# FROM PROMISE TO PERFORMANCE

## Stora Enso's Journey towards Mitigating Child Labour

GLOBAL CHILD FORUM

INITIATED BY H.M. KING CARL XVI GUSTAF AND H.M. QUEEN SILVIA OF SWEDEN

NO. 1 IN A SERIES OF COMPANY REFLECTIONS BY THE GLOBAL CHILD FORUM ON HOW COMPANIES ADDRESS CHILDREN'S RIGHTS AND CHILD RELATED ISSUES

*Proud of its reputation for social responsibility, Stora Enso took steps it believed would allow it to develop an ethical and sustainable business with its joint venture partner in Pakistan, addressing child labour and other challenging issues endemic to that developing market. The company still found itself caught up in a crisis over child labour in its supply chain that had wide-ranging impacts. Stora Enso's leaders reflect that, even as they were in a general way "doing all the right things," the company had not developed the nuanced understanding nor management systems appropriate to the complex environment in which the company was operating. Across its global operations, the company is now implementing approaches that more systematically set expectations, surface issues, ensure timely action inside the company and in partnership with others, and maintain transparency with stakeholders. One key lesson is that respect for children's rights requires sustained and rigorous management practice. Stora Enso's experience also validates the Global Child Forum corporate benchmark indicators as meaningful touchstones for company action, but provides the crucial insight that they must be applied purposefully and in context to achieve the desired results for children.*

### The prospect of sustainable growth in Pakistan

Stora Enso, with some 27,000 employees in more than 35 countries and sales of € 10.2 billion in 2014, is a leading provider of packaging, biomaterials, wood and paper to global markets. Its focus is on fibre-based packaging, plantation-based pulp, innovations in biomaterials, and sustainable building solutions.

Facing a changing landscape in its traditional markets in Europe, it has for some years worked towards "building new business and capacity" in growing markets, including those in South America and Asia.

Stora Enso management therefore responded with interest when Pakistan's Packages Limited approached the company to discuss a possible joint venture. Pakistan scores low on most global indices of human development, rule of law, and control of corruption. But it is also the fourth largest dairy market in the world. It represented the prospect of significant and growing demand for high-quality packaging materials for dairy, water, fruit juice, cosmetics and pharmaceuticals. Stora Enso was also comfortable with Packages Limited. The company has Nordic roots, itself having been formed in 1956 as a joint venture with Åkerlund & Rausing of Sweden. It was understood that as a condition of various financing arrangements it was contractually bound to operate according to the International Finance Corporation's performance standards on social and environmental sustainability. The Ali Group, which cofounded Packages Limited, is a leading Pakistani business, a "philanthropic icon" in the country, a business partner to many global brands, and recognized for its environmental and food safety initiatives. Its founder, Syed Babar Ali, was International President of the World Wide Fund for Nature (earlier World Wildlife Fund) from 1996 to 1999. In a complex market like Pakistan, Packages Limited led by the Ali Group was an attractive prospective joint venture partner.

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Negotiations resulted in an agreement in 2012 to form Bulleh Shah Packaging (Pvt.) Ltd., in which Stora Enso would hold a 35% interest. The Bulleh Shah joint venture would be managed as part of Stora Enso's new Renewable Packaging Division, created in 2012 and employing some 13,000 people around the globe, including in other challenging contexts such as Brazil and China. US $130 million would be invested in mill upgrades and a biomass energy plant to form Pakistan's largest fibre-based packaging producer and the country's only liquid packaging board producer. Acquiring Packages Limited assets to become operational in 2013, Bulleh Shah had by 2014 more than 1000 employees, with offices and production facilities in Lahore, Karachi, and Kasur in Punjab Province. Its contractors were estimated to employ another 2000 people, and the company worked with 143 direct suppliers. The current plant has the capacity to produce 240,000 tonnes of paper and board as well as 170 million

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corrugated boxes annually.

Yet this was more than a potentially profitable business venture. Stora Enso had been listed in the European Dow Jones STOXX Sustainability Index since 2000, receiving the highest score among the forestry and paper companies listed in 2010, and also included in the Dow Jones World Sustainability Index for the first time that year. For employees proud to be working for a company recognized by Dow Jones and many other leading benchmarks of environmental, social, and governance performance, this was also an opportunity to improve food safety in Pakistan through high-quality packaging products. The biomass energy plant would promote renewable energy and add $10-20 million a year to the local economy from the sourcing of straw and the operations needed to collect it. Stora Enso would bring its expertise in environmental management, occupational health and safety, and other sustainability practices to the joint venture, building local capacity to meet global standards. The result would be a partnership between a global company "known worldwide for its consideration towards people and nature," and a local one "acknowledged in Pakistan for its community values."

## Dealing with known challenges in a complex environment

Stora Enso leaders knew from that start that they would face in Pakistan the challenge of child labour, a societal problem of great magnitude in that country. The International Labour Organisation (ILO) in its 2015 World Day Against Child Labour Report for Pakistan estimated that

> 5.7 million 10-17-year-olds, representing almost 20% of all children in the age group, are labourers, with more than two-thirds of those engaged within the agricultural sector in Pakistan. A similar proportion are in unpaid family work. Of the 15-17 year age group, 13.5% are engaged in hazardous work.

Child labour is an urban as well as a rural phenomenon: the Pakistani National Committee on Child Labour points out that close to 1.2 million children live on the street in the major cities of Pakistan, most all of whom will be working. Bulleh Shah Packaging planned to use wheat straw (a by-product of wheat farming) and recycled fibre (mainly old corrugated containers, old newspapers and used carton board) as raw materials for production. In addition to being used as fibre in the production process, wheat straw will also be utilised as fuel for energy generation in a biomass boiler alongside corn stalks, rice straw and cotton stalks. Most directly relevant to Stora Enso and its joint

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venture in Pakistan, the incidence of labour by children is significant at the stage of collection of both straw and waste paper, sold through one or more intermediaries to a company that might be a supplier to Bulleh Shah.

Yet Group senior management were confident that they had the insight and experience to act appropriately. Understanding of global responsibility had originally emerged within Stora Enso around environmental issues: the quality of water downstream from its paper mills, emissions into the air, the sustainable management of forests, and the reduction of energy use. As an industrial concern, it over the decades progressively improved its performance on worker health and safety as well. As the company established operations in emerging markets, however, its conception of sustainability needed to expand. Eastern European operations raised the spectre of corruption. In Latin America, Stora Enso first confronted the challenges of contested land rights around its plantations, "opening up a more critical dialogue within the company." When its China operations faced issues of negative impacts on neighbouring communities, as well as labour issues within a legal environment not wholly compliant with ILO global standards, the company received "the wake up call it needed" to realise that it had perhaps been "a follower rather than a leader" on good practices related to social issues. Company processes were significantly reworked over the period 2009 to 2011, implementing new rules and procedures with "a mind set of 100% performance." While Stora Enso was new to Pakistan, there was understanding among Board members and Group senior management that it would need to manage its developing market operations differently from their European counterparts.

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The process of due diligence on the issue of child labour began before the deal between Stora Enso and Packages Limited was signed, with the idea to correct any major problems found before closing. An independent study laid out some harsh truths: "Collection of waste (all types) from streets, garbage dumps, land fill sites and marketing centers is predominantly carried out by children who appear to be of age 5-15 years." Under the ILO definition, waste paper collection by scavenging is considered a hazardous activity for children, who are "exposed to extreme heat" and "have to deal with toxic chemicals, hospital waste, broken glass and sharp items capable of causing cuts." "In the long run," the report pointed out, "these individuals may become incapacitated to work due to the health hazards and the typical

Due diligence begun before the deal was signed laid out some harsh truths about child labour.

environmental conditions they face from early ages." The assessment, though, found only one occurrence of child labour at a direct waste paper vendor to Packages Limited, which was immediately rectified. While child labour was prevalent in general, the study found:

> minimal risk of child labour in the Packages' waste paper supply chain. This is primarily due to the strict quality requirements of Packages Ltd. which are not met by the waste paper collected by scavengers. There is thus no steady stream of waste paper collected by scavengers being delivered to Packages Ltd.

Still, due to the large number of small vendors in the lowest levels of the supply chain, some of whom would have sourced paper from children, as well as the prevalence of children working in agriculture, the report found it "an undeniable fact that the supplies reaching Packages carry some share of child labour." This was understood to mean that somewhere in the tonnes of paper and millions of cartons produced by Bulleh Shah, some fibre from paper scavenged by children, as well as wheat straw collected by them, could be found.

The joint venture partners agreed to establish a responsibility organisation for the new company together with a sustainability action plan, which was approved by Stora Enso management and its Board of Directors. Work began even before the Bulleh Shah joint venture formally came into existence and Stora Enso became a part owner of its Pakistani operations. As set out in the report of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group providing political risk insurance for Stora Enso's investment, Bulleh Shah planned to "minimize and avoid child labor in its supply chain" through "contractual obligations with suppliers to not support child labor (with encouragement that suppliers also include this requirement within their own supply contracts);" the monitoring of the compliance status of suppliers; and the development of a supplier screening model. This would add up to "a structured short-term and long-term programme to train, audit and certify" the joint venture's suppliers. The process of rolling out Stora Enso's supplier code of conduct began. A well-known local expert on child labour – who had assisted other global companies to address child labour in their supply chains – was engaged to lead the initiatives. She emphasized the systemic challenges of addressing child labour in a society where it was broadly tolerated and parents often did not believe that keeping children in school would lead to a better life, as well as the need to approach the different urban and rural issues each on their own merits. With the intent of "finding long term solutions,"

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further investigations "focused on identifying the extent of the issue and its causes, local health and education infrastructure, barriers to education and mind set change, power structures in the community, and enabling factors to support our initiatives, such as organisations, companies with the same supply chains, government and politicians with similar interests." From these inquiries, further plans of action would be developed. Stora Enso with its joint venture partners seemed well on its way towards ethical and effective management of child labour challenges in Pakistan.

## A child labour crisis that shook the company

Yet the company was about to be sorely challenged. Under the headline "Disclosure: Stora Enso and child workers," the Swedish magazine Veckans Affärer (Business Week) on 5 March 2014 called children as young as 4 years old collecting paper on landfills in Pakistan "important cogs in the big company's paper production." The reporters claimed to have receipts from Bulleh Shah, showing the children had sold their waste paper through a subcontractor to the joint venture. The children, from a slum area in the city of Sahiwal in the south eastern province of Punjab in Pakistan, were reported to work up to ten hours a day for as little as 0.60 SEK / .07 Euro an hour collecting waste paper from a large rubbish dump in the outskirts of the city. The programme Kalla Fakta (Cold Facts) repeated the allegations on national television on 9 March 2014, including video footage of the children. News coverage for the next few weeks was relentlessly negative. While some reports were more nuanced, addressing "child labour in Stora Enso's raw material supply chain in Pakistan," many readers simply saw headlines like, "Stora Enso is accused of exploiting child labour." There was particular focus on Stora Enso's failure to disclose what it had known about children working in the Bulleh Shah supply chain when it announced its joint venture and during its implementation. One headline of an article criticizing the company's lack of transparency stated, "Stora Enso does not take the issue seriously."

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While aspects of the reporting turned out to be inaccurate, Stora Enso's then-CEO, Jouko Karvinen, acknowledged its basic veracity. Some 640 children were eventually found to be collecting used carton board, selling it more or less directly into the Bulleh Shah supply chain. While most all of the used carton Bulleh Shah purchased from its suppliers came from retail and wholesale outlets before they ended up as trash, there was not yet any organized system for carton board recycling, and thus the children collected it on dumpsites. Representing a very small proportion of the total fibre input to the paper mill, this link of the supply chain had not been specifically investigated as part of the due diligence process. Furthermore, the company had not fully explained the context of wheat straw or recycled paper collection in Pakistan. A reference to child labour had been taken out of the announcement of the joint venture written for Stora Enso's 2012 annual report (published in 2013), and the 2013 report (published in 2014) had talked only about the risk of child labour. Meanwhile, its internal due diligence report (even ignorant of the Packages Limited link to used carton board scavenging) underlined the "undeniable fact" of children working in the supply chain. Said Karvinen in a press release: "We sincerely apologise that we have failed to communicate clearly and specifically enough what we knew and what we decided to do about the issues when we entered Pakistan."

Stora Enso moved quickly to shut down the branch of the supply chain in which the children were scavenging for used carton board. It also promised services for the children, including schooling and health care, as well as payment to their parents to replace the children's wages. The company shared the due diligence report publically, and attempted to highlight the mitigation plan it had put into action nearly two years before the news broke in the Swedish media. But the damage was done. Internally, there was a sense that the company had "broken trust" with its own employees. Colleagues who were once proud of Stora Enso were now "demotivated" or even "ashamed to be part of the company." Any number of senior managers accepted reassignments or left the company, including the CEO, while the crisis was "traumatic" for those who stayed. Externally, some customers lost confidence in the company entirely, and others put processes of qualification of Stora Enso as an ethical supplier on hold. The ethical investor community was particularly critical. AP7, a Swedish government-owned pension fund "based on the fundamental principle that we do not invest in companies that commit serious violations of international conventions signed by Sweden," sold off its stake in Stora Enso. Sasja Beslik, head of responsible investment at Nordea, noted in connection with the bank's selloff of part of its holdings that, "What shines through in our analysis again and again is the lack of structured, underlying, concrete work processes for risk management in several markets. In our analysis, we can see the clear challenges that the company has between what they communicate and what they do." Shareholder value and stakeholder trust had both been tarnished.

> Internally there was a sense that the company had broken trust with its own employees. Externally some lost confidence in the company entirely.

What had become apparent through the crisis was a sizeable gap between the company's intended and actual performance with regard to child labour in Pakistan. The reflections of Stora Enso leaders for this case story echo the sentiments of the outside analysts. Summarized one, "We failed. Processes were missing. Competencies were missing, in both support and line functions. Communication was missing, both internally and externally." "There was "nothing negative in our intentions," said another, "but too much loose talk." The company "made overstatements and promises on which we couldn't deliver." While these are relatively harsh self-assessments, Stora Enso managers underline that it has only been through this kind of honest look in the mirror that the company has been able to develop new and better approaches. Organized below are therefore managers' thoughts on how the company – despite its good intentions and many activities with regard to child labour mitigation – still had significant blind spots concerning the issues it was facing and the actions necessary to address them. They then describe and reflect on the changes Stora Enso has made to more systematically set performance expectations, surface issues, ensure timely action inside the company and in partnership with others, and maintain transparency with stakeholders, providing them much greater confidence in the company's ability to address child labour and other challenges in the future.

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## Reflecting on blind spots

Stora Enso managers reflect that it was easier to ignore gaps in understanding or fail to prioritize issues beyond the four corners of the company's own direct operations. The due diligence process for the acquisition of the 35% stake in Bulleh Shah needed to address finances, legal compliance, social responsibility and many other issues. The start up of the new venture similarly had many moving pieces, from the practicalities of IT systems and finance through recruitment and assignment of management roles and responsibilities to the implementation of new policies and systems. A number of labour and human rights concerns had been identified within existing Bulleh Shah operations – including occupational health and safety, overtime, and conditions for contractors working on site – and these received priority attention. Supply chain issues, in contrast, were seen to be "out there somewhere," particularly as they were perceived to be three steps removed from core operations or part of a broader social dynamic of children working on family farms. The company had a fair degree of management understanding, staff training, and systems implementation around its direct actions related to global responsibility, for example, with regard to

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prevention of corrupt payments, environmental integrity, fair labour practices, or acquisition of land. But it had not brought a similar degree of rigour to children's rights or other children's issues, in part because these were largely invisible within the company's day-to-day operations.

Managers believe a variety of dynamics contributed to the filtering out of information and insight within the company that could have led Stora Enso and its joint venture partner to take a more proactive stance towards child labour. Part of this was a lack of common understanding around the language of risk. A 2013 Stora Enso publication, "Rethink," noted with regard to Pakistan that, "There are instances where there's a clear risk that children may be working on farms." For people in Stockholm or Helsinki, this might mean that child labour could conceivably happen and must be guarded against. For people on the ground, it meant that children were inevitably working on farms and that there was little that could be done in the short term to stop it. But between front line staff and the Board of Directors of Stora Enso were many levels of communication, "each painting a better picture for the one above." Some described at that time a "culture of 'selling' within the organization," with an emphasis of putting things in their best light. This was exacerbated by the global responsibility function at that point in time reporting into the global communications function, which in general focused on communicating a positive external story. Additionally, local staff may have been inured to child labour, believing it to be undesirable but inevitable in a society like Pakistan. All of these factors led to "a lack of full understanding of what child labour is all about" among the company's senior leadership. Noted one manager, "It's very different to be in Pakistan on the dump site."

> A variety of dynamics contributed to the filtering out of information and insight within the company, inhibiting a more proactive stance towards child labour.

In the end, Stora Enso's decision-making was not being driven by the best expertise or analysis on the issues of child labour and its mitigation. "It was not so good," noted one member of the start up team, "to have Europeans coming in uneducated about the situation out there. We were experts on board making and finance, not human rights." No one in general management had received training on the challenges of managing in complex environments more generally or child labour issues specifically. Too much faith may have been put in having "the right human rights lawyer" or "the right child labour mitigation expert," resul-ting in "too narrow competence" within the organization. "In Sweden," noted one manager, "problems

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become visible to management, either because you know a lot about them – for example, air quality standards – or because there are mechanisms to surface and deal with them – for example, if a labour rights issue arises." It was perhaps too easy to assume the same for Pakistan. Given all the good intentions and activities around child labour, said one leader, "we were tempted to believe that we understand it, we have it under control." Yet in hindsight, there were no systematic approaches to continuous intelligence gathering or analysis underlying that management confidence. This meant that, "We thought we were addressing child labour, while there were many things we didn't see at all."

There were also few clear lines of management accountability for child labour issues. This had an organizational dimension. The due diligence process was run out of the global organization, with its reports ultimately approved by Group senior management. Mitigation plans would then be implemented by the specialized team set up by the joint venture. Supplier audits, for example, were to be managed by the responsibility team rather than by the purchasing organization. This created what in hindsight was an unhelpful divide between the core management of the company – defined by profit and loss reporting lines – and issues of child welfare that were fenced within one organizational unit. Line management knew in general terms that there had been assessments, that mitigation plans had been drawn up by experts, that they had been approved by a leading human rights lawyer inside the company and the Multilateral Investment Guarantee Agency of the World Bank Group outside the company, and that they were being implemented by still other experts. It was therefore widely assumed that "we must be doing well" and be "following best practice." Line management had no explicit responsibility, however, to ensure that this was in fact true. It was not generally understood, for example, that the due diligence process had been limited to 25 named suppliers, not covering the Bulleh Shah supply chain as a whole. For its part, the responsibility organization tasked with identifying and addressing root causes of child labour in the supply chain may not have felt as directly responsible for identifying and addressing acute business risks as it needed to be.

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Lack of management accountability may have also had a cultural dimension. Managers reflected that the former CEO was seen as always "passionate," sometimes "visionary," and often "inspiring" on issues of sustainability and global responsibility. But people reported that they often did not feel the connection between issues discussed in the annual report and

> Aspirations of the company were not translated into performance expectations for the company and the individuals who work there.

their own day-to-day work. They saw that Stora Enso "signed up to all sorts of stuff," including the UN Global Compact and other sustainability initiatives. But it was perhaps "not explained to line management what it concretely meant for them." Performance reviews "focused on financials," leaving concerns of many key stakeholders out of the conversation. In retrospect, there was no process for socializing corporate policy into the management culture or company systems. Managers might feel that global responsibility was important, and be happy to work for a company that took it seriously. But they might also think, "That's not me, not what I do." In the supply chain in particular, there was a "lack of policy and processes, lack of expertise, and lack of accountability as part of day-to-day operations" that would have translated the aspirations of the company into dependable performance expectations for the company and the individuals who worked there – an understanding that, "This is my job, too."

## Closing the gap between promise and performance

Its experience in Pakistan made clear to Stora Enso leadership that it would need to rethink how the company approached child labour and other global responsibility issues throughout its headquarters and local operations. This began by "pulling global responsibility issues back into the core organization." Global Responsibility became a function of its own within Stora Enso, with the Head of Global Responsibility becoming a member of the Group Leadership Team. Global responsibility managers also took their seats at division leadership tables, ending the "artificial distinction between business operations and sustainability." Cross-functional approaches have helped the company become more explicit about its expectations of itself and others. For example, in 2014 Bulleh Shah Packaging signed the United Nations Global Compact and committed to its ten principles on human rights, labour, the environment and anti-corruption. The new Stora Enso Supplier Code of Conduct, which came into effect in July 2014, further emphasises respect for human and labour rights, and imposes strict contractual requirements on its suppliers. The code is accompanied by more extensive guidelines for both suppliers and Stora Enso's own purchasers, who are now directly accountable for responsible sourcing. Concurrently, the company is extending the breadth and depth of management understanding on sustainability issues. As part of a strategic partnership with Save the Children, 26 members of Stora Enso's top management participated in an awareness-building session on children's rights. Karl-Henrik Sundström, Stora Enso's CEO, who took part in the training, said: "It was time well spent, helping us to organise our thinking and focus on keeping children at the centre of our analysis." The Board of Directors' Global Responsibility and Ethics

> Closing the gap began by pulling global responsibility issues back into the core organisation.

Committee visited Stora Enso's operations in Guangxi, China to gain first-hand and in-depth understanding the social and environmental impacts of the project. Local capacities are also being developed. The goal of all these efforts is to make mitigation of child labour as well as action on other global responsibilities "not something we do, but rather who we are."

To realise this vision, it was clear that the company would need to operate on the basis of much more granular and reliable data and information. A number of initiatives started before the crisis benefited from new focus and urgency. Stora Enso performed a series of in-depth human rights assessments in 2014, covering all of its production, wood supply and forestry operations, including their supply chains and community impacts. Stora Enso and the Danish Institute for Human Rights (DIHR) collaborated to develop the customised human rights tool used in the assessments. Where in particular operations it was thought prudent, external audits were carried out by independent human rights organizations with assessment expertise. For example, a separate assessment was carried out at Bulleh Shah. It recommended human rights awareness training for employees, the training of security service providers, further improvements in occupational health and safety and working conditions among the contracted workforce, as well as the strengthening of the company's grievance mechanism. Yet no matter how detailed, a static snapshot in time would not be enough to build and maintain management understanding of the complex environments in which Stora Enso increasingly operated. In 2014 a new Enterprise Risk Management and Sustainability Controlling function was established under the CFO, providing risk management, performance measurement, controlling, data management, and reporting related to environmental, social and governance issues (ESG). The company had come to believe that, "You can't do your homework well enough."

> The company accelerated a number of initiatives to allow it to operate on the basis of much more granular and reliable data and information.

While internal and external expertise and insight can be brought to bear as necessary, Stora Enso now places responsibility for assessment, planning, and follow through related to child labour and other human rights issues squarely on the agendas of business unit managers. For the human rights assessments, the Danish Institute for Human Rights reports that; Unit-level management teams, factory workers

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and other key personnel were typically actively engaged. Local stakeholders were also mapped, and certain external stakeholders such as trade union representatives, government authorities, community representatives, local NGOs and other business partners were consulted in the assessment process.

Managers report that this leads the company towards "data driven discussions, reporting things as they are." Line managers rather than the sustainability function now hold primary accountability at all levels of the company for developing action plans in light of these assessments. Plans from the current wave of human rights assessments involve approximately 300 individual preventive or remediation actions at units across the Group, and are implemented, tracked and discussed as part of normal management processes. Stora Enso's CEO underlines that "it is a line responsibility to work according to our values."

For the first time, managers feel that "global responsibility commitments are translated into line management expectations," and that there is "a systematic process of tracking progress." Rather than putting the best face on a difficult situation, managers can make clear where the company is falling short on its aspirations – and put forward a plan for achieving them. The goal is "daily attentiveness to specific and realistic commitments, rather than statements of values," as well as an enhanced ability "to manage a broad portfolio of issues." At the same time, global responsibility becomes more integral to all business decision making. For example, under new guidelines for mergers and acquisitions, due diligence must include not only identification of risks and challenges, but also assessment of the time, financial cost, and other resources that will be needed to address them. For purchasing agents now accountable for responsible sourcing, "they know they are advancing global responsibility every time they choose to work with someone, every time they talk with someone." This emphasizes that the company's "maximum influence over complex dynamics" is not through stand-alone initiatives, but "in its daily operations."

> The goal is daily attentiveness to specific commitments, rather than statements of values.

Transparency in this new management context is not a decision about what to report or not to report to stakeholders. It is rather recognition of the value of looking together, analysing together, and even deciding together. Under the strategic partnership with Save the Children, the NGO has reviewed Stora Enso's Global Responsibility policies and business guidelines, making recommendations to ensure they enhance the rights of children and young workers, "guiding clear internal discussions" about "how each person can contribute." In April 2015, Stora Enso and

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the International Labour Organization (ILO) entered into a partnership to promote decent work and combat child labour. The local component focuses on Stora Enso's operations in Pakistan. It aims to clarify Stora Enso's and Bulleh Shah Packaging's roles and responsibilities in the local value chain; provide training for the organisation on human and labour rights; organise pilot interventions in local communities with input from civil society; and provide a medium-term technical support programme. The global component starts with the ILO providing Stora Enso technical support to strengthen its policies and due diligence processes on child labour and other labour rights. Having these and other human rights partners "challenge us on a continuous basis" can sometimes feel "brutal," reflected one manager. "But we spend less time looking in the rear view mirror, building solutions for last year's crisis." Even supply chain audits are now conducted together with suppliers, providing valuable information to both them and the company on problem areas and how to improve practices. Active engagement with all its stakeholders helps the company stay "smarter and more knowledgeable," maintaining "a more proactive stance" towards new issues and concerns as they arise.

The changes that Stora Enso has made over the past year and a half are substantial. They have led many employees to again believe that the company "can operate in Pakistan with a programme we are proud of." Management has needed to let go of its mind set and rhetoric of "zero tolerance" of child labour, treating it as simply a supplier compliance issue that could be resolved in three months before deal closing. "We needed to find the maturity to say, 'yes, you will find child labour in our supply chain,'" noted a company compliance officer, "and add, 'here's how we're working with others to change that.'" But management has also had to move past the assumption that, "because we're doing something, we're doing the right thing." One manager reflected that, leading up to the crisis, "No one was trying to cut corners or get away with anything. But we were not doing first things first." Company leaders believe that new management systems are helping them move towards doing "both / and:" dealing with the urgent quickly, at the same time implementing a sustainable approach to child labour mitigation and other global responsibility issues. They are finding, in the end, that sustainability challenges "...are nothing special. They're like other matters that need managing." And from the investor desk in headquarters to the local sales office in Lahore proud to be Pakistan's only sustainable supplier, "The more we manage them, the more advantages we have."

New management systems are helping deal with the urgent quickly, at the same time implementing a sustainable approach to child labour mitigation and other global responsibility issues.

Other company leaders are quick to add, however, that change cannot simply represent "a new and better checklist;" past experience demonstrates that "it's not enough to have reports and rules." A focus on "just processes and KPIs would be scary," taking the company back to when "challenges were only addressed when the company was confronted." Rather, the point of the changes "needs to be to open up discussions," inside the company and with external stakeholders. This will help Stora Enso more regularly "look at the big picture," and "engage and rethink reality." One manager described this as balancing responsibility and humility. "Stakeholders have high expectations of us, because we're there and because we have the means to help." But the starting point must be asking with others, "What's happening around us? Are we missing anything?" "Otherwise," reflected one manager, "we face unknown unknowns. Now we ask a lot more questions, because we realise we don't know everything we need to know."

> The point of the changes is to open up discussions, inside the company and with external stakeholders.

There is admittedly a long journey ahead, on child labour and other issues of global responsibility in the complex environments in which the company increasingly finds itself. At the same time, stakeholder expectations are rising, and a company will be held "100% respon-sible" for its ventures whether it owns "100% or only 1%." But Stora Enso's CEO Karl-Henrik Sundström believes that a culture of "trust, transparency and frank discussions with people inside and outside the company" will move the business forward. As captured by one manager, "I now truly believe that Stora Enso can make a huge contribution, helping standards to go up by setting an example" – an example perhaps not only of global responsibility promises, but of how to achieve sustainable performance.

> A culture of trust, transparency and frank discussions with people inside and outside the company will move the business forward.

## Reflections on the Global Child Forum corporate benchmark indicators

The Stora Enso story provides valuable insight, both on causes of company blind spots and on promising approaches to managing children's rights and child related issues. It also presents the Global Child Forum indicators in action. In order to move from promises to more sustainable and reliable performance, the company described enhancements to management systems and capabilities that corresponded to nearly all of the indicators. To only summarize at the headline level, Stora Enso engaged in more meaningful collaboration with stakeholders who focus on children's rights through new strategic alliances with the ILO and Save the Children (Indicator 7). After review by these organisations, the company revised its global policies related to child labour, in particular incorporating leading international standards and guidelines (Indicators 1 & 6). Through the human rights instrument it developed in partner-ship with the Danish Institute for Human Rights (DIHR) for internal processes, as well as the independent audits it commissioned in cooperation with Fair Working Conditions, Business for Social Responsibility, DIHR, and others, the company improved its risk and materiality assessments as well as performance reporting (Indicators 5 & 3). Its Board of Directors' Global Responsibility and Ethics Committee took on a more active role, underlining Board accountability (Indicator 4). And although initiated in response to child labour, the company is driving strategic social investment programs in health and education (Indicator 8), and through its community development focus in rural areas touches on issues other than child labour impacting children such as water and the environment (Indicator 2). While these factors are not fully descriptive of the company's journey, Stora Enso's experience helps to validate the Global Child Forum indicators as meaningful touchstones for company action.

9 BENCHMARK INDICATORS

1. Child labour policy
2. Addressing other children's rights issues than child labour
3. Performance reporting
4. Board accountability
5. Materiality assessment
6. Refer to international standards
7. Collaborations with child organizations
8. Driving strategic programs
9. Charity related to children's rights

Yet the company's experience also demonstrates that a "checklist" approach to the indicators is insufficient to advance children's rights in support of the UN Convention on the Rights of the Child. Stora Enso's Scorecard for the *Global Child Forum's Children's Rights Benchmark for the Corporate Sector, 2014*, covering the year 2013 in which its child labour crisis unfolded in Pakistan, indicated positive scores for 6 of the indicators: (1) Child labour policy; (3) Performance reporting on child related issues; (4)

Board accountability; (5) Materiality assessment; (6) Reference to international standards; and (7) Collaborations with child organisations. Its score of 6 out of 9 indicators was better than the sector, industry, and global averages. The Stora Enso story therefore provides the crucial insight that companies must apply the indicators purposefully and in context to achieve the desired results for children.

THIS CASE STORY WAS WRITTEN BY BRIAN GANSON FOR THE GLOBAL CHILD FORUM. IT DRAWS FROM INFORMATION PROVIDED BY STORA ENSO AND PUBLIC SOURCES. ALL QUOTATIONS UNLESS OTHERWISE INDICATED ARE FROM STORA ENSO MANAGEMENT INTERVIEWS AND COMPANY DOCUMENTS.

PLEASE CITE AS: GANSON, B (2015). FROM PROMISE TO PERFORMANCE: STORA ENSO'S JOURNEY TOWARDS MITIGATING CHILD LABOUR. GCF CASE STORY SERIES NO. 1 (GCF, ED.). STOCKHOLM: GLOBAL CHILD FORUM