Corporate Governance Report
Part of Stora Enso's Annual Report 2017
Everything made with fossil-based materials today can be made from a tree tomorrow.

Part of the bioeconomy, Stora Enso is a leading provider of renewable solutions in packaging, biomaterials, wooden constructions, and paper globally. Our materials are renewable, reusable, and recyclable, and form the building blocks for a range of innovative solutions that can help replace products based on fossil fuels and other non-renewable materials. We employ some 26 000 people and our shares are listed on the Helsinki (STEAV, STERV) and Stockholm (STE A, STE R) stock exchanges.
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The duties of the various bodies within Stora Enso Oyj (“Stora Enso” or the “Company”) are determined by the laws of Finland and by the Company’s corporate governance policy, which complies with the Finnish Companies Act and the Finnish Securities Market Act. The rules and recommendations of the Nasdaq Helsinki Oy and Nasdaq Stockholm AB stock exchanges are also followed, where applicable. The corporate governance policy is approved by the Board of Directors (“Board”).

Stora Enso complies with the Finnish Corporate Governance Code issued by the Securities Market Association (the “Code”). The Code is available at cgfinland.fi. Stora Enso also complies with the Swedish Corporate Governance Code (“Swedish Code”), with the exception of the deviations listed in Appendix 1 of this Corporate Governance Report. The deviations are due to differences between the Swedish and Finnish legislation, governance code rules and practices, and in these cases Stora Enso follows the practice in its domicile. The Swedish Code is issued by the Swedish Corporate Governance Board and is available at corporategovernanceboard.se.

This Corporate Governance Report is available as a PDF document at storaenso.com/investors/governance.

General governance issues
The Board and the Chief Executive Officer (CEO) are responsible for the management of the Company. Other governance bodies have an assisting and supporting role.

The Stora Enso group prepares Consolidated financial statements and Interim Reports conforming to International Financial Reporting Standards (IFRS), and publishes Annual Reports as well as Interim Reports in Finnish, Swedish and English language. Stora Enso Oyj prepares its financial statements in accordance with the Finnish Accounting Act.

The Company’s head office is in Helsinki, Finland. It also has head office functions in Stockholm, Sweden.

Stora Enso has one statutory auditor elected by the shareholders at the Annual General Meeting (AGM).

To the maximum extent possible, corporate actions and corporate records are taken and recorded in English.

Objectives and composition of governance bodies
The shareholders exercise their ownership rights through the shareholders’ meetings. The decision-making bodies with responsibility for managing the Company are the Board and the CEO. The Group Leadership Team (GLT) supports the CEO in managing the Company.

Day-to-day operational responsibility rests with the GLT members and their operation teams supported by various staff and service functions.

Shareholders’ meetings
The Annual General Meeting of shareholders (AGM) is held annually to present detailed information about the Company’s performance and to deal with matters such as adopting the annual accounts, setting the dividend (or distribution of funds) and its payment, and appointing the Chairman, Vice Chairman and the members of the Board of Directors as well as the Auditor.

Shareholders may exercise their voting rights and take part in the decision-making process of Stora Enso by attending shareholders’ meetings. Shareholders also have the right to ask questions of the Company’s management and Board of Directors at shareholders’ meetings. Major decisions are taken by the shareholders at Annual or Extraordinary General Meetings. At a shareholders’ meeting, each A share and each ten R shares carry one vote.

The Board of Directors convenes a shareholders’ meeting by publishing a notice to the meeting at the Company’s website not more than three (3) months before the last day for advance notice of attendance mentioned in the notice to the meeting and not less than three weeks before the date of the meeting. In addition, the Company publishes details on the date and location of the meeting, together with the address of the Company’s website, in at least two Finnish and two Swedish newspapers. Other regulatory notices to the shareholders are delivered in the same way.

The Annual General Meeting is held by the end of June in Helsinki, Finland. The Finnish Companies Act and Stora Enso’s Articles of Association specify in detail that the following matters have to be dealt with at the AGM:

- presentation and adoption of the annual accounts
- presentation of the report of the Board of Directors and the Auditor’s report
- use of the result and distribution of funds to the shareholders
- resolution concerning discharge of the members of the Board and the Chief Executive Officer from liability
- decision on the number and the remuneration of the members of the Board and the Auditor
- election of the Chairman, Vice Chairman and other members of the Board and the Auditor
- any other matters notified separately in the notice to the meeting.
Shareholders’ Nomination Board

The Stora Enso AGM in 2016 established a Shareholders’ Nomination Board to exist until otherwise decided and to annually prepare proposals to the shareholders’ meeting concerning:

- the number of members of the Board;
- the Chairman, Vice Chairman and other members of the Board;
- the remuneration for the Chairman, Vice Chairman and members of the Board;
- the remuneration for the Chairman and members of the committees of the Board.

In 2017 the Shareholders’ Nomination Board in 2017 comprised four members: Jorma Eloranta (Chairman of the Board), Hans Stråberg (Vice Chairman of the Board) and two other members appointed by the two largest shareholders, namely Harri Sillas (Solidium Oy) and Marcus Wallenberg (FAM AB). Marcus Wallenberg was elected Chairman of the Shareholders’ Nomination Board. Prior to the AGM 2017, Gunnar Brock Chairman of the Board, acted as member of the Shareholders’ Nomination Board and Kari Järvinen as member appointed by Solidium Oy and also as the Chairman of the Shareholders’ Nomination Board.

The main tasks of the Shareholders’ Nomination Board were to prepare the proposals for the AGM 2018 concerning Board members and their remuneration. The Shareholders’ Nomination Board during its working period 2017–2018 convened 5 times. Each member of the Shareholders’ Nomination Board attended all the meetings.

In its proposal for the AGM 2018, the Shareholders’ Nomination Board proposes that of the current members of the Board of Directors – Anne Brunilla, Jorma Eloranta, Elisabeth Fleuriot, Hock Goh, Christiane Kuehne, Richard Nilsson, Göran Sandberg and Hans Stråberg be re-elected members of the Board of Directors until the end of the following AGM and that Antti Mäkinen be elected new member of the Board of Directors for the same term of office. It is proposed that Jorma Eloranta be elected Chairman of the Board and Hans Stråberg Vice Chairman of the Board. The Shareholders’ Nomination Board also proposes that the remuneration of the Board be increased by approximately three (3) percent.

For the purpose of carrying out its tasks, the Shareholders’ Nomination Board has received the results of the yearly evaluation of the Board of Directors as well as the assessment of each director’s independence of the Company and of significant shareholders. The Board performance evaluation material has also included a report on Board member interviews by the Chairman of the Board of Directors. The Shareholders’ Nomination Board has taken the results of the Board evaluation and the requirements relating to director independence into account in its work. The Shareholders’ Nomination further considers the principles of the Board Diversity Policy in preparing its proposal. The Shareholders’ Nomination Board has a charter that defines its tasks and responsibilities in more detail.

Remuneration

No remuneration is paid for members of the Shareholders’ Nomination Board as decided by the AGM. The Shareholders’ Nomination Board Charter is presented at storaenso.com/investors/governance.

Composition of the Shareholders’ Nomination Board in 2017*

<table>
<thead>
<tr>
<th>Chairman of Stora Enso’s Board of Directors</th>
<th>Vice Chairman of Stora Enso’s Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jorma Eloranta¹, member</td>
<td>Hans Stråberg¹, member</td>
</tr>
<tr>
<td>Marcus Wallenberg, Chairman</td>
<td>Harri Sillas, member</td>
</tr>
</tbody>
</table>

Chairman of Stora Enso's Shareholders' Nomination Board. Born 1958. B.Sc. (Foreign Service). Chairman of the Board of Directors of FAM AB.

Member of Stora Enso's Shareholders' Nomination Board. Born 1951. Econ. Chairman of the Board of Directors of Solidium Oy.

¹ Curriculum vitae of Jorma Eloranta and Hans Stråberg, see page 16.
the corresponding number of already issued shares. The independence is evaluated yearly in accordance with recommendation 10 of the Finnish Corporate Governance Code of 2015. All directors are required to deal at arm’s length with the Company and its subsidiaries and to disclose circumstances that might be perceived as a conflict of interest.

The shareholders at the AGM decide the remuneration of the Board members (including the remuneration of the members of the Board committees).

The Board supervises the operation and management of Stora Enso and decides on significant matters relating to strategy, investments, organisation and finance. The Board is responsible for overseeing management and for the proper organisation of the Company’s operations. It is likewise responsible for overseeing the proper supervision of accounting and control of financial matters.

The Board has defined a working order, the principles of which are published in the Corporate Governance report and on the Company’s website.

The AGM elects the Chairman and Vice Chairman of the Board. Should the Chairman or Vice Chairman of the Board of Directors resign or become otherwise unable to act as Chairman or Vice Chairman during their term of office, the Board may elect a new Chairman or Vice Chairman from among its members for the remaining term of office.

The Board appoints the CEO, Chief Financial Officer (CFO) and other GLT members. The Board approves the main organisational structure of the Company.

The Board reviews and determines the remuneration of the CEO, which is described in the Annual Report and on the Company’s website. The Board and each of its Committees evaluates its performance annually. The results of the Board’s evaluation are reviewed by the Board and shall be communicated to the Shareholders’ Nomination Board, which shall take the results of the Board evaluation into account in its work. The Board also reviews the corporate governance policy annually and amends it when required.

The Board’s work is supported through its committees – the Financial and Audit Committee, the Remuneration Committee and the Sustainability and Ethics Committee. Each committee’s chairman and members are appointed by the Board annually.

The Board meets at least five times a year. The Board members meet regularly without management in connection with the Board meetings.

**Board Diversity Policy**

The Company has established a Board Diversity Policy setting out the principles concerning the diversity of the Board. The Shareholders’ Nomination Board shall in connection with preparing its proposals for the nomination of directors to the AGM consider the principles of the Company’s Board Diversity Policy.

Directors shall be nominated on the basis of their merits and with consideration of the benefits of diversity and the principles that the Company refers to as Diversity of Thought, including but not limited to criteria of diversity such as gender, age, nationality and individual differences both in professional and personal experiences. The merits of directors include knowledge of the operational environment of the Company, its markets and of the industry within which it operates, and may include elements such as financial, sustainability or other specific competency, geographical representation and business background as required in order to achieve the appropriate balance of diversity, skills, experience and expertise of the Board collectively. The foremost criteria for nominating director candidates shall be the candidates’ skills and experiences, industrial knowledge as well as personal qualities and integrity. The composition of the Board as a whole shall reflect the requirements set by the Company operations and its development stage. The number of directors and the composition of the Board shall be such that they enable the Board to see to its duties efficiently. Both genders shall be represented on the Board and the aim of the Company shall be to strive towards a good and balanced gender distribution.

The Shareholders’ Nomination Board has taken the principles of the policy into account in its work. The Shareholders’ Nomination Board finds that the proposed composition of the Board reflects diversity and a good variety of skills and experiences among the Board members following the principles set out in the Board Diversity Policy.

The Board has during 2017 been composed of nine members representing five different nationalities and a diverse range of experience from global companies and industrial sectors. All Board members have university degrees from different fields with a majority in the field of economics and finance in addition to which three members hold a doctorate degree. All members have vast experience from global companies either from earlier operative positions or through board memberships. A detailed description of the educational and professional backgrounds of the Board members can be found on pages 16–17.

The Board members represent a good knowledge of the operational environment of the Company as well as particular experience of amongst others sustainability, financial competence and the business environment relevant to the operations of the Company. The age of the Board members during 2017 varied from 46 years to 66 years and the Board was composed of three women and six men.

The Shareholders’ Nomination Board has in 2017 considered its previous evaluation of competencies that may be further strengthened in the long term Board succession planning as well as the aim to take action to further strive towards a good and balanced gender distribution. In its proposal for the AGM 2018 the Shareholders’ Nomination Board has proposed a Board composition that includes three women and six men in the age range of 47 years to 67 years and representing a total of five different nationalities. The proposed new Board member Antti Mäkinen is independent of the Company but not of its significant shareholders due to his position as CEO of Solidium, a significant shareholder of the Company.

The aim of the Shareholders’ Nomination Board going forward is to continuously evaluate the long-term competencies that would benefit the Board work as well as ensure that a Diversity of Thought is maintained on the Board. The aim is further to maintain or strengthen a good and balanced gender distribution.

The Board Diversity Policy is presented at storaenso.com/investors/governance.

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In 2017

The Board had nine members at the end of 2017, all of them independent of the Company. The Board members are also independent of significant shareholders of the Company with the exception of Richard Nilsson (investment Manager at FAM AB) and Göran Sandberg (position as executive director of majority shareholders of FAM AB).

The Board members nominated at the AGM in 2017 were Jorma Eloanta (Chairman), Hans Strässberg (Vice Chairman), Anne Brunila, Elisabeth Fleuriot, Hock Goh, Christiane Kuehne, Mikael Mäkinen, Richard Nilsson and Göran Sandberg. The Board convened 10 times during the year.

In its meeting after the AGM on 27 April 2017 the Board discussed focus areas for its work. The Board agreed that these areas for the year to come should be (1) acceleration of growth, (2) improvement of efficiency and productivity and (3) talent management. Various matters have based on the agenda been discussed, reviewed and decided in the Board. Further, the CEO has on a monthly basis reported progress on the same to the Board.

The Board has conducted an internal self-evaluation relating to the Board’s work, which together with the evaluation of the Board members’ independence has been provided to the Shareholders’ Nomination Board for information. The Board performance evaluation has also included Board member interviews performed by the Board Chairman, the result of which has been reported to the Shareholders’ Nomination Board. For detailed information about the Board members and their share ownerships, see pages 16–17.
The Board of Director's and management annual working cycle

Board meeting (Q3)
SECo, FAC, RemCo
Inside Committee meeting
Board meeting (strategy)
SECo, FAC
Inside Committee meeting
Board meeting (Q2)
FAC
Inside Committee meeting
Board meeting (Full year and Q4 + annual governance update)
SECo, FAC, RemCo
Inside Committee meeting
Annual General meeting

Quarterly
- Meetings with auditors
- Divisional Business & Innovation reviews

Monthly
- GLT meetings
- Investment Working Group meetings

Working order of the Board
The working order describes the working practices of the Board. A summary of key contents is presented below.

Board meetings
- occur regularly, at least five times a year, according to a schedule decided in advance;
- special Board meetings shall, if requested by a Board member or the CEO, be held within 14 days of the date of request;
- agenda and material shall be delivered to Board members one week before the meeting.

Information
- the Board shall receive information monthly concerning financial performance, the market situation and significant events within the Company’s and the group’s operations;
- Board members shall be informed about all significant events immediately.

Matters to be handled at Board meetings
- matters specified by the Finnish Companies Act;
- approval of business strategy;
- organisational and personnel matters
  » decisions concerning the basic top management organisation;
  » decisions concerning the composition of the Group Leadership Team;
- remuneration of the CEO;
- appointment and dismissal of the CEO and approval of heads of divisions and other senior officers belonging to the GLT;
- appointment of Board committees (including chairmen);
- economic and financial matters
  » review of annual budget;
  » approval of loans and guarantees, excluding intra-group loans and guarantees;
  » report of share repurchases, if any;
  » approval of Group Risk Management Policy according to Financial and Audit Committee’s proposal;
- investment matters
  » approval of investment policy of the group;
  » approval of major investments;
  » approval of major divestments;
- other matters
  » report of the CEO on the group’s operations;
  » reports of the Remuneration Committee, Financial and Audit Committee and Sustainability and Ethics Committee by the chairmen of the respective committees. The recommendations and proposals by the Shareholders’ Nomination Board shall be reported to the Board by the Chairman of the Board.
  » approval and regular review of the Corporate Governance policy and the charters of the Board committees;
  » annual self-assessment of Board work and performance as well as independence;
- other matters submitted by a member of the Board or the CEO.
Board committees
The tasks and responsibilities of the Board committees are defined in their charters, which are approved by the Board. All the committees evaluate their performance annually, are allowed to use external consultants and experts when necessary and shall have access to all information needed. Each committee’s chairman and members are appointed by the Board annually.

Financial and Audit Committee
The Board has a Financial and Audit Committee to support the Board in maintaining the integrity of the Company’s financial reporting and the Board’s control functions. It regularly reviews the system of internal control, management and reporting of financial risks, the audit process and the annual corporate governance statement. It makes recommendations regarding the appointment of external auditor for the parent company and the main subsidiaries.

The Committee comprises three to five Board members, who are independent and not affiliated with the Company. At least one Committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company, book-keeping or auditing. The Financial and Audit Committee meets regularly, at least four times a year. The Committee members meet the external and internal auditors regularly without the management being present. The Chairman of the Committee presents a report on each Financial and Audit Committee meeting to the Board. The tasks and responsibilities of the Financial and Audit Committee are defined in its charter, which is approved by the Board. Financial and Audit Committee members may receive remuneration solely based on their role as directors. The remuneration is decided upon by the shareholders at the AGM.

In 2017
The Financial and Audit Committee comprised four members in 2017: Richard Nilsson (Chairman), Jorma Eloranta, Christiane Kuehne and Mikael Mäkinen. The Committee convened 7 times.

The main task of the Committee is to support the Board in maintaining the integrity of Stora Enso’s financial reporting and the Board’s control functions. To fulfil its task the Committee regularly reviews the Company’s system of internal control, management and reporting of financial and enterprise risks as well as the audit process. The Committee further reviews relevant compliance related cases that have been reported to Internal Audit and Ethics and Compliance during the year. In addition, the Committee has in 2017 conducted a statutory audit tender process resulting in a recommendation to the Board on the auditor candidate to be proposed to the AGM 2018.

Remuneration
Chairman EUR 20 000 per annum and member EUR 14 000 per annum as decided by the AGM.

Remuneration Committee
The Board has a Remuneration Committee which is responsible for recommending and evaluating executive nominations and remunerations (including reviewing and recommending the CEO’s remuneration), evaluating the performance of the CEO, and making recommendations to the Board relating to management remuneration issues generally, including equity incentive remuneration plans. There is a Remuneration Committee representative present at the AGM to answer questions relating to the management remuneration. The Board appoints the CEO and approves his/her remuneration as well as the nomination and compensation of other members of the Group Leadership Team (GLT).

The Committee comprises three to four Board members, who are independent and not affiliated with the Company. The Remuneration Committee meets regularly, at least once a year. The Chairman of the Remuneration Committee presents a report on each Remuneration Committee meeting to the Board. The tasks and responsibilities of the Remuneration Committee are defined in its charter, which is approved by the Board.

In 2017
The Remuneration Committee comprised three members in 2017. The members were Jorma Eloranta (Chairman), Elisabeth Fleuriot and Hans Stråberg. The Committee convened 4 times.

During 2017 the main tasks of the Committee were to recommend, evaluate and approve executive nominations and remunerations, and to make recommendations to the Board relating to management remuneration in general, including short and long term incentive programmes. In addition the Committee discussed and evaluated the external reporting on executive remuneration.

Remuneration
Chairman EUR 10 000 and member EUR 6 000 per annum as decided by the AGM.

The Remuneration Committee Charter is presented at storaenso.com/investors/governance.

Sustainability and Ethics Committee
The Board has a Sustainability and Ethics Committee which is responsible for overseeing the Company’s sustainability and ethical business conduct, its strive to be a responsible corporate citizen, and its contribution to sustainable development. The Committee regularly reviews Stora Enso’s Sustainability Strategy and Ethics and Compliance Strategy and, in accordance with Stora Enso’s corporate governance structure, oversees its effective implementation. In its work the Committee takes into consideration Stora Enso’s Purpose and Values as well as Code of Conduct and Business Practice Policy.

The Committee comprises two to four Board members who are nominated annually by the Board. The members are independent of and not affiliated with Stora Enso. At least one Committee member is expected to have sufficient prior knowledge and experience in handling responsibility and ethics matters.

The Committee meets regularly, at least two times a year. The Chairman of the Committee presents a report on each Sustainability and Ethics Committee meeting to the Board. The tasks and responsibilities of the Committee are defined in its charter, which is approved by the Board. Sustainability and Ethics Committee members may receive remuneration solely based on their role as directors. The compensation is decided by the shareholders at an AGM.
Management of the Company

Chief Executive Officer (CEO)
The CEO is in charge of the day-to-day management of the Company in accordance with instructions and orders issued by the Board. It is the duty of the CEO to ensure that the Company’s accounting principles comply with the law and that financial matters are handled in a reliable manner.

Remuneration
Chairman EUR 10,000 and member EUR 6,000 per annum as decided by the AGM.

The Sustainability and Ethics Committee Charter is presented at storaenso.com/investors/governance.

Group Leadership team

In 2017
The Sustainability and Ethics Committee comprised three members in 2017: Anne Brunila (Chairman), Hock Goh and Göran Sandberg. The Committee convened 4 times.

The Committee in each of its meeting reviews the areas relevant for the Committee’s work, including an update on sustainability matters as well as ethics and compliance matters. The Committee further reviews sustainability and ethics and compliance KPI’s, sustainability reporting as well as relevant sustainability initiatives and processes carried out during the year. An important part of the Committee’s work consists of overseeing reported compliance cases.

The Board approves the main organisation, including the functions reporting to the CEO. At the end of 2017 the CEO was directly in charge of the following functions, which also reported to him:
- Divisions (Consumer Board, Packaging Solutions, Biomaterials, Wood Products, and Paper)
- IT
- Human resources
- Legal, General Counsel
- Communications
- Sustainability
- Sourcing and Logistics
- CEO Office (responsible for Wood Supply, Group R&D Innovation and special strategic projects)

The CEO is also responsible for preparatory work with regard to Board meetings. In addition, the CEO supervises decisions regarding key personnel and other important operational matters. One of the Group Leadership Team members acts as deputy to the CEO as defined in the Finnish Companies Act.

In 2017
The GLT had 12 members at the end of 2017. The GLT convened 12 times during the year. Important items on the agenda in 2017 were safety issues, financial performance, strategy and transformation, sustainability, customer-driven innovation, reviewing the operations of the group, planning and following up investment and other strategic projects, digitalisation, and preparatory work for Board meetings.

1 The Committee prior to the AGM on 27 April 2017 comprised three members: Anne Brunila (Chairman), Elisabeth Fleuriot and Richard Nilsson.
Group Leadership Team (GLT)
The GLT is chaired by the CEO. The GLT members are appointed by the CEO and approved by the Board. At the end of the year, the GLT members are the CEO, the CFO, the heads of the divisions, HR, Legal (who is also General Counsel), Communications, Sustainability, and Sourcing and Logistics.

The GLT assists the CEO in supervising the group and divisional performance against agreed targets, portfolio strategy, ensuring the availability and value-creating allocation of Group funds and capital, and statutory, governance, compliance and listing issues and policies.

Divisions and other functions
The divisions are responsible for their respective line of business and are organised and resourced to deal with all business issues. The CEO steers the divisions through quarterly and as needed Business Performance Reviews as well as the GLT meetings.

Strategic investment projects are approved on group level following the mandate by the CEO and Board of Directors. Each Division will in addition be granted an annual allocation intended for smaller annual replacement and development needs in relation to investments. All projects are reviewed by the Investment Working Group comprising group and division representatives and headed by the CFO (also the allocation proposals are made by IWG).

Innovation is organised and executed within the divisions to drive market and customer focus. The progress of innovation efforts are evaluated in quarterly Business and Innovation Reviews with the CEO, CFO, head of group innovation, the division Head and the division Innovation Head. Innovation funding is supported from group level by both the innovation and the digitalisation fund, where divisions make proposals, which are then reviewed and decided by IWG.

Sustainability is the responsibility of line management supported by subject matter experts throughout the group. Each business division also has its own Head of Sustainability who reports directly to the Executive Vice President of the division. Stora Enso’s sustainability work is steered by the Sustainability Council, whose members come from the group’s five divisions, Sourcing and Logistics, and group Sustainability team which reports to the Executive Vice President for Sustainability who in turn reports to the CEO. The CEO carries ultimate responsibility for successful implementation of Stora Enso’s Sustainability Agenda.

The Company has user boards for certain cross-functional service functions (Logistics, IT, Energy and parts of Wood Supply). These user boards consist of representatives of the divisions using these services. The user boards supervise and steer the operations of the respective functions.

The Company has established proper disclosure policies and controls, and process for quarterly and other ongoing reporting.

Other supervisory bodies and norms
Auditor
The AGM annually elects one auditor for Stora Enso. The Financial and Audit Committee monitors the auditor selection process and gives its recommendation as to who should serve as auditor to the Board for the purpose of making the proposal to the shareholders at the AGM. The auditor shall be an authorised public accounting firm, which appoints the responsible auditor.

In 2017 the Company conducted a statutory audit tender process in accordance with applicable EU regulation with view of the proposal to be made to the AGM in 2018 regarding the auditor election as the current auditor of the Company had served since 2008. During the audit tender process, the Financial and Audit Committee has carefully assessed and considered several good and qualified auditor candidates and evaluated the candidates against a variety of customarily used selection criteria communicated to the candidates. The Board has on the recommendation of the Financial and Audit Committee proposed that PricewaterhouseCoopers Oy be elected auditor by the AGM 2018.

Principal independent auditor’s fees and services

<table>
<thead>
<tr>
<th>EUR million</th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td>Audit fees</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Audit-related</td>
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<td>-</td>
</tr>
<tr>
<td>Tax fees</td>
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<tr>
<td>Other fees</td>
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<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

In 2017
Deloitte Oy (Deloitte) has been acting as Stora Enso’s auditor since 2008. At the 2017 Annual General Meeting Deloitte was re-elected as auditor for a term of office expiring at the end of the Annual General Meeting in 2018.

Internal Audit
Stora Enso has a separate internal auditing organisation. The role of Internal Audit is to provide independent, objective assurance and consulting services that add value and improve the group’s operations. Internal Audit helps the group to accomplish its objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control, risk management and governance processes.

To ensure the independence of the Internal Audit department, its personnel report to the head of Internal Audit, who reports functionally to the Financial and Audit Committee, and administratively to the CFO. The Financial and Audit Committee approves the appointment of the head of Internal Audit following the recommendation by the CEO.

Internal Audit conducts regular audits at mills, subsidiaries and other Company units, implementing a risk based annual audit plan approved by the Financial and Audit Committee, including any special tasks or projects requested by management and the Financial and Audit Committee.

Ethics and Compliance Management Committee
Stora Enso’s Ethics and Compliance Management Committee supervises and monitors legal and regulatory compliance-related policies, implementation and maintenance of processes and tools, regarding the same, and concrete compliance issues and cases in the field of business practices. The Ethics and Compliance Management Committee consists of the General Counsel (chairman), CEO, CFO, Head of HR, Head of Communication, Head of Sustainability, Head of Internal Audit and the Legal Counsel dedicated to compliance matters. The Ethics and Compliance Management Committee shall convene at least four times every year.

Compliance
Stora Enso is committed to taking responsibility for its actions, to complying with all applicable laws and regulations wherever it operates, and to creating and maintaining ethical relationships with its customers, suppliers and other stakeholders. The Stora Enso Code of Conduct is a single set of values defined for all our employees, to provide guidance on our approach to ethical business practices, environmental values, and human and labour rights. These same values are applied wherever we operate. In 2011 the company established its Business Practice Policy to complement the Code of Conduct, which further sets out Stora Enso’s approach to ethical business practices and describes the processes for reporting on
violations thereof. The Business Practice Policy was revised in 2016 in order to streamline and simplify our policies and guidelines. Continuous e-learning, face-to-face training and sign-off are organised in order to ensure that these are part of the everyday decision-making and activities at Stora Enso.

In order to enhance the supervision and monitoring of legal and regulatory compliance related policies and issues, Stora Enso has established its Ethics and Compliance Management Committee. In addition, Compliance Forums, comprising of heads of key functions, in divisions, group functions and Chinese operations play an important role in risk assessing and monitoring compliance within their respective areas. The Compliance Forums use The Ethics and Compliance Self-Assessment Tool (T.E.S.T) to give them a better overview of the progress their units are making in policy implementation, compliance measures taken, and possible gaps and risks in compliance. Results of the T.E.S.T are covered in Compliance Forums and action plans developed and followed up on accordingly.

Stora Enso’s employees are encouraged to report any suspected cases of misconduct or unethical behaviour to their own supervisor, or to Human Resources or Legal functions. Employees may also confidentially report their concerns to the Head of Internal Audit. Stora Enso uses an additional external service through which employees globally, and in certain locations also external stakeholders, can anonymously report potential non-compliance cases by phone, mail, or online. This service, which covers all of our units, is available 24/7.

Insider administration
The Company complies with EU and Finnish insider regulation as well as the guidelines of Nasdaq Helsinki Oy. The Company’s internal insider guidelines are published and distributed throughout the group. Stora Enso legal function and the General Counsel is responsible for the procedures relating to inside administration, including monitoring compliance with applicable regulation, keeping of inside lists and internal training. The Company has established an Insider-Committee composed of the CEO, CFO as well as representatives of Communications, IR and Legal for the purpose of continuously reviewing pending projects and the existence of inside information in the Company.

The Company expects the management and all its employees to act in the way required of an insider. All unpublished information relating to the Company’s present and future business operations shall be kept strictly confidential.

Persons discharging managerial responsibilities (PDMR)’s in Stora Enso are the members of the Board, the CEO and the CFO, as well as the members of the Group Leadership Team (GLT). PDMR’s as well as their closely related persons are subject to a duty to notify the Company and the Finnish Financial Supervisory Authority of all transactions with the securities of the Company.

The Company also keeps a list of persons that are involved in the preparation of interim reports and financial results, which is approved by the General Counsel (Closed Period List). Persons included in the list are e.g. members of the Division management teams, members of Financial Communications and Investor Relations as well as the heads and certain team members of Treasury, Group Accounting and Controlling and Legal.

Persons, who participate in the development and preparation of a project that constitutes inside information, are considered project specific insiders. A separate project-specific insider register is established when required by the decision of the General Counsel or Assistant General Counsel.

The insider guidelines do not permit Stora Enso PDMR’s or persons involved in the preparation of interim reports or financial results and entered into the Closed Period List to buy or sell any of the Company’s securities (i.e. shares, options and synthetic options) during the closed period defined below or when they possess information that could have a material impact on the Stora Enso share price.

Closed period
Stora Enso closed period starts when the reporting period ends or 30 days prior to the announcement of the results, whichever is earlier and lasts until the results are announced. The dates are published in the financial calendar at storaenso.com/investors.

During closed periods Stora Enso PDMR’s or persons entered into the Company’s Closed Period List are not allowed to trade in Company securities.

Internal control and risk management related to financial reporting

Internal control over financial reporting
The system of internal control related to financial reporting in the Stora Enso group is based upon the framework issued by the Committee of Sponsoring Organisations (COSO) and comprises five principal components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring.

The internal controls related to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies.

Control environment
Stora Enso’s control environment sets the tone of the organisation providing the company purpose and values, policies, processes and structures as a foundation for carrying out internal control across the organisation. Stora Enso has a formal Code of Conduct that sets forth its rules. To complement the Code of Conduct, Stora Enso has a Business Practice Policy, which further sets out Company’s approach to ethical business practices and describes the processes for reporting on violations thereof. All employees are expected to comply with the Code of Conduct and Business Practice Policy. Continuous e-learning, face-to-face training and sign-off are organised in order to ensure that these are part of the everyday decision-making and activities at Stora Enso.

The Board, supported by the Financial and Audit Committee, has the overall responsibility for setting up an effective system of internal control and risk management. Responsibility for maintaining effective risk management and internal controls over financial reporting is delegated to the CEO. The GLT and senior management issue corporate guidelines that stipulate responsibilities and authority and constitute the control environment for specific areas, such as finance, accounting, investments, purchasing and sales. These responsibilities have been described in Stora Enso’s Risk and Control Policy which also outlines the responsibilities of the first and second line of defense. Group Internal Control function, under the CFO’s supervision, is responsible for group-wide internal control governance and processes, whereas divisions, various support and service functions are accountable for operating effective internal controls.

Risk assessment
Stora Enso’s management specifies objectives relating to the preparation of financial statements. The company applies an annual process to establish the overall materiality and to identify significant financial statements accounts and disclosures. Relevant objectives and risks for processes are identified and evaluated to determine Stora Enso’s minimum internal control requirements for all business units and support functions. The assessment of risk includes risks related to fraud and irregularities as well as the risk of loss or the misappropriation of assets. Information on the development of essential risk areas and executed and planned activities in these areas are regularly communicated to the Financial and Audit Committee.
Control activities
Stora Enso’s control activities are the policies, procedures and organisational structures in place to ensure that management directives are carried out and that necessary action is taken to address risks related to the achievement of objectives relating to financial reporting. Stora Enso’s minimum internal control requirements are aimed at preventing, detecting and correcting accounting and disclosure errors and irregularities and are performed on all company levels. They include a range of activities such as approvals, authorisations, verifications, reconciliations, reviews of operating performance, the security of assets and the separation of duties as well as general computer controls.

Information and communication
The Company’s information and communication channels support the completeness and correctness of financial reporting. For example, the management communicates information about Stora Enso’s financial reporting objectives, financial control requirements, policies and procedures regarding accounting and financial reporting to all employees concerned. The management also communicates regular updates and briefings regarding changes in accounting policies and reporting and disclosure requirements. Subsidiaries and operational units make regular financial and management reports to the management, including the analysis of and comments on financial performance and risks. The Board receives monthly financial reports. The Company has internal and external procedures for anonymous reporting of violations related to accounting, internal controls and auditing matters.

Monitoring
The Company’s financial performance is reviewed at each Board meeting. The Financial and Audit Committee handles all Interim Reports and the Board reviews them before they are released by the CEO. The annual financial statements and the Report of the Board of Directors are reviewed by the Financial and Audit Committee and approved by the Board. The effectiveness of the process for assessing risks and the execution of control activities are monitored continuously at various levels. Monitoring involves both formal and informal procedures applied by management and processes owners, including reviews of results which are compared against the set budgets and plans, analytical procedures and key performance indicators. Additionally, in 2017 Stora Enso started implementing internal control tool to facilitate and automate internal control processes, control performance, continuous controls monitoring and reporting risks to management.

Stora Enso has a separate internal auditing organisation which independently evaluates the design and operating effectiveness of internal controls over financial reporting. The role, responsibilities and organisation of Internal Audit are described under Other Supervisory Bodies and Norms.
This Remuneration statement describes Stora Enso’s main principles of remuneration and the remuneration paid to members of the Board of Directors, Chief Executive Officer (CEO) and other members of the Group Leadership Team (GLT). The first part of this report describes Stora Enso’s remuneration decision-making procedure and remuneration policy. The second part describes the implementation in 2017 (Remuneration Report).

The Remuneration statement has been prepared in accordance with the Finnish Corporate Governance Code (the “Code”). The Code is available at cgfinland.fi. Stora Enso also complies with the Swedish Corporate Governance Code (“Swedish Code”), with the exception of the deviations listed in Appendix 1 of the Corporate Governance Report. The deviations are due to differences between the Swedish and Finnish legislation, governance code rules and practices, and in these cases Stora Enso follows the practice in its domicile. The Swedish Code is issued by the Swedish Corporate Governance Board and is available at corporategovernanceboard.se.

**Decision-making procedure**

The shareholders at the AGM decide annually on the remuneration of the Board members (including the remuneration of the members of Board committees). The proposals for the AGM concerning the remuneration for the Chairman, Vice Chairman and members of the Board as well as the remuneration for the Chairman and members of the committees of the Board are prepared by the Company’s Shareholders’ Nomination Board, which is composed of representatives of the main shareholders of the Company as well as Board member representatives and described in more detail on page 3 of the Corporate Governance Report.

The Board appoints the CEO and approves his/her remuneration as well as the compensation of other GLT members. The Board’s Remuneration Committee prepares remuneration related matters and proposals for the Board and is further responsible for ensuring that management compensation policies are aligned with the Company’s objectives and shareholder interest.
Main principles of remuneration

Stora Enso remuneration principles - general overview
Stora Enso aims to provide a level of remuneration that motivates, encourages, attracts and retains employees of the highest calibre. To maximise the effectiveness of the remuneration policy, careful consideration will be given to aligning the remuneration package with shareholder interests and best market practice.

A fundamental element in the remuneration principles is the concept of pay-for-performance, and an important aspect of Stora Enso’s approach to remuneration is to look at the total remuneration provided to employees. Stora Enso’s total remuneration mix consists of:

- annual fixed salary
- variable pay components as short-term incentives (cash) and long-term incentives (shares when applicable)
- long-term employee benefits (pension, medical and health benefits)
- other benefits (car, housing, etc. when applicable)

Regular external benchmarking is crucial to ensure that compensation levels are competitive with the external marketplace. The marketplace is defined as those peer companies with whom Stora Enso competes for recruiting talents and retention of current employees for similar positions. The market will vary depending on functional area and level of the positions concerned.

Compensation Review is an annual process with the aim to ensure that Stora Enso employees are being rewarded in accordance with our Remuneration Policy and local regulations, such as labour laws and collective agreements.

The Group Leadership Team annually reviews the performance and potential ratings, as well as the succession planning of its top management in order to secure global principles with local applications.

Board member remuneration principles
Remuneration of the Board of Directors is decided annually by the shareholders at the AGM. The AGM in 2017 resolved in accordance with the proposal of the Shareholders’ Nomination Board that the members of the Board of Directors be paid the following annual remuneration for their term of office expiring at the end of the AGM 2018:

- for the Chairman of the Board of Directors EUR 170,000
- for the Vice Chairman of the Board of Directors EUR 100,000, and
- for other members of the Board of Directors EUR 70,000 each.

The Board members shall use approximately 40% of their annual Board member remuneration to purchase Stora Enso’s R shares from the public market and the purchases shall be carried out during the two weeks following the AGM. The Company has no formal policy requirements for the Board members to retain shares received as remuneration. In addition, the AGM decided that the following annual remuneration be paid to the members of the Board Committees:

- for the Chairman of the Financial and Audit Committee EUR 20,000, and
- for the members of the Financial and Audit Committee EUR 14,000 each,
- for the Chairman of the Remuneration Committee EUR 10,000, and
- for the members of the Remuneration Committee EUR 6,000 each,
- for the Chairman of the Sustainability and Ethics Committee EUR 10,000, and
- for the members of the Sustainability and Ethics Committee EUR 6,000 each.

Share-based compensation plan

<table>
<thead>
<tr>
<th>LTI 2015</th>
<th>Yearly STI programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTI 2016</td>
<td>Vesting period</td>
</tr>
<tr>
<td>LTI 2017</td>
<td>Vesting period</td>
</tr>
<tr>
<td>STI</td>
<td></td>
</tr>
</tbody>
</table>

* Date of grant 1 March

LTI Long term incentive  STI Short term incentive
CEO remuneration principles
The CEO has been employed since 1 August 2012 and assumed the position as CEO on 1 August 2014. He has a notice period of six months with a severance payment of twelve months salary on termination by the company but with no contractual payments on any change of control. The CEO’s benefits include pension provisions.

Benefits include mobile phones, cars and insurances.

GLT members receive a monthly salary. In total for all GLT members EUR 3,583,000 in 2017.

Short Term Incentive (STI) programme for CEO
The CEO is entitled to a STI programme decided by the Board each year giving a maximum of 75% of annual fixed salary. The STI for 2016 and 2017 was based 70% on financial measures and 30% on Individual Key Targets.

Long Term Incentive (LTI) programmes for CEO
The CEO participates in the yearly programmes of 2015, 2016 and 2017. The CEO has the potential to receive yearly awards in the Company’s short term and long term incentive programmes for management.

In accordance with their respective pension arrangements, GLT members may retire at sixty-five years of age with pensions consistent with local practices in their respective home countries. Contracts of employment provide for notice of six months prior to termination with severance compensation of twelve months basic salary if the termination is at the Company’s request.

Short Term Incentive (STI) programmes for management
GLT members have STI programmes with up to a maximum 40% or 50% of their annual fixed salary, payable the year after the performance period. 70% of the STI for 2016 and 2017 was based on financial measures and 30% on Individual Key Targets.

The financial performance metrics in the STI programme are EBITDA and Working Capital Ratio. The Individual Targets are based on a balanced scorecard approach within the categories of Customer, People, Sustainability and Special Projects.

Long Term Incentive (LTI) programmes for management
Since 2014, the LTI programmes have had three-year targets and vest in one portion after three years. The maximum vesting level is 100% of the number of shares granted. Three quarters (75%) of the opportunity under the 2017 programme is in Performance Shares, where the shares are vested in accordance with performance criteria proposed by the Remuneration Committee and approved by the Board of Directors. One quarter (25%) of the opportunity is in Restricted Shares, for which vesting is only subject to continued employment.

The financial success metric in the Performance Share programme is 3-year EVA (Economic Value Added) for the Stora Enso group.

2017 CEO remuneration

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual salary</td>
<td>EUR 913,000 in 2017. The CEO is entitled to a STI programme decided by the Board each year giving a maximum of 75% of annual fixed salary.</td>
</tr>
<tr>
<td>Short-term incentive</td>
<td>Outstanding LTI programmes include the yearly programmes of 2015, 2016 and 2017. The CEO has the potential to receive a maximum of 81,401 shares in the 2017 programmes that will be settled 2020.</td>
</tr>
<tr>
<td>Long-term incentive</td>
<td>Benefits include mobile phone, car and insurance.</td>
</tr>
<tr>
<td>Other benefits</td>
<td>Retirement age is 65. Pension plan consists of collectively agreed pension plan in Sweden (ITP2) and a defined contribution (DC) top up pension plan.</td>
</tr>
<tr>
<td>Pension</td>
<td>Notice period of six months with a severance payment of twelve months salary on termination by the company but with no contractual payments on any change of control.</td>
</tr>
</tbody>
</table>

2017 GLT remuneration, other than CEO

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual salary</td>
<td>GLT members receive a monthly salary. In total for all GLT members EUR 3,583,000 in 2017. GLT members are eligible for STI with up to a maximum of 50% of their annual fixed salary, payable the year after the performance period.</td>
</tr>
<tr>
<td>Short-term incentive</td>
<td>Outstanding LTI programmes include the yearly programmes of 2015, 2016 and 2017. The GLT members can potentially receive total grant of maximum 269,386 shares in the 2017 programmes that will be settled 2020.</td>
</tr>
<tr>
<td>Long-term incentive</td>
<td>Benefits include mobile phones, cars and insurances.</td>
</tr>
<tr>
<td>Other benefits</td>
<td>GLT members may retire at 65 years of age with pensions consistent with local practices in their respective home countries.</td>
</tr>
<tr>
<td>Pension</td>
<td>Contracts of employment provide for notice of six months prior to termination with severance compensation of twelve months’ basic salary if the termination is at the Company’s request.</td>
</tr>
</tbody>
</table>
Remuneration Report 2017

Board remuneration in 2017

In 2017, the Board members of Stora Enso were compensated as set out in the following chart. Based on the decision of the AGM 2017, 40% of the Board remuneration was paid in Stora Enso R shares purchased from the market. In addition, Board members may receive a yearly compensation based on their positions as Chairman or members of Board committees. This level of remuneration to Board members has been the same since 2012.

### Board Remuneration

<table>
<thead>
<tr>
<th>EUR thousand</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>170 000</td>
<td>170 000</td>
</tr>
<tr>
<td>Vice Chairman</td>
<td>100 000</td>
<td>100 000</td>
</tr>
<tr>
<td>Board Member</td>
<td>70 000</td>
<td>70 000</td>
</tr>
</tbody>
</table>

¹ 40% of the Board remuneration in 2017 was paid in Stora Enso R shares purchased from the market and distributed as follows: to Chairman 6 012 R shares, Vice Chairman 3 536 R shares, and members 2 475 R shares each. The Company has no formal policy requirements for the Board members to retain shares received as remuneration.

### CEO remuneration

The total compensation for the CEO in 2017 amounted to EUR 2 638 000, including annual salary, customary fringe benefits (such as mobile phone) STI and LTI programmes, and pension costs.

The CEO has the potential to receive up to 81 401 shares under the 2017 LTI programme. The grant value EUR 825 406 is based on the share price at grant date and assuming the maximum vesting level during the three-year vesting period is achieved. The shares received by the CEO from previous awards amounted to 54 181 shares having a cash value at the 1 March 2017 settlement date of EUR 549 395 based on the share price of EUR 10.14 at that date.

### GLT remuneration excluding CEO

The total compensation for the GLT members excluding CEO in 2017 amounted to EUR 8 413 000 including annual salary, customary fringe benefits (such as mobile phone) STI and LTI programmes, and pension costs. The total number of GLT members was 12 at year end 2017, including also the CEO. Annica Bresky joined GLT on 1 May and Juan Bueno left GLT on 31 May.

Under the 2017 LTI programme, GLT members (in GLT at year end) potentially can receive 269 386 shares assuming that the maximum vesting level during the three-year vesting period (2017–2019) is achieved.

The fair value of employee services received in exchange for share based compensation payments is accounted for in a manner that is consistent with the method of settlement either as cash-settled or equity settled as described in more detail in Note 21 of the Financial Report 2017. For the equity settled part, it is possible that the actual cash cost does not agree with the accounting charges as the share price is not updated at the time of the vesting. The figures in the Group Leadership Team Remuneration table refer to individuals who were executives at the time of settlement.

During the year, the number of shares settled for executives (GLT members at settlement date) from previous awards amounted to 138 388, having a cash value at the 1 March 2017 settlement date of EUR 1 403 254 based on the share price at that date.

### Board Remuneration and Committee Memberships

<table>
<thead>
<tr>
<th>Year Ended 31 December</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR thousand</td>
<td>Cash</td>
<td>Shares</td>
</tr>
<tr>
<td>Board Members at 31 December 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jorma Eloranta, Chairman</td>
<td>126</td>
<td>68</td>
</tr>
<tr>
<td>Hans Stråberg, Vice Chairman</td>
<td>66</td>
<td>40</td>
</tr>
<tr>
<td>Anne Brunila</td>
<td>52</td>
<td>28</td>
</tr>
<tr>
<td>Elisabeth Fleuriot</td>
<td>48</td>
<td>28</td>
</tr>
<tr>
<td>Hock Goh</td>
<td>48</td>
<td>28</td>
</tr>
<tr>
<td>Christiane Kuehne</td>
<td>56</td>
<td>28</td>
</tr>
<tr>
<td>Mikael Mäkinen</td>
<td>56</td>
<td>28</td>
</tr>
<tr>
<td>Richard Nilsson</td>
<td>62</td>
<td>28</td>
</tr>
<tr>
<td>Göran Sandberg</td>
<td>48</td>
<td>28</td>
</tr>
<tr>
<td>Former Board members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gunnar Brock (until 27 April 2017)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Total Remuneration as Directors¹ | 562 | 304 | 866 | 782 |

¹ 40% of the Board remuneration in 2017 was paid in Stora Enso R shares purchased from the market and distributed as follows: to Chairman 6 012 R shares, Vice Chairman 3 536 R shares, and members 2 475 R shares each. The Company has no formal policy requirements for the Board members to retain shares received as remuneration.

² Stora Enso’s Shareholders’ Nomination Board has been appointed by the AGM in 2016 to exist until otherwise decided. The Shareholders’ Nomination Board according to its Charter as approved by the AGM comprises of 4 members; the Chairman and Vice Chairman of the Board of Directors, as well as two members appointed by the two largest shareholders (one each) as of 31 August each year.

³ Marcus Wallenberg appointed by FAM AB is Chairman of the Nomination Board. Harri Sailas is the member of the Shareholders’ Nomination Board appointed by Solidium Oy. Jorma Eloranta and Hans Stråberg were appointed as members of the Shareholders’ Nomination Board in their roles as Chairman and Vice Chairman of the Board of Directors.
The aggregate remuneration paid to the CEO and GLT members in 2017:

<table>
<thead>
<tr>
<th>EUR thousand</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CEO</td>
<td>Others¹</td>
</tr>
<tr>
<td><strong>Remuneration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual salary²</td>
<td>4 913</td>
<td>3 583</td>
</tr>
<tr>
<td>Local housing (actual costs)</td>
<td>-</td>
<td>70</td>
</tr>
<tr>
<td>Other benefits</td>
<td>20</td>
<td>610</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>-</td>
<td>531</td>
</tr>
<tr>
<td>Short Term Incentive programme³</td>
<td>532</td>
<td>643</td>
</tr>
<tr>
<td>Long Term Incentive programme³</td>
<td>549</td>
<td>1 403</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2 014</td>
<td>6 840</td>
</tr>
<tr>
<td><strong>Pension Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory plans</td>
<td>69</td>
<td>1 029</td>
</tr>
<tr>
<td>Stora Enso voluntary plans</td>
<td>555²</td>
<td>544</td>
</tr>
<tr>
<td><strong>Total Pension Costs</strong></td>
<td>624</td>
<td>1 573</td>
</tr>
<tr>
<td><strong>Total Compensation</strong></td>
<td>2 638</td>
<td>8 413</td>
</tr>
</tbody>
</table>

¹ The amounts include payments related to Juan Carlos Bueno until 31 May 2017. Payments related to the new GLT member Annica Bresky are included from 1 May 2017.
² The CEO participates in the Swedish Executive Pension Plan where pension accruals are unfunded for all participants, the liability is calculated and insured in accordance with Swedish legislation. The unfunded liability for the CEO amounts to EUR 2 049 thousand.
³ Disclosed amounts for Short and Long term Incentives include amounts for executives who were GLT members at the time of the payment in March 2017.
⁴ Annual salary for executives is disclosed only for the period during which they were GLT members.

CEO and GLT share interests

Stora Enso recommends and expects GLT members to hold Stora Enso shares at a value corresponding to at least one annual base salary. Stora Enso shares received as remuneration are therefore recommended not to be sold until this level has been reached. Stora Enso GLT members, including the CEO, held on 31 December 2017 shares in the Company as follows:

<table>
<thead>
<tr>
<th>Executives in office at the year end</th>
<th>R Shares held¹</th>
<th>Performance share opportunity 2018–2020²</th>
<th>Restricted share opportunity 2018–2020³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johanna Hagelberg</td>
<td>4 745</td>
<td>50 396</td>
<td>16 798</td>
</tr>
<tr>
<td>Kati ter Horst</td>
<td>19 166</td>
<td>79 469</td>
<td>26 490</td>
</tr>
<tr>
<td>Malin Bendz</td>
<td>13 793</td>
<td>30 400</td>
<td>10 133</td>
</tr>
<tr>
<td>Ulrika Lilja</td>
<td>16 582</td>
<td>41 816</td>
<td>13 939</td>
</tr>
<tr>
<td>Annica Bresky</td>
<td>-</td>
<td>25 191</td>
<td>8 397</td>
</tr>
<tr>
<td>Per Lyrvall⁴</td>
<td>44 632</td>
<td>61 180</td>
<td>20 393</td>
</tr>
<tr>
<td>Markus Mannström</td>
<td>25 746</td>
<td>35 580</td>
<td>11 860</td>
</tr>
<tr>
<td>Noel Morrin</td>
<td>18 092</td>
<td>54 680</td>
<td>20 393</td>
</tr>
<tr>
<td>Gilles van Nieuwenhuyzen</td>
<td>-</td>
<td>87 369</td>
<td>29 123</td>
</tr>
<tr>
<td>Seppo Parvi</td>
<td>17 026</td>
<td>62 192</td>
<td>20 730</td>
</tr>
<tr>
<td>Karl-Henrik Sundström⁴</td>
<td>114 548</td>
<td>199 584</td>
<td>66 528</td>
</tr>
<tr>
<td>Jari Suominen</td>
<td>23 068</td>
<td>60 471</td>
<td>20 157</td>
</tr>
<tr>
<td><strong>Total, Serving Officers⁵</strong></td>
<td>297 398</td>
<td>788 328</td>
<td>262 775</td>
</tr>
</tbody>
</table>

¹ None of the GLT members holds A shares.
² Potential shares to GLT members listed here are gross of taxes.
³ In addition, spouse holds 1 257 shares.
⁴ 41 700 of the shares are held by a related party (Alma Patria AB).
⁵ The Company recommends and expects GLT members to hold Stora Enso shares at a value corresponding to at least one annual base salary. Stora Enso shares received as remuneration are therefore recommended not to be sold until this level has been reached.

The following executive officers also served in 2017

<table>
<thead>
<tr>
<th>Shares held when GLT membership ended</th>
<th>Performance share opportunity when GLT membership ended¹</th>
<th>Restricted share opportunity when GLT membership ended²</th>
<th>Effective date of GLT membership ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juan Carlos Bueno</td>
<td>-</td>
<td>87 083</td>
<td>29 028</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31 May 2017</td>
<td>31 May 2017</td>
</tr>
</tbody>
</table>

¹ Unvested Performance and Restricted share awards were forfeited when employment ended.
Board of Directors

Jorma Eloranta
Born 1951. M.Sc. (Tech), D. Sc. (Tech) h.c.
Position: Chairman of Stora Enso’s Board of Directors since April 2017. Vice Chairman April 2016–April 2017. Member of Shareholders’ Nomination Board since April 2016. Chairman of the Remuneration Committee since April 2017 and member since April 2016. Member of the Financial and Audit Committee since April 2017.
Board memberships: Chair of the Board of Neste until 5 April 2018 and Uponor until 13 March 2018. Vice Chairman of the Board of Finnish Fair Foundation. Member of the Board of Cargotec. Vice Chairman of the Supervisory Board in Finnish Naval Foundation, Senior Advisor of Eera Ltd. Chair of the Board and President of Pienelo Ltd.
Total remuneration 2017, EUR: 194 000
Meeting attendance: 10/10
FAC attendance: 3/3
RemCo attendance: 4/4
SECo attendance: Yes
Shareholding: Yes
Independent member: Yes

Hans Stråberg
Born 1957. M.Sc. (Eng.).
Position: Vice Chairman of Stora Enso’s Board of Directors since April 2017 and member since April 2009. Member of Shareholders’ Nomination Board since April 2017. Member of the Remuneration Committee since March 2010.
Board memberships: Chair of the Board of Atlas Copco AB, Roxtec AB, CTEK Holding AB and Nikkant Holding AB, Vice Chairman of the Board of Orchard First Holding AB. Member of the Board of Investor AB, N Holding AB, Melby Gård AB and Hedson Technologies International AB.
Total remuneration 2017, EUR: 108 000
Meeting attendance: 10/10
FAC attendance: 4/4
RemCo attendance: Yes
SECo attendance: Yes
Shareholding: Yes
Independent member: Yes

Anne Brunila
Born 1957. D.Sc. (Econ.).
Position: Member of Stora Enso’s Board of Directors since April 2013. Chairman of the Sustainability and Ethics Committee since April 2013.
Board memberships: Chairman of the Board of Aalto University Foundation. Member of the Board of Kore Plc and Sanoma Plc.
Total remuneration 2017, EUR: 80 000
Meeting attendance: 9/10
FAC attendance: Yes
RemCo attendance: 4/4
SECo attendance: Yes
Shareholding: Yes
Independent member: Yes

Elisabeth Fleuriot
Born 1956. M.Sc. (Econ.).
Position: Member of Stora Enso’s Board of Directors since April 2013. Member of the Remuneration Committee since April 2017.
Board memberships: Chair of the Board of Advent Energy Limited and MEC Resources. Member of the Board of All SKF, Santos Australia, Harbour Energy and Vesuvius Plc.
Total remuneration 2017, EUR: 76 000
Meeting attendance: 10/10
FAC attendance: Yes
RemCo attendance: Yes
SECo attendance: Yes
Shareholding: Yes
Independent member: Yes

Hock Goh
Born 1955. B. Eng (Hons) in Mechanical Engineering.
Position: Member of Stora Enso’s Board of Directors since April 2012. Member of the Sustainability and Ethics Committee since April 2017.
Board memberships: Chairman of the Board of Advent Energy Limited and MEC Resources. Member of the Board of All SKF, Santos Australia, Harbour Energy and Vesuvius Plc.
Total remuneration 2017, EUR: 76 000
Meeting attendance: 10/10
FAC attendance: Yes
RemCo attendance: Yes
SECo attendance: Yes
Shareholding: Yes
Independent member: Yes
The full recommendation can be found at cgfinland.fi.

The independence is evaluated in accordance with Recommendation 10 of the Finnish Corporate Governance Code of 2015. The full recommendation can be found at cgfinland.fi. A significant shareholder according to the recommendation is a shareholder that holds at least 10% of all company shares or the votes carried by all the shares or a shareholder that has the right or the obligation to purchase the corresponding number of already issued shares.

Gunnar Brock was Chairman of Stora Enso’s Board of Directors since March 2010 (and member since March 2005) until his resignation on 27 April 2017. He was independent of the company and the significant shareholders.
**Group Leadership Team**

**Karl-Henrik Sundström**  
**Position**  
Chief Executive Officer (CEO) since 2014. Member of the GLT since 2012. Joined the company in 2012.  
**Board memberships, principal work experience and other information**  
Executive Vice President, Printing and Living until 2014. CFO of the company 2012–2013. CFO of NXP Semiconductors 2008–2012. Prior to that CFO and several managerial positions in Ericsson. Chairman of the Board of Skogsindustrierna. Member of the Board of Sustainable Energy Angels AB, Confederation of European Paper Industries (CEPI) and Confederation of Swedish Enterprise.  
**Shareholding**  
Owns 72 848 R shares in Stora Enso directly and 41,700 R shares through Alma Patria AB (related party).  

**Seppo Parvi**  
Born 1964. M.sc. (Econ.).  
**Position**  
Chief Financial Officer (CFO), Deputy to the CEO. Country Manager Finland and member of the GLT since 2014. Joined the company in 2014.  
**Board memberships, principal work experience and other information**  
CFO and EVP, Food and Medical Business Area at Ahlstrom Corporation 2009–2014. CFO for Metsä Board (M-real) 2006–2009. Prior to that various line management positions at the packaging company Huhtamäki, including responsibilities such as paper manufacturing within Rigid Packaging Europe and General Manager for Turkey. Deputy Chairman of the Board of the Finnish Forest Industries Federation. Member of the Board of Pohjolan Voima Oy. Member of the Board of Ilmarinen as of 1 January 2018.  
**Shareholding**  
Owns 17 026 R shares in Stora Enso.  

**Malin Bendz**  
**Position**  
Executive Vice President, HR. Member of the GLT since 2016. Joined the company in 2000.  
**Board memberships, principal work experience and other information**  
**Shareholding**  
Owns 13 793 R shares in Stora Enso.  

**Annica Bresky**  
Born 1975. M.sc. (Engineering), MBA.  
**Position**  
Executive Vice President, Division Consumer Board. Member of the GLT since May 2017. Joined the company in May 2017.  
**Board memberships, principal work experience and other information**  
**Shareholding**  
Does not own any Stora Enso shares.  

**Johanna Hagelberg**  
**Position**  
Executive Vice President, Sourcing and Logistics. Member of the GLT since 2014. Joined the company in 2013 as EVP Sourcing, Printing and Living.  
**Board memberships, principal work experience and other information**  
Chief Procurement Officer at Vattenfall AB 2010–2013. Prior to that leading Sourcing positions at NCC, RSA Scandinavia and within the Automotive Industry. Member of the Board of Bufab AB.  
**Shareholding**  
Owns 4 745 R shares in Stora Enso.  

**Kati ter Horst**  
Born 1968. MBA (International Business), M.sc. (Marketing).  
**Position**  
Executive Vice President, Division Paper. Member of the GLT since 2014. Joined the company in 1996.  
**Board memberships, principal work experience and other information**  
Senior Vice President, Paper Sales, Stora Enso Printing and Living until 2014. Has held several managerial positions in the paper business. Member of the Board of Finnish Forest Industries Federation, Outokumpu Oyj and EURO-GRAPH asbl.  
**Shareholding**  
Owns 19 166 R shares in Stora Enso.
Ulrika Lilja
Born 1975. M.Sc. (BA and Econ.).

Position
Executive Vice President, Communications. Member of the GLT since 2014. Joined the company in 2014 as Senior Vice President Communications, Stora Enso Printing and Living.

Shareholding
Owns 16,582 R shares in Stora Enso.

Per Lyrvall
Born 1959. LL.M.

Position

Shareholding
Owns 44,632 R shares in Stora Enso directly and 1,257 R shares through related persons (spouse).

Markus Mannström

Position
Executive Vice President, Division Biomaterials. Member of the GLT since 2015. Joined the company in 2001.

Shareholding
Owns 25,746 R shares in Stora Enso.

Noel Morrin

Position
Executive Vice President, Sustainability. Member of the GLT since 2015. Joined the company in 2015.

Shareholding
Owns 18,092 R shares in Stora Enso.

Gilles van Nieuwenhuysen

Position
Executive Vice President, Division Packaging Solutions. Member of the GLT since 2015. Joined the company in 2015.

Shareholding
Does not own any Stora Enso shares.

Jari Suominen

Position
Executive Vice President, Division Wood Products. Member of the GLT since 2014. Joined the company in 1995.

Shareholding
Owns 23,066 R shares in Stora Enso.

Juan Carlos Bueno, Executive Vice President, Biomaterials, was a member of the Group Leadership Team until 31 May 2017.
Due to differences between the Swedish and Finnish legislation, governance code rules and corporate governance practices, Stora Enso’s Corporate Governance deviates in the following aspects from the Swedish Corporate Governance Code:

- **Rule 1.3** The company’s nomination committee is to propose a chair for the annual general meeting. The proposal is to be presented in the notice of the meeting.
  - According to Finnish annual general meeting (AGM) practice, the Chairman of the Board of Directors opens the meeting and proposes the chairman. The proposed chairman is normally an attorney-at-law.

- **Rule 2.1** The nomination committee is also to make proposals on the election and remuneration of the statutory auditor.
  - The Financial and Audit Committee prepares these proposals for shareholder approval in line with the Finnish Code.

- **Rule 9.1** The board is to establish a remuneration committee, whose main tasks are to monitor and evaluate the application of the guidelines for remuneration that the annual general meeting is legally obliged to establish, as well as the current remuneration structures and levels in the company.

- **Rule 10.3** No later than two weeks before the annual general meeting, the board is also to report the results of the evaluation required by bullets two and three of Code rule 9.1 on the company’s website.
  - In accordance with Finnish law, the remuneration of the CEO and management is the responsibility of the Board of Directors. The guidelines for and information on remuneration are presented in this Corporate Governance Report and the company’s webpages.

- **Rule 9.7** The shareholders’ meeting is to decide on all share and share-price related incentive schemes for the executive management.
  - The incentive schemes are established by the Board of Directors. If the programmes include the issuance of new shares or disposal of shares held by the Company then the programme will be subject to shareholder approval. Current programmes of the Company do not include such elements.
It should be noted that Stora Enso and its business are exposed to various risks and uncertainties and certain statements herein which are not historical facts, including, without limitation those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by “believes”, “expects”, “anticipates”, “foresees”, or similar expressions, are forward-looking statements. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties, which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development, acceptance of new products or services by the group’s targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the group’s patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the group’s products and the pricing pressures thereto, price fluctuations in raw materials, financial condition of the customers and the competitors of the group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the group’s principal geographic markets or fluctuations in exchange and interest rates. All statements are based on management’s best assumptions and beliefs in light of the information currently available to it and Stora Enso assumes no obligation to publicly update or revise any forward-looking statement except to the extent legally required.