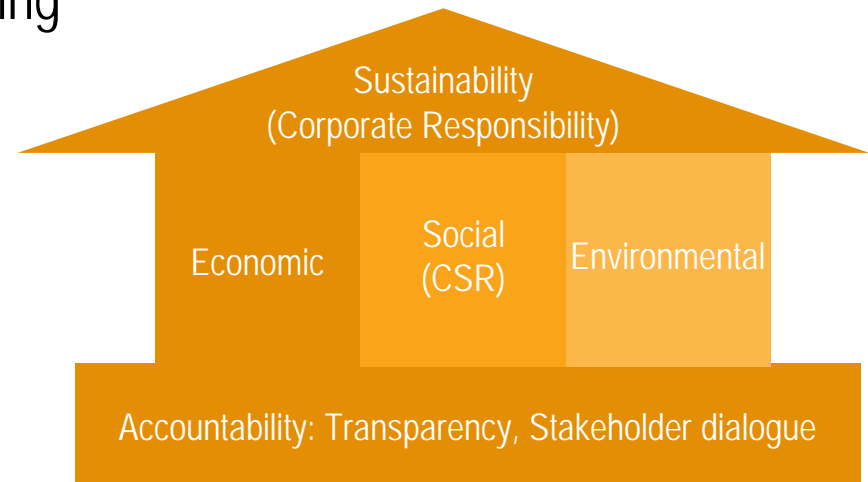
Mission: Our products promote well-being

Vision: We take the lead

Values: Responsibility

Policy: Code of Ethics
Environmental and
Social Responsibility

- ▶ CSR Principles
- ▶ Environmental Principles



Code of Ethics: Provides links to all relevant policies and principles

Sustainability Indexes

Dow Jones Sustainability Index

- Tracks the performance of leading sustainability-driven companies worldwide
- Stora Enso has been included since the launch in 1999 (six times now)



FTSE4Good index

- Index series for socially responsible investors
- Assesses achievements in:
 - upholding and supporting universal human rights
 - developing positive relationships with stakeholders
 - working towards environmental sustainability



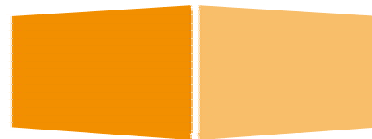
Key Success Factors – The drivers of our success

Through the three Key Success Factors we will achieve our HR Strategy.



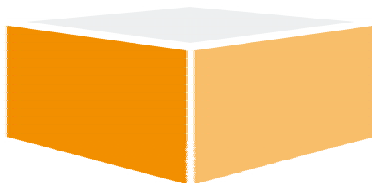
Performance Culture (motivation)

A highly motivated and focused organisation where everyone knows their role and understands how they contribute to the achievement of the business' goals.



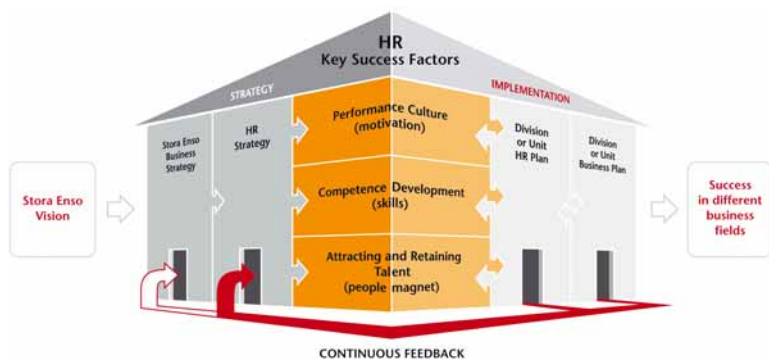
Competence Development (skills)













Increasing the competence levels of our people will enable the organisation to continually improve and learn, ultimately establishing a clear advantage over the competition.



Attracting and Retaining Talent (people magnet)

By creating an attractive work environment and allowing people to develop their potential, we will attract, select and retain the best people in the industry.



		Area	Target	Measure
Performance Culture (motivation) 	Common targets	<ul style="list-style-type: none"> Well-being 	<ul style="list-style-type: none"> Accident rates in upper national quartile Absenteeism lower than national average 	<ul style="list-style-type: none"> Quarterly follow-up at corporate level
		<ul style="list-style-type: none"> Performance index 	<ul style="list-style-type: none"> Each division/unit meets the set performance index target 	<ul style="list-style-type: none"> Index based on Stora Enso's annual employee satisfaction survey
				
Competence Development (skills) 	Common targets	<ul style="list-style-type: none"> Division and unit-specific resource plans 	<ul style="list-style-type: none"> Each division/unit has a unit-specific resource development plan 	<ul style="list-style-type: none"> Annual reporting by the division/unit, incl. self-assessment on a scale of 1-10
		<ul style="list-style-type: none"> Individual performance & development plan (P&D plan) 	<ul style="list-style-type: none"> All employees have a performance and development target set and reviewed annually 	<ul style="list-style-type: none"> Annual reporting by the division/unit, incl. self-assessment on a scale of 1-10
	<ul style="list-style-type: none"> Competence index 	<ul style="list-style-type: none"> Each division/unit meets the set competence index target 	<ul style="list-style-type: none"> Index based on Stora Enso's annual employee satisfaction survey 	
				
Attracting and Retaining Talent (people magnet) 	Common targets	<ul style="list-style-type: none"> Stora Enso's ranking as an employer 	<ul style="list-style-type: none"> Stora Enso is ranked number 1 within the industry Stora Enso is seen as an attractive employer amongst its own employees 	<ul style="list-style-type: none"> Division/unit-specific as well as national employer image survey(s) Index based on Stora Enso's annual employee satisfaction survey
		<ul style="list-style-type: none"> Sufficient long-term talent pool 	<ul style="list-style-type: none"> Each division/unit achieves targets on identifying employees in the local talent pool set by division and unit 	<ul style="list-style-type: none"> No. of employees in the talent pool Educational structure Retention rates
				

 Division/unit or country specific targets

Healthy individuals in a healthy organization

- Indicators of high level of employee well-being
 - High employee satisfaction
 - Optimal personnel turnover
 - Good productivity
 - Innovativeness
 - Low absenteeism
 - Low accident rates
 - Positive trend in health and fitness parameters
 - Good work-life balance
- Healthy organization
 - We should aim not only to healthy individuals and healthy workplaces, but to healthy organizations
 - A healthy organization is not possible without healthy employees
 - Promotion of organizational health starts from leadership, management practices and the organization itself
- Key question for business success: How we succeed in allowing our employees to perform at the peak of their ability

Occupational Health and Safety in Stora Enso

- **Vision**
 - Stora Enso is the top performer and quality leader also in occupational health and safety within the forest industry world-wide
- **Main strategic targets**
 - Stora Enso employees are healthy with good working ability
 - The workplaces of Stora Enso are free from accidents and work-related diseases (zero-target)

How the development of corporate culture is monitored in Stora Enso

- the Stora Enso Survey System

- A web-based system, enabling access through the Stora Enso Intranet
- The system covers
 - Corporate-run surveys
 - Value and Attitude and Internal Customer Satisfaction Surveys
 - Unit-run surveys
 - Employee Satisfaction Surveys
- It was developed because
 - It was necessary to monitor the development of the corporate culture, management practices and employee well-being in a consistent way
 - It meets the expectations of the Stora Enso Business Excellence Guidelines
 - A uniform employee satisfaction survey
 - Enables benchmarking both within Stora Enso and with outside data (selected national and employee group –based norms)

Surveys monitoring corporate culture and employee satisfaction in Stora Enso

- Value and Attitude Survey
 - Has proved to be a valuable tool when evaluating the development of a new corporate culture after the merger between Stora and Enso
 - Senior management (i.e. three top levels of the organization) as the target group
 - Already seven surveys conducted since 1998
- Employee Satisfaction Survey
 - A standardized questionnaire with 52 questions
 - 16 language versions
 - The units can add their own structured or open-ended questions
 - Subject areas: communication and pre-requisites for work, organization and efficiency, management and personnel relations, job satisfaction, image of employer, values, performance and quality, leadership practices
 - Four indexes based on selected sets of questions
 - Employee Satisfaction Index, Organizational Culture Index, Competence Index and Talent Index
 - Benchmarking against the corporate average and selected norms, also possible against other units

Utilization of the survey results

- "Taking the temperature" of the organization by running surveys is necessary, but it is not enough
 - The results of the surveys should be adequately communicated in the organization
 - Surveys themselves do not help much if concrete improvement actions, based on the results, are not carried out
 - Effectiveness of the improvement actions should be followed up
 - Response rates to surveys tend to go down if people notice that nothing really happens in the organization
- When assessing survey results, average figures and indexes are useful, but one should also look at the distribution of the responses and the trends
- One should not forget informal daily communication and structured appraisal discussions between the supervisor and his/her subordinate as ways of getting valuable information of employee well-being and management practices

Promotion of excellent leadership in Stora Enso

- Leadership Behaviour in Stora Enso
 - Defining of the current and future leadership characteristics, skills and behaviours needed in Stora Enso
- Three dimensions of excellent management
 - Leadership
 - Professional expertise
 - Ability to work with management tools
- Management excellence is about delivering results – both financial and organizational
- Management development programs
 - Stora Enso Manager Program (SEMP)
 - Stora Enso Executive
- Management Audit
- Stora Enso Business Excellence Guidelines

Key elements in promoting employee well-being

- Values-based culture
 - “Walk the talk”
- Leading by example
- Management by facts
 - Utilization of adequately gathered data (e.g. survey results)
- Sustainable operations
 - Employee well-being and OH & S issues should be seen as part of the corporate social responsibility approach
- A strong focus on health and safety
- Clear and challenging targets
 - Continuous drive towards world-class performance
- Adequate follow-up
 - Comprehensive reporting systems
 - Common measures and indicators
 - Benchmarking
- Being proactive rather than reactive
- Emphasis on people
 - Motivated people create success