

Stora Enso's Usage of Child Labour in Pakistan

A Case Study

OT00BE44 Corporate Crime, Law and Power

Seminar Paper

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14.5.2025

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ON-työ

Oppiaine: Oikeustiede

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Otsikko: Stora Enso's Usage of Child Labour in Pakistan: A Case Study

Ohjaaja(t): Hanna Malik

Sivumäärä: 42 sivua

Päivämäärä: 14.5.2025

In 2014, Stora Enso, a Finnish-Swedish paper and packaging company was revealed to have been using child labour as part of its operations in Pakistan. This paper analyses what happened through the lens of corporate criminology, a strain of criminology concerned with the crimes of powerful organisations. The paper creates a better understanding of both the particular and the generic causes that lead to the events of the case. The method of analysis is the case study. The theoretical framework of the paper consists of three concepts, those being state-corporate crime, regimes of permission and organisational legitimacy.

The study found that the case is part of a larger pattern of delictual corporate behaviour and liability avoidance. Even though Stora Enso's conduct was objectively deliberate as well as reprehensible, it wasn't portrayed as criminal, and no legal action was taken. This is indicative of large regulatory gaps. The public reception to the case is also noteworthy, as it on one hand forced Stora Enso to make a change in its conduct, but on the other hand framed the issue as a rogue "moment of rupture", rather than the symptom of a larger systemic issue. As remedial measures, the paper suggests adapting a stricter form of shareholder liability, which would encourage corporations to prioritise more sustainable and ethical practises. Legally enforced CSR programs, as well as better international regulations would also go a long way to address the issues. Lastly, NGOs and the media need to understand their role in constructing narratives on organisational legitimacy and pay more attention to how they frame cases such as this.

Keywords: Corporate crime, Corporate social responsibility, Human rights, Organisational theory

Vuonna 2014 paljastui, että suomalais-ruotsalainen paperi- ja pakkausvalmistaja Stor-Enso oli käyttänyt lapsityövoimaa osana liiketoimintaansa Pakistanissa. Tämä artikkeli analysoi tapahtunutta yhteisökriminologian näkökulmasta. Yhteisökriminologia on kriminologian osa-alue, joka tutkii vaikutusvaltaisten organisaatioiden rikollisuutta. Artikkelin luo käsityksen niistä tapauskohtaisista ja yleisistä syistä, jotka johtivat tapaukseen. Analyysin metodina toimii tapaustutkimus. Tutkimuksen teoreettisen viitekehyksen muodostavat kolme teoriaa, jotka ovat valtiosyöisörikollisuus, sallivuuden regiimit sekä organisaatiollegitiimiys.

Tutkimuksessa ilmenneiden havaintojen perusteella tapaus kertoo laajemmasta yhteisörikollisuuden ja vastuunvälttämisen kuviosta. Siitä huolimatta, että Stora Enson toiminta oli objektiivisesti katsottuna sekä tahallista että tuomittavaa, ei tapahtumia ikinä kuvattu rikoksina, eikä niistä seurannut minkäänlaisia laillisia seuraamuksia. Tämä kielii laajojen sääntelyaukkojen olemassaolosta. Yleinen mediareaktio on myös pantava merkille, sillä se yhtäältä pakotti Stora Enson muuttamaan toimintaansa, mutta toisaalta muotoili asian siten, että tapaus nähtiin satunnaisena "purkaushetkenä", sen sijaan että sitä oltaisiin käsitelty systemaattisten ongelmien oireena. Ratkaisuna edellä kuvattuihin ongelmiin, tutkielma ehdottaa mm. tiukempaa osakkeenomistajien vastuulainsäädäntöä, joka kannustaisi yhtiöitä kohti kestävämpiä ja eettisempiä toimintamalleja. Kansainvälistä ja kansallista CSR-toimia sekä tiukempaa valvontaa edistävää lainsäädäntöä olisi lisättävä. NGO-järjestöjen ja median tulisi myös ymmärtää paremmin roolinsa yleisen narratiivin rakentajina, ja kiinnitettävä huomiota siihen, miten ne käsittelevät tällaisia tapauksia.

Avainsanat: ihmisoikeudet, organisaatorikokset, organisaatioteoriat, yritysvastuu

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Abbreviations

BMAS	Bundesministerium für Arbeit und Soziales (German work ministry)
BSP	Bulleh Shah Packaging
CSR	Corporate Social Responsibility
EU	European Union
EUCFR	Charter of Fundamental Rights of the European Union
ILO	International Labour Organisation
KKO	Korkein oikeus (The Finnish Supreme Court)
LLC	Limited Liability Company
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PR	Public Relations
UN	United Nations
UN GPBHR	United Nations Guiding Principles on Business and Human Rights

Annexes

Annex 1. Division of Labour

1. Introduction

Stora Enso is a large Finnish-Swedish forest industry company, which specializes in renewable biomaterials and packaging solutions. The company is a market leader and has a long history in the Nordics. It is considered a respectable high-status company and has been lauded, for example, for its comprehensive sustainability reporting.¹ However, in 2014 the shadow of controversy fell over the company, as it was discovered that there had been extensive use of child labour as part of its Pakistani subsidiary's supply chain. What's worse, it also seemed like the company itself had already been aware of this for years. This cast doubts over the legitimacy of Stora Enso's reputation. How could such a grave human rights violation have been allowed to sustain? Was it merely a mistake, the work of a few black sheep, or perhaps evidence of a deeper corruption? And why did no legal action take place against the company?

Despite already being more than a decade old, the 2014 Stora Enso child labour case still extremely relevant. It highlights the challenges of corporate accountability, especially in the context of transnational business operations. Troublesome gaps and loopholes in corporate criminal regulation, lack of consistent enforcement in the global south, as well as systemic human rights violations in developing countries are, unfortunately, still very topical subjects. This case is very illustrative of all of them, and its age, in fact, establishes that legal developments aimed at remedying these issues have so far been lacklustre, since the same problems still persist. Examples of issues established by this case are corporate structures that enable easy externalisation of risk, a lack of proper deterrents in corporate criminal liability law, as well as a lack of oversight in transnational supply chains. Furthermore, the case helps illuminate the role of media narratives for framing and regulating corporate responsibility, as well as absolving it.

To analyse and explain what took place, this paper adopts a corporate-criminological perspective and analyses the case through the lens of three main theoretical concepts. The first one is state-corporate crime, a concept popularised by Ronald C. Kramer and Raymond Michalowski in the 1990s. This theory suggests that a significant portion of corporate crime occurs with the explicit or implicit cooperation of state authorities, due to the often intertwined nature of public and private sector interests, as well as corruption. There is ample

¹ Aalto.fi 2022

evidence of such a state-corporate connection in this case. The Pakistani authorities never took action against Stora Enso's subsidiary, Bulleh Shah Packaging (BSP) despite evidence of criminal wrongdoings, and there was also no action taken on behalf of the Finnish legal system. There is no question that these played a role in both enabling the offenses to take place, as well as safeguarding Stora Enso afterwards.

The second theoretical concept the paper focuses on is known as regimes of permission, as explored most notably by Dr. David Whyte. An offshoot of earlier state-corporate criminology, this theory delves deeper into the state-corporate relationship. It claims that the current corporate legal structure itself, whether enforced or not, seems to be intentionally criminogenic. Viewing the facts of the case, it would seem like there indeed was a level of permissiveness baked into the system, which contributed both to Stora Enso's initial decision to become involved with unethical business operations, as well as to the lack of legal repercussions. In the light of the regimes of permission theory, this leniency seems more like a general rule which applies to all corporations, rather than something granted to Stora Enso as a special favour.

The third main concept is organisational legitimacy, as outlined by Mark C. Suchman. Suchman attempts to make sense of the definition and significance of organisational legitimacy, the nature of its various subtypes, as well as the different approaches that organisational actors on different levels can adopt to increase and maintain legitimacy. In order to understand corporate (criminal) behaviour, as well as why it is regulated and understood so poorly, understanding legitimacy is immensely important, and this case can serve as an interesting lesson. The paper also examines whether the three theories can be integrated together in a way that perhaps has not been done before. It would indeed seem like they can complement each other, creating a theoretical framework not only helps deconstruct this case in particular, but also can be used to better conceptualise corporate crime in general.

Based on such a theoretical framework, the focus of this paper will be on answering the following research questions:

- To what extent can the corporate criminal offenses and human rights violations committed as part of this case be explained as a function of intentionally lacklustre regulation?

- Does the current corporate legal structure present in Finnish legislation enable corporations to effectively evade sanctions for objectively reprehensible acts?
- How do public perceptions and media coverage shape corporate responsibility, as well as the development (or lack thereof) of corporate regulation?
- Can this case be used to highlight issues with international supply chain regulation?

As should already be clear from the wording of the research questions, one of the main claims made in this paper is that the 2014 Stora Enso child labour case was not an isolated incident. Rather, it was a symptom of a far larger and more deep-seated set of systemic issues. Addressing these issues thus requires considerable top-down changes to the way we discuss, conceptualise, and regulate corporate responsibility. It is not enough to focus on remedying the effects of individual offenses; Large scale reform is necessary.

This paper advocates for stronger national and international regulations to address such human rights violations. It also supports large-scale reforms to the way corporations, as well as corporate tort and criminal liability are currently structured. A proposed key reform is the (re)introduction of unlimited shareholder liability. Such a system would better incentivise ethical business practices and long-term accountability over short-sighted profit-seeking. The paper also calls for changes to the way corporate delinquency is discussed and framed, arguing that the current framing is fundamentally misconstruing the issue and indirectly preventing the suggested reforms from taking place.

The structure of the paper is as follows: first, the theoretical concepts chosen for this work are laid out and explained. Section 3. and 4. will focus on the background of the case, detailing the company's operations, the discovery of child labour and initial reactions, as well as the public response. The theories will then be applied to the case, to see how well they fit, and if the case can be used to prove the existence of a larger criminogenic pattern. The last section discusses the broader implications of the results for corporate crime regulation, advocating for stronger international regulations and unlimited shareholder liability as key solutions to prevent similar abuses in the future.

2. Theoretical Framework

2.1 State-Corporate Crime

State-corporate crime is a critical criminological concept, which is used to describe a situation in which a crime or social harm is committed as a result of co-operation between corporate and state actors.² The theory is especially concerned with the idea that crimes, as defined in the criminal code, are not necessarily always *malum in se*, morally wrongful in and of themselves, and on the other hand, do not represent the full scope of morally or socially injurious actions that occur. Instead, crimes are defined by a system ostensibly created by and in favour of the powerful and the elite, and as such many actions that these elites take for their own gain, whilst objectively reprehensible, are deliberately excluded from laws to protect their interests. Thus, the law is shaped by power dynamics, rather than a genuine quest to improve society. This kind of dynamic can manifest itself in cases of corporate crime, since the interests of powerful corporations and lawmakers are often intermeshed.

Whilst the origins of state corporate crime lie in Richard Quinney's work on occupational and corporate crime in the 1970s³, which is often viewed as having pioneered both fields forward from relative stagnation, the actual term itself, and the more modern version of the theory were formulated by Ronald Kramer and Ray Michalowski in 1989.⁴

Kramer and Michalowski's article "The Origins and Development of the Concept and Theory of State-Corporate Crime" further delves into the motivations behind state-corporate crime on various levels. The article presents an integrated theoretical model of state-corporate crime, which maps out motivations, opportunity structures and operationalities of control, on three main levels of analysis.⁵ Of particular interest to this paper is the highest of the three levels, the institutional environment. There, the model names, among other things, economic pressure, organizational goals, and performance emphasis as some of the most important driving motivations behind state-corporate crime. Understanding these motivations is important, because it can be argued that they represent not only the motivations behind corporate crime, but corporate behaviour more broadly. Although corporations are afforded the status of a legal person, their actions are not always guided by the same concerns as that of

² Kramer – Michalowski 2007 p. 200.

³ Kramer – Michalowski – Kauzlarich 2002 p. 263-268.

⁴ Kramer – Michalowski – Kauzlarich 2002 p. 269.

⁵ Kramer – Michalowski – Kauzlarich 2002 p. 274.

a natural person, such as ethics, morality, emotions, or compassion, even if these are present in the individuals who make up the company board.

The last key takeaway from Kramer, Michalowski and Kauzlarich (2002) is the division of state-corporate crime into state-initiated and state-facilitated corporate crime. The difference between these terms is the level of passivity attributed to the state. State-initiated crime refers to situations where a corporation is motivated to act in a delictual manner at the direction or behest of the government. State-facilitated crime, on the other hand, describes instances of corporate wrongdoings where the state passively allows it to take place through either faulty legislation or lack of enforcement.⁶ For the purposes of this case study on Stora Enso, the latter is more relevant, as will become apparent later on.

2.2 Regimes of Permission

The regimes of permission theory is a corporate criminological model, which originally sprung out of state-corporate criminology, particularly in the works of Professor Steve Tombs and Dr. David Whyte.⁷ It, however, goes a step further than state-corporate crime, and asserts that the connection between corporate wrongdoings and the state is deeper than that of occasional partners-in-crime. The theory essentially claims that the very fabric of corporate law, as woven by regulators who often share interests with the regulatees, has been set up to be criminogenic and antithetical to true criminal and social liability from the get-go. This is because corporations are a legal fiction and entirely rely on the state's regulatory framework to exist, and so any delictual aspects of corporations are there by design. As such, to effectively explain state-corporate crime, it is not enough to look at individual high-profile cases where states and corporations have been collectively responsible for some harm, as Kramer and Michalowski did during the 1990s in their articles covering the Challenger space shuttle explosion⁸ and the Hamlet factory fire⁹, but that the very roots of the state-corporate relationship need to be critically examined. Some scholars, such as Dr. David Whyte, even believe that to allow private, profit-making corporations to exist at all in the law is tantamount to allowing corporate crime and harm to occur.¹⁰

⁶ Kramer – Michalowski – Kauzlarich 2002 p. 271.

⁷ Tombs – Whyte 2009; Whyte 2014.

⁸ Kramer 1992.

⁹ Aulett – Michalowski 1993.

¹⁰ Tombs – Whyte 2015.

In his 2014 article “Regimes of Permission and State-Corporate Crime”, Dr. Whyte examines the brief history of the corporations, beginning with British colonial ventures into India. He outlines how, ever since corporations first came into being, the rules governing their behaviour have been as much, if not more, shaped by the political and economic interests of the state, such as maintaining and expanding colonial interests in the case of Imperial Britain, as they have been by a genuine interest to effectively regulate the potentially harmful actions of a corporation.

This kind of relationship is different from the ones initially observed by state-corporate criminologists, because it goes beyond mere one-off favours and negligences. Proponents of this theory suggest that overfocusing on individual moments of rupture, such as the aforementioned Challenger case, creates a false perception of the true, deeper, causes of state-corporate crime.¹¹ If we recall the motivations that originally drove Richard Quinney to further examine the role of power in defining crime, and take into account that corporations and the state can often represent the same kind of ruling class power, it’s easy to see how regimes of permission becomes a necessary addition for explaining the true nature and depth of state-corporate crime.

General examples of the sort of allowances that corporations receive within a regime of permission would be at least the following:

- A legal personhood status separate from its employees, management, and shareholders. This includes the ability to set up subsidiary companies to create additional legal persons responsible for handling specific aspects of business, sometimes referred to as disaggregation¹²
- A limited liability structure, which ensures that shareholders potential losses are limited to the amount they’ve invested in the company.
- The capacity to issue publicly traded stock, which outsiders can invest in
- A single-minded profit motive, which is usually codified in law¹³

¹¹ Whyte 2014, pp. 238-239.

¹² Hansmann – Kraakman 1991, p. 1881.

¹³ Limited Liability Companies Act (624/2006) Chapter 1 Section 5.

Some might argue that these are merely the accepted rules for how corporations ought to be constructed legally. However, with some investigation it becomes clear, that especially together, these traits can become highly criminogenic. This dynamic, as well as how it pertains to this case, is examined with greater detail in section 5.1.

2.3 Organisational Moral Legitimacy

Organisational legitimacy is defined by Mark C. Suchman in his article “Managing Legitimacy: Strategic and Institutional Approaches” as “*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.*”¹⁴ It is important to note that this definition revolves around perception. It correctly points out, that legitimacy is not an inherent, objective trait, but rather the appearance of conforming to some common social value. This sort of legitimacy in the eyes of the public is considered important by corporations because it is essential for attracting and maintaining customers, investors, and business partners.¹⁵ The key takeaway here is that legitimacy is something which is created subjectively but possessed objectively.¹⁶ Even if an organisation would not “deserve” the legitimacy it has garnered among its customers, business partners, or the general public, it will be able to reap the benefits so long that it maintains that legitimacy. It’s not hard to perceive how this dynamic creates a perverse incentive for corporations to maximise the appearance of legitimacy and profits, rather than maximising social responsibility.

Thus, especially when corporations operate on the outskirts of legality or ethics, it is crucial for them to maintain their image. It is vital, that any offenses committed by them be seen as momentary lapses, rather than endemic to the corporation’s conduct as a whole. This ties in with the previously mentioned idea of moments of rupture, and it’s clear to see that corporations that have been caught red-handed have a significant interest in limiting the discussion of corporate crime to these moments, because otherwise it might imperil their legitimacy as a whole.

Suchman divides organisational legitimacy into multiple different sub types, those being general, pragmatic, cognitive and moral legitimacy. Each of these has a slightly different

¹⁴ Suchman 1995, p. 574.

¹⁵ Suchman 1995, p. 575.

¹⁶ Suchman 1995, p. 574

connotation, but the one that is of most interest to this case study is moral legitimacy. Moral legitimacy is defined by Suchman as a type of legitimacy which is concerned with “doing the (morally/ethically) right thing”, rather than first and foremost advancing practical interests. It represents the level at which an organisation is considered to be socially beneficial, and thus worthy of acknowledgement. The next section of this paper will hopefully showcase that maintaining this specific type of legitimacy is at the core of Stora Enso’s, BSP’s and even the Finnish state’s public relations (PR) strategies.

The idea of moral legitimacy can also be tied into state-corporate crime as a whole. As Richard Quinney observed, what is and isn’t criminalised often depends on the special interests of the ruling class. Previously we have focused mostly on covering how this occurs as a lack of criminal responsibility in certain areas. However, even the criminal regulation that does exist, can be seen to serve a purpose other than social control. By identifying certain petty offenses committed by relatively low-status people as crimes, the ruling class can build its own legitimacy, without having to actually risk its own interests. The same kind of logic applies to lacklustre and practically inefficient corporate regulations; these affect legal legitimacy to the public, whilst actually doing little to stop wrongdoings from happening.

An important legitimacy-maintenance which can be seen pertaining to this case in particular, is the stockpiling of goodwill and support.¹⁷ This strategy conceptualises legitimacy not as a binary “either you have it or you don’t” type of resource, but instead as something which an organisation can hold in varying amounts. If an organisation has accrued a large reserve of this resource, it can then be “spent” covering for occasional misdeeds, without necessarily endangering the organisation’s status as legitimate in its entirety. Judging by the overall quite tame response Stora Enso tends to receive whenever it is found committing a wrong, they’ve clearly followed this strategy very successfully. The company is seen as a “national icon”, and its misdeeds brushed off as mere scratches in an otherwise exemplary record. Here, the public becomes the corporation’s greatest defender, even if there is some momentary outrage, because such outrage is almost always misplaced, directed at the symptoms instead of the disease.

¹⁷ Suchman 1995, p. 596.

3. Background and Context of the Case

3.1 Stora Enso and Its Global Operations

Stora Enso was formed in 1998 after a merger between the Finnish company Enso Oyj and the Swedish company Stora Kopparbergs Bergslags Aktiebolag (STORA).¹⁸ Stora Kopperberg is considered by some to be the company with the oldest stocks in the world¹⁹, so it has a long history and has been an important industry leader in the Nordics for centuries. Moreover, the company is a leading provider of renewable products in packaging, biomaterials, as well as wooden construction, and among the largest private forest owners in the entire world.²⁰ The company claims it “*creates better choices for society by accelerating the transition to a circular bioeconomy*”.²¹ As of 31.12.2024, Stora Enso had a market capitalization of 7.66 billion USD, making more than 3 billion dollars in profit last year. The company employs approximately 16,000 people.²²

According to the company’s annual report: “*Stora Enso operates globally and focuses on using renewable materials to create value in packaging, biomaterials, and wooden construction. Its customers include global companies such as packaging manufacturers, brand owners, retailers, industrial component manufacturers, and construction companies.*”²³

The Stora Enso website claims that: “*The company aims to contribute proactively to solving climate and societal issues, looking at how positive impacts can be accelerated and delivering value to all their stakeholders. Key focus areas include renewable packaging, low-carbon building solutions and bio-based innovations. Stora Enso creates better choices for society by accelerating the transition to a circular bioeconomy.*”²⁴ Stora Enso’s wood products division has even become an official Regional Partner of the World Green Building Council’s Europe Regional Network.²⁵

Stora Enso’s global strategy focuses on expansion into emerging markets, where the demand for sustainable products is rapidly growing. The company aims to create value for its

¹⁸ StoraEnso.com, Our history.

¹⁹ Financial Times 2015.

²⁰ VTTresearch.com

²¹ StoraEnso.com, Our history.

²² Finance.Yahoo.com

²³ Stora Enso Annual Report 2024, p. 13.

²⁴ StoraEnso.com, Innovation.

²⁵ World Green Building Council website.

stakeholders with leading positions in packaging, biomaterials innovations and building solutions. Their website further claims that: “*Sustainability is the core of Stora Enso’s business, accelerating its growth, enabling margin expansion, and opening up new business opportunities.*”²⁶

Based on these passages, taken mostly from Stora Enso’s own website, it is clear that the company takes a lot of care to maintain its public image. It is trying to carefully cultivate a brand of responsibility, renewability, and positive societal impact. Whilst many of these claims are undoubtedly based on real things, they do not present a truthful picture of the company as a whole. Rather, they are a curated strategy to maintain and increase the company’s legitimacy, and make its misdeeds seem like exceptions to an otherwise clean record.

But the record is all but clean. In addition to the child labour scandal that this paper is primarily focused on examining, Stora Enso has been accused of multiple environmental regulation violations and corrupt business practises, particularly in the conduct of its subcontractors. In the early 2000s, Stora Enso was accused of using violence to pressure local landowners in Guangxi, China.²⁷ Around the same time, allegations of the company making illegal land purchases and supporting corrupt local politicians in Brazil emerged.²⁸ In 2014, the company was blamed for starting a massive fire in Västmanland, Sweden, although criminal charges were dropped as a subcontractor was blamed instead.²⁹ In 2024, the company became the subject of two simultaneous controversies in both Finland³⁰ and Sweden³¹, when negligent behaviour on the company’s part was found to have resulted in environmental damage.

3.2 The Role of Bulleh Shah Packaging (BSP) in Pakistan

Bulleh Shah Packaging (BSP) was founded in 1995 in Pakistan.³² In 2012 its owner Packages Limited entered a joint venture with Stora Enso, where the latter owned 35 %.³³ BSP claims

²⁶ StoraEnso.com, Our strategy.

²⁷ Finnwatch 2/2013, pp. 14–15.

²⁸ Finnwatch 2/2013, pp. 10–11.

²⁹ Reuters 2019.

³⁰ Yle 2024a.

³¹ Yle 2024b.

³² DitchCarbon.com 2025.

³³ proliitto.fi 2014.

to provide responsible packaging solutions for brands in Pakistan³⁴; by implementing this “sustainability vision” they claim to tangibly contribute to their business, their employees, society and the environment through well-designed initiatives grounded firmly in their values of ethical business and respect for human rights.³⁵ BSP works with a range of industries including Textiles, Dairy, Snacks, Electronics and many more. The company’s team of over 1000 employees is spread between offices in Karachi, Lahore, Islamabad and Kasur.³⁶

When Stora Enso entered the Pakistani market in 2012, an investigation into business risks was conducted. This work included reports concerning the risk of corruption, land use issues, and potential risk mitigation strategies. Stora Enso commenced a program to tackle and manage the risks, based on the results.³⁷ Nonetheless, a due diligence report identifying child labor in certain BSP supply chains was not channeled up to group level management.³⁸

Thus, it becomes clear that despite awareness of the issue, the company still failed to prioritize the safeguarding of human rights, which suggests that they were deliberately negligent. Stora Enso’s willingness to proceed with investments regardless of these risks showcases a corporate culture more focused on profits than on social responsibility. This negligence is also evident from the fact that despite claiming to care about sustainability, BSP ranks very poorly in emission benchmarks, and serves as a reminder of the criminogenic corporate motives established in section 2.1.³⁹

When visiting Bulleh Shah’s official webpage, one is immediately greeted by a vibrant display of their “core values”, each highlighted in colorful boxes with words like “care”, “respect”, “lead”, “honesty” and “courage”.⁴⁰ The company proudly asserts that they treat people with respect and dignity, emphasizing that “truthfulness, integrity, and trust form the backbone of their activities.” These claims appear deeply hypocritical and antithetical when contrasted with the child labour scandal linked to their supply chains. The exploitation of vulnerable children comes to contradiction with their professed commitment to care and respect.

³⁴ bullehshah.com 2025.

³⁵ bullehshah.com 2025.

³⁶ Packages Group Annual Sustainability Report 2020, p. 29.

³⁷ Holmberg – Karlberg 2018, p. 6.

³⁸ proliitto.fi 2014.

³⁹ DitchCarbon.com 2025.

⁴⁰ bullehshah.com, about us.

4. Discovery of Child Labor and Initial Reactions

4.1 Media Representation and Public Perception of the Case

In 2014, the scandal first exploded when the Swedish magazine *Veckans Affärer* (Business Week) published an article under the headline “Disclosure: Stora Enso and child workers”, describing these children as “important cogs in the big company’s paper production”.⁴¹ On the next day the Swedish TV Channel 4 broadcasted in the program, *Kalla Fakta* (Cold Facts), an investigation into Stora Enso’s operations in Pakistan.⁴² There they talked about “the horrid truth hidden”, showed emotional video footage of the children describing their reality; they want to play and go to school but have no other choice than to work ten hours a day seven days a week. Mats Nordlander, director of the renewable packaging division at Stora Enso, was shocked over these images and stated that child labour is unacceptable and that the company wasn’t aware of the situation. The reporter proceeded to show him an internal report from Stora Enso that proves their acknowledgement of the issue since 2012 and its cover-up on the global responsibility report later.

This confrontation caused a chain reaction and for some time, the events were covered in unanimously negative terms. Although certain reports offered more nuance, most decried the company for its flagrant human rights violations. Special attention was given to Stora Enso's lack of disclosure regarding its awareness of child labour in the Bulleh Shah supply chain at the time of its joint venture announcement and throughout the venture's execution. In an article that condemned the firm’s lack of transparency, one of the headlines read, “Stora Enso does not take the issue seriously.”⁴³ There was also a fair share of articles objectively presenting the situation without any kind of comment, critique or condemnation.⁴⁴

The aftermath and public debate of the media exposure forced the company to remove Mats Nordlander from his job and transfer him to another job inside the company.⁴⁵ Matters got worse when the head of the Global Identity division of the company, Lauri Peltola, justified their investment by categorically saying that without the company’s presence in the country,

⁴¹ Ganson 2015, p.7.

⁴² TV4 2014.

⁴³ Ganson 2015, p.7.

⁴⁴ For example: Stora Enso admits child labour an issue in Pakistan, *Helsinki Times* 6.3.2014; Stora Enso blacklisted by pension fund over child labour concerns, *Yle* 8.2.2015.

⁴⁵ *Proliitto* 2014.

the children might have to become prostitutes to survive.⁴⁶ This justification coming from the PR manager escalated the media reaction.

Analysing these media narratives, it becomes clear that, even if the case was framed as a human rights violation or a corporate ethical failure, it was never consistently described as a crime. Media outlets focused on the child exploitation in the supply chain and Stora Enso's lack of oversight but did not strongly push for criminal accountability. Headlines revolved around themes of corporate negligence, failure of Corporate Social Responsibility (CSR), and exploitation of vulnerable populations.

The approach from non-governmental organisations (NGOs) and human rights organizations should also be noted; in 2015 The Global Child Forum, a Swedish non-profit foundation protecting children's rights, published a case study on the matter with a very specific choice of words.⁴⁷ They described Stora Enso as a company with strong reputation for social responsibility, that found itself "in a crisis over child labour in its supply chain". Furthermore, they mentioned that Stora Enso has scored highly in the Global Child Forum's Children's Rights Benchmark for the Corporate Sector. This framing can be seen as constructing a defensive narrative for Stora Enso, implying passivity and circumstantial misfortune, presenting it in a good light and portraying it as almost naive and blameless. The emphasis on the company's strong reputation prepares the reader to view Stora Enso sympathetically. Instead of calling for stricter accountability and talking about the systemic issues, this NGO frames the case as an isolated incident and focuses on reputation and past achievements of the company.

Such representations contribute to a public discourse where corporate misconduct could be seen as unfortunate mishaps rather than serious violations and the corporations themselves as victims of circumstances, rather than deliberate perpetrators of harm. In this way it helps to maintain a company's moral legitimacy in the face of justified criticism. This doesn't necessarily mean that all watchdogs serve corporate interests; Activists at Swedwatch stated their scepticism of Stora Enso's sudden commitment to social responsibility. They emphasized that it has been three years since the company's launched a new motto "doing

⁴⁶ Sutinen 2014.

⁴⁷ Ganson 2015, p.1.

good for the people and planet”, yet little has changed on the ground.⁴⁸ But the question remains if merely offering scepticism is enough to challenge corporate (un)accountability.

Considering all the above, it can be concluded that the media representation of this case failed to describe it as a crime or strongly push for criminal accountability, but it did eventually lead to a remediation programme. This eight-year programme in Pakistan was completed in 2023 and supported six local schools, offering education to 640 children who were identified as child workers in the supply chain in Bulleh Shah Packaging. It was conducted in collaboration with the NGO Idara-e-Taleem-o-Aagahi and provided children access to compulsory primary school education and vocational training for older children and female family members.⁴⁹ With the children advancing in age, the programme’s emphasis has transitioned from mandatory schooling to equipping students for work or higher education.

It can be argued that this programme demonstrates how public scrutiny, even if not perfectly executed, can pressure corporations into taking action. It improved the quality of life for a small group of affected children, offering them better opportunities and breaking cycles of exploitation. However, it is essential to recognize that while remediation efforts are commendable, they remain insufficient, especially since they only sprung up after the company was caught red-handed. Without structural changes, corporate accountability, and stronger regulatory frameworks, similar issues may persist within Stora Enso’s operations and in the broader industry.

4.2. Legal and Corporate Responses

The case was not treated as a criminal matter by the Finnish, Swedish, or Pakistani authorities. In the articles surrounding the case there is no mention of legal action. Instead, the main consequences Stora Enso faced were the remediation efforts mentioned above, and public-private partnerships aimed at mitigating child labour.

Firstly, Stora Enso shut down the part of the supply chain in which children were being exploited and made commitments regarding services for these children and payments to their parents. Senior managers and the then-CEO also accepted reassignments or left the company.⁵⁰ As a result of the controversy, AP7, a Swedish government-owned pension fund

⁴⁸ CorpWatch 2015.

⁴⁹ Stora Enso 2023, p.4.

⁵⁰ Ganson 2015, p.7.

sold off its 31-million-krona stake in the firm with the justification that they do not invest in companies that commit serious violations of international conventions.⁵¹ This damaged both shareholder value and stakeholder trust.⁵²

In April 2015 Stora Enso and the International Labour Organization (ILO) entered into a public partnership. The agreement included both global and local components. The global component aimed to ensure that policies and practices are in line with international labour standards, while also enhancing the company's understanding of child labour and other rights-related issues at work. The objective of the local component was to sustain decent work and fight against child labour in the value chain of BSP.⁵³

Finnish officials, such as the Minister for State Ownership steering, Pekka Haavisto, acknowledged that the question of corporate responsibility didn't always get enough attention and urged Stora Enso to take action on the issue.⁵⁴ However, there is no public record of Finnish authorities pursuing criminal charges against the company.

Finnish criminal law applies to acts committed in Finland or to acts committed abroad by Finnish citizens or entities under specific conditions.⁵⁵ Since the child labour scandal took place in Pakistan through a local subsidiary, the direct application of the Finnish Criminal Code is limited. What is more, in Finland, child labour is strictly regulated by the Young Workers Act (998/1993). According to the law in question, it is forbidden to employ a child under the age of 14 (§2).⁵⁶ The purpose of the legislation is to protect young workers from exploitation and to ensure their safety and well-being. Additionally, the law explicitly prohibits employing young workers in any jobs that could damage their physical or mental development or pose a significant threat of injury (§9).⁵⁷ Violations of these regulations are subject to punitive measures outlined in §18 of the law, which are further specified in the Criminal Code of Finland, Chapter 47, §§1,2, and 7.⁵⁸ According to § 9 of the same chapter, legal persons can be charged with work safety crimes.

⁵¹ Sutinen 2014.

⁵² Ganson 2015, p.7.

⁵³ ILO 2015, p. 1.

⁵⁴ Yle 2014.

⁵⁵ Rikoslaki 39/1889, Chapter 1 Section 1, 6.

⁵⁶ Young Workers' Act (998/1993), §2.

⁵⁷ Young Workers' Act (998/1993), §9.

⁵⁸ Young Workers' Act (998/ 1993), §18; Criminal Code of Finland, Chapter 47, §§ 1,2, and 7.

In our case, the children in the supply chain were under 14 working 10 hours a day, seven days a week; this job exposed them to physical exhaustion, chronic stress, and potential long-term health issues. The work schedules interfered with the children's education, social development and overall well-being. As seen in the report by Swedish TV4, the children were being heavily overworked, and didn't even have time to play.⁵⁹ Thus, one could argue that Stora Enso should be charged with criminal liability.

Under Pakistani law, child labour in hazardous conditions violates statutes like the Employment of Children Act 1991 and Factories Act 1934, which prohibit the employment of children below specific age thresholds in dangerous work.⁶⁰ Additionally, the acts in question are violations of the ILO Minimum Age Convention (C138) and Worst Forms of Child Labour Convention (C182).⁶¹ In this context Stora Enso could argue that it did not directly employ children, as the child labour was present at the supplier level. However, under international frameworks like the UN Guiding Principles on Business and Human Rights (UN GPBHR), companies have the responsibility to respect human rights throughout their supply chains and not just within direct operations.⁶² Additionally, the Global Child Forum case study indicated that Stora Enso's due diligence was insufficient; the supply chain link with child labour was not properly identified during the risk assessment phase.⁶³

Thus, it becomes clear that despite violations of international labour standards and regulatory frameworks such as the Employment of Children Act 1991 and ILO Conventions, the case was not treated as a crime by Finnish, Swedish, or Pakistani authorities. Instead, the response focused on remediation with Stora Enso putting corporate reforms into effect and engaging in public partnerships with organizations like the ILO. These actions might mitigate some of the harm, but they do not substitute for legal accountability and draw attention away from the larger systemic issues. The withdrawal of AP7's investment and loss of stakeholder trust were some negative financial and reputational consequences but the gap between corporate consequences and actual criminal liability still remains significant.

⁵⁹ TV4 2014.

⁶⁰ Employment of Children Act 1991; the Factories Act 1934.

⁶¹ C138 Minimum Age Convention, 1973; C182 Worst Forms of Child Labour Convention, 1999.

⁶² Guiding Principles on business and human rights 2011.

⁶³ Ganson 2015.

5. Applying the Theories

5.1 Identifying and Examining the State-Corporate Symbiosis

Stora Enso's usage of child labour is a class example of high-profile corporate crime. It is a case where an international multi-billion dollar corporation knowingly used child labour to make profit. As discussed in previous sections, their actions were deliberate and premeditated and led to the abuse of children. But how can the case be explained, and how well does it conform to the corporate-criminological theories outlined in section 2? That is what shall be examined in the remainder of this paper.

The Finnish judiciary system took no legal action against Stora Enso for its behaviour, and neither did that of Pakistan, since BSP still stands today. There were some public disavowals of the case⁶⁴, but ultimately it fell to the public to pressure the company into changing its conduct. This is highly indicative of a state-corporate connection, but as mentioned before, it is more emblematic of state-facilitated crime, since the state played a more passive role in crime. The Finnish state had nothing directly to do with Stora Enso's business decisions, so it cannot be categorized as state-initiated, and some might even argue that it does not fit the criteria of state-corporate crimes at all. There does not seem to be a concrete connection, nor really a motive for the state to enable such behaviour, unlike in some of the more famous cases of state-corporate crime.⁶⁵ This is where it is necessary to look a step deeper, utilising regimes of permission.

The reason why the state could remain passive and basically wave away its judicial responsibility was because there simply was no concrete way for it to sanction the company in this case. But not because this is an edge case, which the existing regulation simply failed to answer due to its unusual nature, but because the current legislation is set up to enable this type of behaviour from corporations. As Dr. Whyte's article highlights, the rules and regulations governing corporations are no accident, nor are they immutable facts of nature. Instead, they are the deliberate product of carefully aligned elite interests. Separate corporate personhood, the so-called corporate veil, allowed Stora Enso to separate this riskier operation into the hands of another legal entity (BSP), effectively shielding them from any criminal sanctions. Even had there been some sanctions, limited liability, another permissive element,

⁶⁴ Yle 2014

⁶⁵ Kramer 1992; Aulett – Michalowski 1993

would have prevented the company's shareholders, the party benefitting most from the usage of child labour, from having to bear much responsibility. Neither of these is an inseparable part of how corporations "must" be legally construed. They are legal constructs that intentionally allow this kind of behaviour.

Even in a hypothetical scenario, where Stora Enso would have been brought to court, successfully sentenced to a corporate fine, and said fine had been the maximum allowed size according to Finnish legislation, meaning 850 000 euros, it would have barely made a difference for a company the size and scale of Stora Enso. Considering the prior discussion on the corporate profit motive in section 2.1 and 2.2, it is clear that they require proper deterrents. The Finnish corporate fine, although a decent starting point for further legislative development, is not a proper deterrent. It is yet another example of a permissive element in the regulatory system, which also fulfils the dual purpose of reinforcing the system's legitimacy. The element of permission here is not the total lack of consequences, but rather the ineffectiveness of them. In fact, such a system is even more dangerous, because it creates the illusion of real legal consequence in cases where the true culprits will go unpunished, and the issue will continue to perpetuate itself with some time.

But what if the regime of permission is not intentionally set up to be so? Even if such a system does exist, as this case seems to point out, perhaps it would be better to trust Occam's razor here, and assume that the confluence of permissive elements which allow corporations to avoid legal sanctions for unarguably delictual actions are just an unfortunate by-product of poorly thought out legislation, since that is the simplest explanation? Even if that were the case, though, it would not change much. As famous British theorist Stafford Beer once said: "The purpose of a system is what it does. There is [...] no point in claiming that the purpose of a system is to do what it constantly fails to do".⁶⁶ Since the Finnish legal system clearly does allow for these kinds of abuses to take place, it's actually simpler to conclude that its purpose is something entirely different from actually effectively regulating the actions of large multinational companies.

As for the apparent lack of motive for the state to enable these abuses, let us consider that Stora Enso is a very large company, and one which contributes greatly to the Finnish forest industry, the national GDP, and brings in millions in taxes. The state needs no particularly

⁶⁶ Forbes 2021.

unique motive to favour such an entity, in fact, it already has a special interest in keeping it running with minimal hindrance. There is a wealth of historical examples of states operating on such motives⁶⁷, and modern-day Finland is no exception.

Hence, there is both the means and the motive to allow corporations to engage in delictual acts such as this. Although this case is a good example of both, it is vital to remember, that this was no one off, and that rather than focusing solely on this moment of rupture, what it indicates about the wider system in place should be considered. This applies to both to corporations in general, which will continue to engage in similar morally repugnant business practises, since the only real threat they face is having to quit, and also to Stora Enso in particular which clearly is a habitual offender, as shown in Section 3.1.

5.2 The Façade of Moral Legitimacy

An important note is the usage of disarming rhetoric by Stora Enso after this case came to light. As outlined in section 2.3., corporations caught in delictual acts have a special need to maintain legitimacy, so that they will continue to be trusted by the general public. The numerous public shows of effort Stora Enso made to rehabilitate its image are a textbook example of maintaining moral legitimacy. The removal of Mats Nordlander from his job, and reassigning staff to different areas are a classic example of a corporation concentrating responsibility for the events on individual actors, and away from the company itself. These efforts were helped by the fact that the crime was already separated from the parent company by the corporate veil and could easily be framed as a “rogue event in the distance”. This makes the crime more excusable but also runs cover for the entire system itself which, as just discussed, is inherently criminogenic. As such, much of the media and NGO response played right into the company’s hands and allowed it to largely maintain its legitimacy. By basically portraying this case as an exception, even though it isn’t one, as shown in section 3.1., these third-parties drew attention away from the regime of permission at play and the habitual nature of Stora Enso’s ethical wrongdoings. By using this framing, as well as the moral legitimacy they’d stockpiled over the years, Stora Enso managed to limit the fallout from this case, and also made it so that the real significance and implications of the incident failed to reach the public consciousness in a way that could’ve had a real transformative effect.

⁶⁷ See for example Whyte 2014, pp. 242– 243, on the exceptional treatment the British Empire afforded many of its largest corporations.

Another example of affecting moral legitimacy can be seen in BSP's messaging. In section 3.2, it was shown that BSP has centred its brand on sustainability and responsibility. Even their website is gushing with mentions of core values like care and respect. These claims are, of course, revealed as little more than empty posturing in the face of their actions. Yet, when applied consistently, even this kind of rhetoric can have a real legitimising effect on the corporation in question.

There is also an example of legitimacy gathering on the part of the state, which is related to this case. It is the aforementioned Finnish corporate fine system, which not only does not scale to huge corporations like Stora Enso, has never even been applied in its full force, with the largest corporate fine having been 500 000 euros⁶⁸. If anything, it, along with the entire Finnish system of corporate criminal liability, seems like a set of smoke and mirrors designed to nip at the heels of delictual corporations enough to reinforce legitimacy, but not enough to cause real change. The same could be said doubly for Pakistan, which utterly failed to respond to the case, considering that BSP still exists as of today.⁶⁹ With no enforcement, these legal norms only serve as distractions from the truth, which is that large corporations are free to exploit the corporate veil and engage in socially injurious behaviour, with a lot to gain and relatively little to lose.

The combination of a state-created regime of permission together with media coverage that reinforces a delinquent corporation's legitimacy is akin to the Ouroboros of myth; a self-feeding loop which will continue to perpetuate itself with no end in sight.



Figure 1. The eternally self-devouring serpent Ouroboros of ancient Egyptian and Greek myth. Image: OpenClipArt

⁶⁸ KKO 2008:33.

⁶⁹ Bulleh Shah Packaging website.

6. The implications for Corporate Crime and Companies' Accountability

6.1 Lessons from the Stora Enso Case

The following section focuses on the broader implications of this case for corporate accountability. It will discuss potential regulatory reforms that could help ameliorate the issues that were raised, at both the national and international levels. The section will also briefly go over certain efforts that have already taken place in this field, and how well they answer the key problems that can be identified from cases such as this. The role of media and scientific research for guiding regulatory efforts will also be discussed.

Something that has hopefully become clear over the course of the previous section, is that there is a lack of control over the actions of transnational corporations and their supply chains. What's more, even if some control were to be asserted, it is far too easy for corporations to evade sanctions via the usage of subsidiaries and subcontractors. They can easily plead ignorance on human rights violations committed across the planet. And even if they were in the know, the artificial legal separation of these entities allows them to very effectively externalise the responsibility.

Corporate social responsibility (CSR) is a mechanism by which corporations voluntarily aim to keep themselves accountable to ethical business standards. The aim is to make corporations effectively watch themselves and thus improve their accountability without the requirement for too much additional involvement by government agencies. CSR has been common practise in most of the western world, including Finland, for decades.⁷⁰ Whilst such a system is a good start its practical efficacy should be called into question, as demonstrated by cases like this. Without proper oversight, and enforcement of norms when companies fail to meet their own CSR criteria, the whole system of reporting is at risk of turning into yet another tool for collecting legitimacy. In such a case, they might even achieve the opposite of their intentions, letting corporations perform even worse offenses behind the scenes, whilst maintaining a pure façade up front.

The theories discussed in this paper provide a useful framework for understanding and combatting corporate unaccountability. As illustrated by the regimes of permission theory,

⁷⁰ Thomasnet.com 2023.

intentionally weak enforcement mechanisms in host countries can create a facilitative environment for corporate misconduct. In Pakistan, poor labour regulations and insufficient government oversight enabled BSP to utilise child labour. Meanwhile, the faults in the Finnish legal system allowed Stora Enso to profit off of this practise, whilst simultaneously distancing itself from it. This strategy is a known way for corporations to mitigate liability.⁷¹

Meanwhile, viewing Stora Enso's self-initiated rehabilitation campaign through the lens of the moral legitimacy theory, we can see that their efforts were not motivated by ethics, but were instead a calculated scheme to maintain their status. There is no reason to believe that, if there had been no media denouncement of Stora Enso's use of child labour in Pakistan, the company would have changed anything regarding its operations and policies. Research shows, that companies often double down on greenwashing rhetoric in their self-reporting only after being caught violating environmental regulations.⁷² Although this case is about child labour, the mechanism at play is much the same. CSR acts as a PR recovery method that gets kicked into high gear after an offense surfaces, rather than actually preventing such offenses. Another case illustrating this is the Volkswagen Diesel Gate case of 2015, in which the company changed its policy only after being exposed.⁷³

So, despite commitments to ethical labour practices, many corporations exploit legal loopholes to avoid direct accountability. One of the most significant barriers to accountability is the lack of transnational legal enforcement, which prevents the home countries of multinational corporations from prosecuting offenses committed abroad. The problem doesn't rely on the lack of rules: every single country involved in the Stora Enso case prohibits child labour⁷⁴, alongside international conventions such as the EU Charter of Fundamental Rights⁷⁵. As already mentioned, the problem lies in the enforcement of these rules. In Pakistan, weak local enforcement, inadequate labour inspections, and corruption further hinder the implementation of child labour laws. The opaqueness of transnational supply chains further exacerbates the issue, as the "far ends" of the chain become further and further removed from the parent companies, in both space and legal relation. This is why it took years for this story to even surface.

⁷¹ Hansmann – Kraakman 1991.

⁷² Gorovaia – Makrominas 2025.

⁷³ BBC 2015.

⁷⁴ AFS 2023:2; Employment of Children Act 1991; The Factories Act 1934; Young Workers' Act (998/1993).

⁷⁵ EU CFR, Article 32.

Stora Enso now claims to have understood this issue, and in their 2023 Slavery and Human Trafficking Statement, they explain that they will be paying closer attention to their supply chain: “*While we recognise that risks related to modern slavery may exist in our own operations, we have determined that the greatest risk is in our complex and extensive supply chains that include supplier categories and geographies which we have identified as having high human rights risks*”.⁷⁶ It remains to be seen whether their approach will be able to prevent history from repeating itself. As noted in section 3.1, their track record isn’t very promising.

6.2 The Role of International Law and National Governance

As discussed in 6.1, CSR and voluntary guidelines for corporate conduct are a good start on the road towards solving issues with corporate delinquency and supply chain issues but fall short of effective if they cannot be properly enforced. Unfortunately, this is the state of international law at present. There are a number of guidelines and frameworks intended to promote corporate accountability and sustainability, including but not limited to UN Guiding Principles on Business and Human Rights, The International Labour Organization’s (ILO) Conventions No. 138 and No. 182, which establish minimum age requirements for employment and prohibit hazardous child labour, and the OECD Guidelines for Multinational Enterprises. These conventions establish a decent normative baseline for the transnational regulation of corporate activities, but on their own have few ways of directly imposing said norms.

Whilst national laws are, for the most part, similarly lacking, there are some notable exceptions that offer us a model for the future. France is a great example, with the LOI relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre, or the 2017 Corporate duty of vigilance law⁷⁷. This piece of legislation goes a step beyond voluntary CSR measures, imposing binding legal obligations on large companies to prevent human rights violations and environmental harm within their supply chains. Under the law, companies with over 5,000 employees in France are obligated to create a vigilance plan that includes things such as risk assessments, mitigation strategies, and mechanisms for monitoring supply chain practices. If a company fails to comply with those obligations, there

⁷⁶ Stora Enso 2023.

⁷⁷ Légifrance 2017.

are some legal sanctions, which marks a significant shift toward enforceable corporate liability.

The French law seems to have acted as a sort of pioneer in this field, as in 2024, a very similar statute was passed into law in Germany. Known as the Lieferkettengesetz, or the Supply Chain Act, this law imposes similar obligations and sanctions as the corporate duty of vigilance law.⁷⁸ These kinds of laws address gaps left by voluntary initiatives and establish more tangible deterrents against corporations seeking to cut costs at the expense of human rights and sustainability.

6.3 The Role of the Media and Public Response

While legal accountability remains limited on an international level, alternative mechanisms such as public pressure and financial consequences play a crucial role. In the case of Stora Enso's child labour practices, as discussed in section 4.1, the exposure by the media led to significant reputational damage, leading to a corrective action campaign by the company⁷⁹. Investor reactions, particularly from ethical investment groups and shareholders, also pressured the company to reform its labour practices⁸⁰. Additionally, sanctions and blacklisting resulted in Stora Enso's exclusion from certain investment portfolios, highlighting the financial risks associated with corporate misconduct⁸¹. While this by itself is not enough and corporate responsibility needs to be enforced legally, such behaviour by a company can have some seriously impactful consequences, granted the behaviour has been exposed.

However, this case is also a reminder that media and public perceptions can have the converse effect. Just as the public response can act as a way to enforce policy change on corporations, it can also act as a way for corporations to avoid liability or at least limit the consequences they face by misconstruing what happened. As discussed previously, Stora Enso's actions to remedy the situation were motivated by the need to maintain legitimacy, and so whilst they did improve the situation, it would be foolish to claim that the company itself has changed. By framing the event as a uniquely horrible and unusual occurrence, the general narrative fell to the exact pitfall that regimes of permission -theory warns of and framed it as a moment of

⁷⁸ bmas.de

⁷⁹ Yle 2014.

⁸⁰ Helsinki Times 2014.

⁸¹ CorpWatch 2015.

rupture. This allowed Stora Enso to regain its legitimacy by focusing on the individual lapse at hand, rather than addressing the root causes, namely the fact that this issue is deeply rooted in their corporate culture. Even if neither Stora Enso nor any of its subsidiaries or subcontractors is ever found utilising child labour again, the real problem will persist. That's because the real issue in this case was not child labour, but rather a deeply criminogenic legal system, and a media lacking the ability to correctly conceptualise what the issue was.

These issues will never be addressed, as long as they are not being described by the media. As is the case with almost anything, the awareness of a problem precedes any action to solve said problem. Nothing can be done about issues that simply do not exist in the constructed social reality that people inhabit. For this reason, the role of independent media, watchdog organisations and scientific publishers in combating state-corporate crime is absolutely essential.

6.4 Moving Forward: Strengthening Corporate Regulation

The Stora Enso 2014 child labour case is, in many ways, an exemplar of all that is wrong with the regulation of large transnational businesses. Indeed, it would seem like had there been no action from the public, the company would still continue to utilise child labour, as so many other companies in similar circumstances do. Regulators utterly failed and continue to fail to protect labour and human rights.

But there is a way forward. It starts with closing the gaps in national legislation. The aforementioned due diligence laws of France and Germany offer us a great model for how to tackle corporate accountability and are a natural development from the basis of traditional voluntary CSR. The key reason why these laws are an improvement, is that they create a tangible deterrent for corporations. The effectiveness of deterrents as a form of behavioural control has been sometimes contested in the field of criminology, owing to the fact that, statistically, most criminals are not rational agents. However, this of course depends on which groups of crimes/criminals is being studied. Corporate criminals, meaning delinquent directors, managers, investors or the corporations themselves, could be described as truly rational agents.⁸² Their decisionmaking is guided to a large extent by business risk analysis and game theory, meaning that introducing more severe punitive mechanisms to corporate law

⁸² Hansmann – Kraakman 1991, p. 1919.

would likely fulfil the intended role of deterrent, forcing these actors to reassess their priorities.

In addition to mandatory due diligence laws, there is a need for a better corporate fine system in Finland. As mentioned in section 5.1, the current maximum size for corporate fines under the Finnish criminal code is 850 000 euros, which scales terribly when applied to multi-billion dollar companies like Stora Enso. Also considering the fact that a fine of such magnitude has never been imposed, we can see that in its current iteration, the corporate fine does little to deter corporate criminality. It is more like another operational expense a company has to consider. In the absence of proportional sanctions, companies can weigh the cost of fines against the economic benefits of weak labour oversight, leading to calculated non-compliance rather than genuine adherence to ethical and legal standards. There needs to be a shift towards higher fines, more specifically the potential scope of the fine needs to be expanded to account for larger corporations. In addition, these fines have to be enforced more aggressively. If a punitive measure only exists on paper, and is never put in practice, even when the situation calls for it, then it might as well not exist.

Another way in which corporate criminal liability ought to evolve, is the introduction of unlimited shareholder liability. This is because, even in a more vigilant system of corporate fines, if the fines only ever target the corporation itself, then the actors behind the delinquent acts will effectively be shielded from responsibility. This effect is further exacerbated through the use of (foreign) subsidiaries. Of course, the corporation itself needs to be punished as well, but extending liability to its most valuable group of stakeholders would go a long way in reshaping corporate culture and priorities. If shareholders knew that they could potentially lose their personal assets as a result of corporate criminal or tort liability, they would certainly push companies to adopt more responsible and transparent practices. It would also alter patterns of investor behaviour, incentivising investment strategies that favour sustainability and accountability.

Of course, even unlimited shareholder liability has its issues. Although such a system has worked in the past⁸³, as there was a time before limited liability companies (LLCs), it is not unreasonable to suggest that the potential risks created by a completely uncontrolled unlimited liability regime could seriously skew investment behaviour in a direction that would

⁸³ Hansmann – Kraakman 1991, pp. 1923–1926.

hurt the economy. For this reason, a system known as pro-rata liability could offer a middle-ground solution. Within such a system each shareholder would be liable for damages resulting from corporate crimes and torts in proportion to their share of the company stocks. Pro-rata liability would create many of the same benefits as a “simple” unlimited liability regime, whilst also protecting the interests of small investors and minority shareholders.⁸⁴

Another important component in the prevention of corporate crime, is the public narrative. Because corporate legitimacy is created subjectively but possessed objectively, the subjective standards ought to be defined better. Media actors need to act as watchdogs, framing issues of corporate crime within the theoretical framework outlined in criminological research, and focusing the public’s attention to the true roots of the crime. Corporations cannot be allowed to dictate the terms through which corporate criminal acts are discussed and conceptualised. It is vital, that journalists and the media understand their role in literally shaping the public consciousness with regards to these offenses. Language and communication are never neutral, instead echoing the interests and biases of their users. If only one side of an issue understands this, then it will always have a monopoly on the conceptualisation of that issue. And if a problem cannot even be properly conceptualised of, then it can hardly be solved either.

As a last note, there is also a need for some change from within. Although this paper has adopted a highly critical stance on the effectiveness of purely voluntary CSR programs and reporting, these are not without their virtues. After all, there is only so much that can be changed from without, and it is simply not feasible for governments or international organisations to constantly monitor the operations of every single company. External pressures can force changes in corporate decisionmaking and culture, but these changes still need to be implemented and enforced internally. Although Stora Enso’s remedial measures in this case can be seen as a cynical PR tool, they did improve the lives of affected children. This proves that ultimately the party that can best prevent and offset corporate crime is corporations themselves. They just need a concrete incentive to do so. In order to foster a system of improved transparency and accountability, there is an urgent need for increased co-operation between state actors, NGOs and corporations. Just as such co-operation can induce corporate crime, as shown by the theoretical discussion in this paper, it can also help eliminate it.

⁸⁴ For a more in-depth overview of the topic, view Hansmann – Kraakman 1991.

7. Conclusions

In this paper, the 2014 Stora Enso child labour case was studied with the help of a corporate-criminological theoretical framework. The results reveal that severe gaps in corporate regulation exist, which enable recurring violations of labour laws, human rights as well as ethical standards. These gaps were the prime cause of this case, and in the 11 years since, relatively little has changed in such a way that a similar case could not occur today. A lack of enforcement by Pakistani authorities, and Finland's permissive corporate legal structure allowed Stora Enso to effectively separate itself from harms committed for its profit. Thus, pressure created by the media and entities like investment funds and NGOs forced the company to take corrective measures. Whilst this did change the situation for the better, it failed to address the bigger picture.

Applying the chosen theoretical concepts provided valuable insights into this case. The combination of state-corporate crime and regimes of permission theories helped illuminate the underlying criminogenic structures that contributed to the emergence of this case, beyond more immediate factors. Additionally, the moral legitimacy theory contextualised Stora Enso and the media's responses to the emerging situation and highlighted their deceptive nature and the importance of framing when discussing cases like this. These theories were of immense importance for answering the paper's main research questions, proving that there are a number of deep-seated systemic factors at play in the enabling and perpetration of corporate crime. The importance of public opinion in keeping elites accountable, but also how these opinions can become easily misled from the real issues, also became apparent in this case study.

The results of this case study highlight the need for tighter corporate regulation, particularly in the context of transnational supply chains. The ineffectiveness of voluntary CSR measures was shown, which further supports the need for more tangible deterrents to keep especially larger corporations accountable. Furthermore, better international oversight and binding regulation is needed to keep corporations from utilising unethical business strategies in regions with low regulation.

These findings contribute to a view already popular among corporate criminologists, which is that corporate crime is often the result of systemic factors, rather than being a collection of random incidents explainable through individual lapses in judgement or the action of bad actors. As such, it would seem that in order to combat such crime, holistic reforms to both

national and international systems of corporate liability are in order. The introduction of stronger due diligence laws, and extended shareholder liability would be a good start.

In the end, this case is very illustrative of how and why corporate crime typically occurs in the operations of multinational companies. It shows the ineffectiveness of current legal frameworks and calls their actual purpose in question. It also shows how media and stakeholders can affect corporate behaviour. The case is a pertinent reminder that we do not live in a perfect world, and that even corporations that have attained a reputation of legitimacy can and will cause social harm, unless they are effectively regulated.

Division of Labour

This work is based on a seminar paper written co-jointly by me (Iivo Kalajoki), Margot Le Coz, Amalia Karatsi and Arianna Pellizzaro. The other authors have granted me permission to utilise our co-operative work for this expanded and refined bachelor's thesis. Below is the original paper's division of labour, as well as a more detailed breakdown of how the other authors' work contributed to this bachelor's thesis.

Original Division of Labour

The ideation process, formulating our research questions and selecting the overall angle of this paper was done in close co-operation between all group members. After that, the work was split thusly: Margot was in charge of writing the introduction and conclusion sections, while Iivo focused on incorporating the corporate-criminological theories we had decided on. Arianna and Amalia were responsible for researching the background of the case, as well as gathering information on the immediate responses and media attention this case received at the time. This is how the initial draft was made.

For the updated version, we came back together and once again working in close co-operation, reviewed the paper, and made efforts to better incorporate each part with one another. This included gathering additional source material, rewriting parts of the text, and making sure the main research questions and arguments remained prevalent throughout the work.

Detailed Breakdown and Change Log

I have made many small changes to all of the different sections, too many to accurately catalogue here. These include fixing many grammatical and formatting errors, improving sentence structure and overall cohesiveness, as well as adding an image to page 20. It is also important to note, that picking apart exactly who wrote what in the original paper is somewhat difficult, since especially the finished draft was written in such tight-knit co-operation between all of the authors. The following, however, is a breakdown of the most essential changes made, as well as which of the other authors most prominently contributed to each section.

As I began working on the bachelor's thesis version of this paper, I first took stock of which parts needed updates, and which ones were already sufficient. I came to the conclusion, that

the sections covering the “empirical” background, i.e. sections 3 and 4 were satisfactory, and so those were left mostly as they were in the original paper. Arianna and Amalia in particular contributed to these sections, since much of their initial background research is incorporated here.

The sections directly dealing with the chosen theories were primarily my area of responsibility, although the others helped especially with narrowing down the angle of analysis, selecting which of our original selection of theories to use for the final version and which to discard, as well as providing editorial support. The greatest changes made to these sections was with regards to organisational legitimacy. These sections were expanded, as well as integrated better with the rest of the paper.

As mentioned earlier, the main research questions, as well as the overall conclusions of the original paper were formulated jointly by the entire group. When it came to writing out our plans, Margot was in overall charge in sections 1, 6, and 7. Although I kept the broad strokes in this thesis, I overhauled all of these sections heavily, aiming for better cohesion, connectedness with the rest of the paper, as well as clearer and more incisive argumentation. Once again, the integration of the organisational legitimacy theory and its significance to the conceptualisation and regulation of corporate crime was an area of particular focus.