

Governance covers Stora Enso's governance policy, practices, and actions as well as our remuneration statement.



THE RENEWABLE MATERIALS COMPANY

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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.

Governance bodies



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 CEO 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.

In addition, the AGM shall take decisions on matters proposed by the Board of Directors. A shareholder may also propose items for inclusion in the agenda provided that they are within the authority of the shareholders' meeting and the Board of Directors was asked to include the items in the agenda no later than on the date set out by the Company, which must be not earlier than four weeks before the

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publication of the notice to the meeting and which will be announced at the Company's website no later than by the end of the financial year preceding the AGM.

An Extraordinary General Meeting of Shareholders is convened when considered necessary by the Board of Directors or when requested in writing by the Auditor or shareholders together holding a minimum of one tenth of all the shares to discuss a specified matter which they have indicated.

In 2018

Stora Enso's AGM was held on 28 March 2018 in Helsinki, Finland. Of all issued and outstanding shares in the Company a total of 57.8% of all shares (58.7% in 2017) and a total of 71.4% of all votes (80.7%) were represented at the meeting, with 78.1% of all A shares (91.6%) and 52.0% of all R shares (49.2%) represented. All Board and GLT members as well as the Company's Auditor were present at the meeting. No Extraordinary General Meetings of Shareholders were convened in 2018.

Shareholders' Nomination Board

Shareholders at the Annual General Meeting (AGM) have 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.

The AGM has approved the Charter of the Shareholders' Nomination Board and shall approve any proposed amendments of the Charter, other than technical updates.

The Shareholder's Nomination Board according to its Charter comprises four members:

- the Chairman of the Board;
- the Vice Chairman of the Board;
- two members appointed annually by the two largest shareholders (one each) as of 31 August.

The Board through its Chairman shall ensure that the annual appointment of the members to the Shareholders' Nomination Board is carried out as set out in the Charter as decided by the AGM. The Board Chairman shall annually convene the first meeting of the Shareholders' Nomination Board, which shall elect its Chairman amongst its members that annually are appointed by the Company's two largest shareholders.

In 2018

The Shareholders' Nomination Board in 2018 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 Sailas (Solidium Oy) and Marcus Wallenberg (FAM AB). Marcus Wallenberg was elected Chairman of the Shareholders' Nomination Board.

The main tasks of the Shareholders' Nomination Board were to prepare the proposals for the AGM 2019 concerning Board members and their remuneration. The Shareholders' Nomination Board during its working period 2018–2019 convened three (3) times. Each member of the Shareholders' Nomination Board attended all the meetings. Jorma Eloranta and Hans Stråberg have not participated in the preparations or the decision-making regarding Board remuneration.

In its proposal for the AGM 2019, the Shareholders' Nomination Board proposes that of the current members of the Board of Directors – Jorma Eloranta, Elisabeth Fleuriot, Hock Goh, Christiane Kuehne, Antti Mäkinen, 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 Mikko Helander 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 annual remuneration for the Chairman of the Board of Directors be increased by approximately 9.7 percent, for the Vice Chairman of the Board of Directors by approximately 5.7 percent and for the members of the Board of Directors by approximately 2.7 percent.

For the purpose of carrying out its tasks, the Shareholders' Nomination Board has received the results of the yearly evaluation

The Shareholders' Nomination Board shall serve until further notice, unless the AGM decides otherwise. Its members are elected annually and their term of office shall end when new members are elected to replace them.

Board of Directors (Board)

Stora Enso is managed by the Board acting in accordance with the Finnish Companies Act, International Corporate Governance Principles (based on OECD Principles of Corporate Governance of 2015) as well as other applicable legislation.

According to the Company's Articles of Association, the Board comprises six to eleven ordinary members appointed by the shareholders at the AGM for a one-year term. It is the policy of the Company that the majority of the directors shall be independent of the Company. In addition, at least two of the directors comprising this majority shall be independent of significant shareholders of the Company. A significant shareholder is a shareholder that holds at least 10% of all the Company's shares or the votes

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 Board 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 2018

Jorma Eloranta ¹ , member	Hans Stråberg ¹ , member
Chairman of Stora Enso's Board of Directors	Vice Chairman of Stora Enso's Board of Directors
Marcus Wallenberg, Chairman	Harri Sailas, member
Chairman of Stora Enso's Shareholders' Nomination Board. Born 1956. 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 15.

carried by all the shares or a shareholder that has the right or the obligation to purchase 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.

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The Board has defined a working order, the principles of which are published on page 6 of this 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 yearly agrees on focus areas for the Board's work during the upcoming year constituting the Board Agenda.

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 composition of the Board as proposed to the AGM 2019 reflects diversity and a good variety of skills and experiences among the Board members following the principles set out in the Board Diversity Policy except as regards the aim to ensure a good and balanced gender diversity, which needs to be further strengthened.

The Board has during 2018 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 15–16.

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 2018 varied from 47 years to 67 years and the Board was composed of three women and six men.

The Shareholders' Nomination Board has in 2018 considered its previous evaluation of competencies that may be further strengthened in the long term Board succession planning. In its proposal for the AGM 2019 the Shareholders' Nomination Board has proposed a Board composition that includes two women and seven men in the age range of 48 years to 68 years and representing a total of five different nationalities. The proposed new Board member Mikko Helander would bring a strong industrial and operative competence and experience to the Board and would in the view of the Shareholders' Nomination Board add strong value to the Board as a collective.

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 Shareholders' Nomination Board particularly notes that the aim going forward is to strengthen the gender distribution of the Board with view of ensuring a good and balanced gender distribution in accordance with the Company's Board Diversity Policy.

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

In 2018

The Board had nine members at the end of 2018, 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), Göran Sandberg (Executive director of majority shareholders of FAM AB) and Antti Mäkinen (CEO of Solidium).

The Board members nominated at the AGM in 2018 were Jorma Eloranta (Chairman), Hans Stråberg (Vice Chairman), Anne Brunila, Elisabeth Fleuriot, Hock Goh, Christiane Kuehne, Antti Mäkinen, Richard Nilsson and Göran Sandberg. The Board convened 11 times during the year.

In its meeting after the AGM on 28 March 2018 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 been discussed, reviewed and decided in the Board based on the agenda. 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 15–16.

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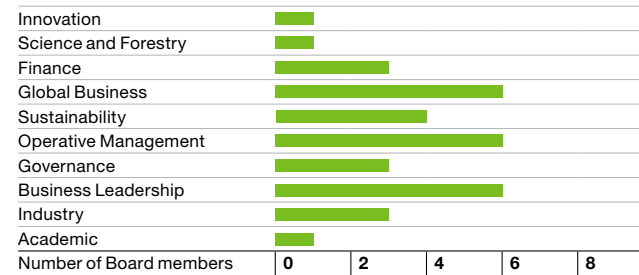
Board skills matrix

Name	Director since	Principal skills	Independent of		Committee memberships 2018			Other current listed boards
			Company	Owners	FAC	SECo	RemCo	
Jorma Eloranta	2016	Global Business, Business Leadership, Operative Management, Governance	●	●	Member		Chairman	1
Hans Stråberg	2009	Global Business, Business Leadership, Operative Management, Industry	●	●			Member	3
Anne Brunila	2013	Business Leadership, Finance, Sustainability, Industry	●	●		Chairman		2
Elisabeth Fleuriot	2013	Global Business, Operative Management, Business Leadership, Sustainability	●	●			Member	1
Hock Goh	2012	Global Business, Operative Management, Business Leadership, Sustainability	●	●		Member		3
Christiane Kuehne	2017	Global Business, Operative Management, Business Leadership	●	●	Member			
Antti Mäkinen	2018	Finance, Operative Management, Governance	●	●	Member			2
Richard Nilsson	2014	Finance, Industry, Governance, Global Business	●	●	Chairman			
Göran Sandberg	2017	Science and Forestry, Academic, Innovation, Sustainability	●	●		Member		

● yes ● no

The table sets out the primary skills of each Board member. The fact that an item is not highlighted for a Board member does not mean that such member does not possess that qualification or skill.

Principal skills

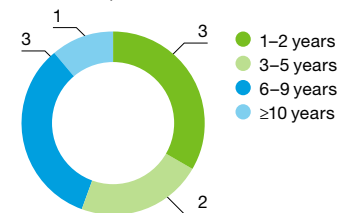


● Principal skills

Board diversity in figures

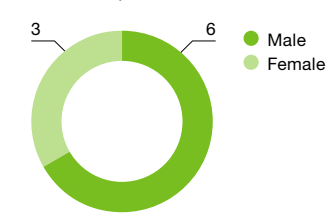
Tenure

Number of persons



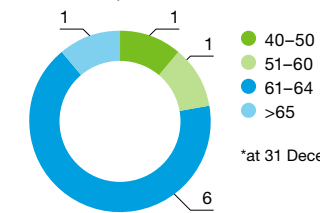
Gender

Number of persons



Age*

Number of persons



*at 31 December 2018

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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, 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.

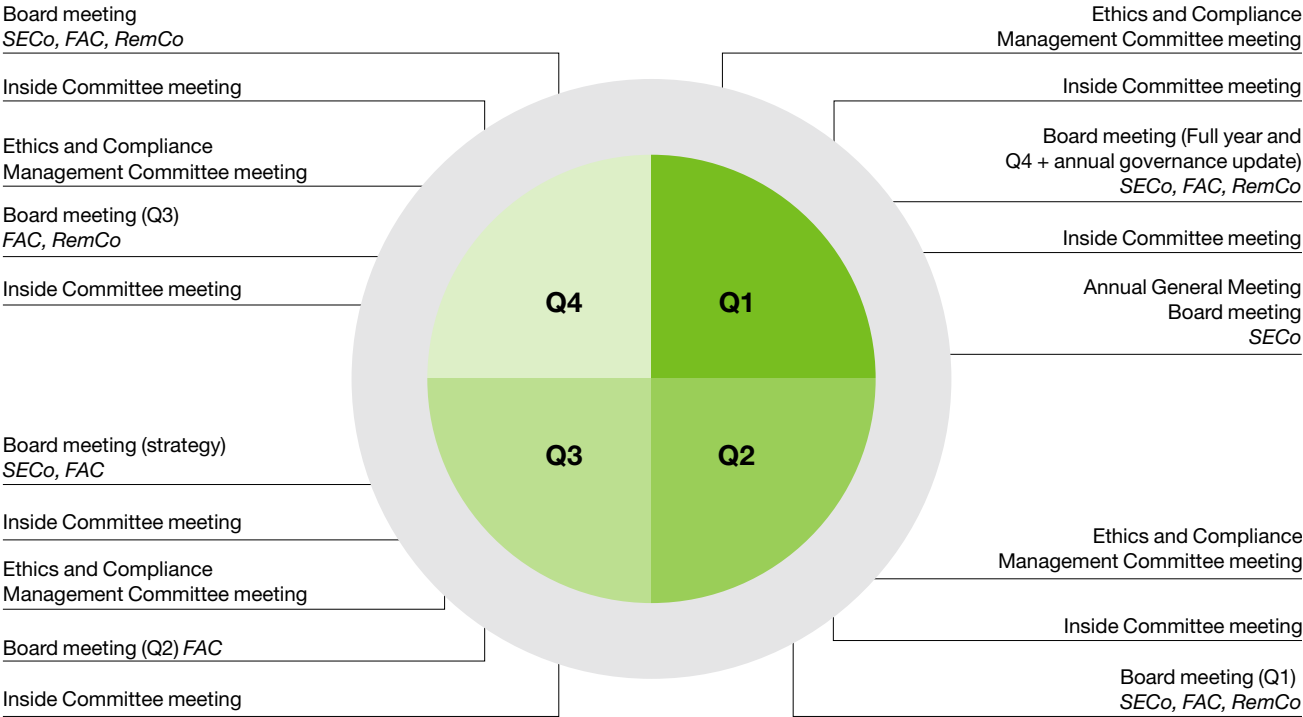
Information

- 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 GLT;
 - 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.

The Board of Directors' and management's annual working cycle



Quarterly

- Meetings with auditors
- Divisional Business and Innovation reviews

Monthly

- GLT meetings
- Investment Working Group meetings

SECo = Sustainability and Ethics Committee
FAC = Financial and Audit Committee
RemCo = Remuneration Committee

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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 and monitors the system of internal control and internal audit as well as its efficiency, 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 and monitors the auditor's independence.

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

In 2018

The Financial and Audit Committee comprised four members in 2018: Richard Nilsson (Chairman), Jorma Eloranta, Christiane Kuehne and Antti Mäkinen.¹ The Committee convened six 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. Furthermore, the Committee has increased its focus on IT security and closely monitors related risks. The Committee further reviews relevant compliance related cases that have been reported to Internal Audit and Ethics and Compliance during the year.

Remuneration

Chairman EUR 20 600 per annum and member EUR 14 400 per annum as decided by the AGM.

The Financial and Audit Committee Charter is presented at storaenso.com/investors/governance.

¹ The Committee prior to the AGM on 28 March 2018 comprised the following four members: Richard Nilsson (Chairman), Jorma Eloranta, Christiane Kuehne and Mikael Mäkinen.

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 compensation is decided by the shareholders at 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. Remuneration Committee members may receive remuneration solely based on their role as directors. The compensation is decided by the shareholders at the AGM.

In 2018

The Remuneration Committee comprised three members in 2018. The members were Jorma Eloranta (Chairman), Elisabeth Fleuriot and Hans Stråberg. The Committee convened four times.

During 2018 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 10 300 and member EUR 6 200 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 their effective implementation as well as reviews the Company's external sustainability reporting. 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 the AGM.

In 2018

The Sustainability and Ethics Committee comprised three members in 2018: Anne Brunila (Chairman), Hock Goh and Göran Sandberg. The Committee convened four times.

The Committee in each of its meetings 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.

Remuneration

Chairman EUR 10 300 and member EUR 6 200 per annum as decided by the AGM.

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

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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 the Finnish Companies Act and the 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.

The Board approves the main organisation, including the functions reporting to the CEO. At the end of 2018 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)
- CFO (responsible for Accounting, Controlling, Corporate Finance and M&A, Efora, Energy Services, Investment Process, Enterprise Risk Management, Internal Audit, Investor Relations, Tax, Treasury)
- 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 GLT members acts as deputy to the CEO as defined in the Finnish Companies Act.

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 year end 2018, the twelve GLT members were the CEO, the CFO, the heads of the divisions, HR, Legal (who is also General Counsel), Communications, Sustainability, and Sourcing and Logistics.

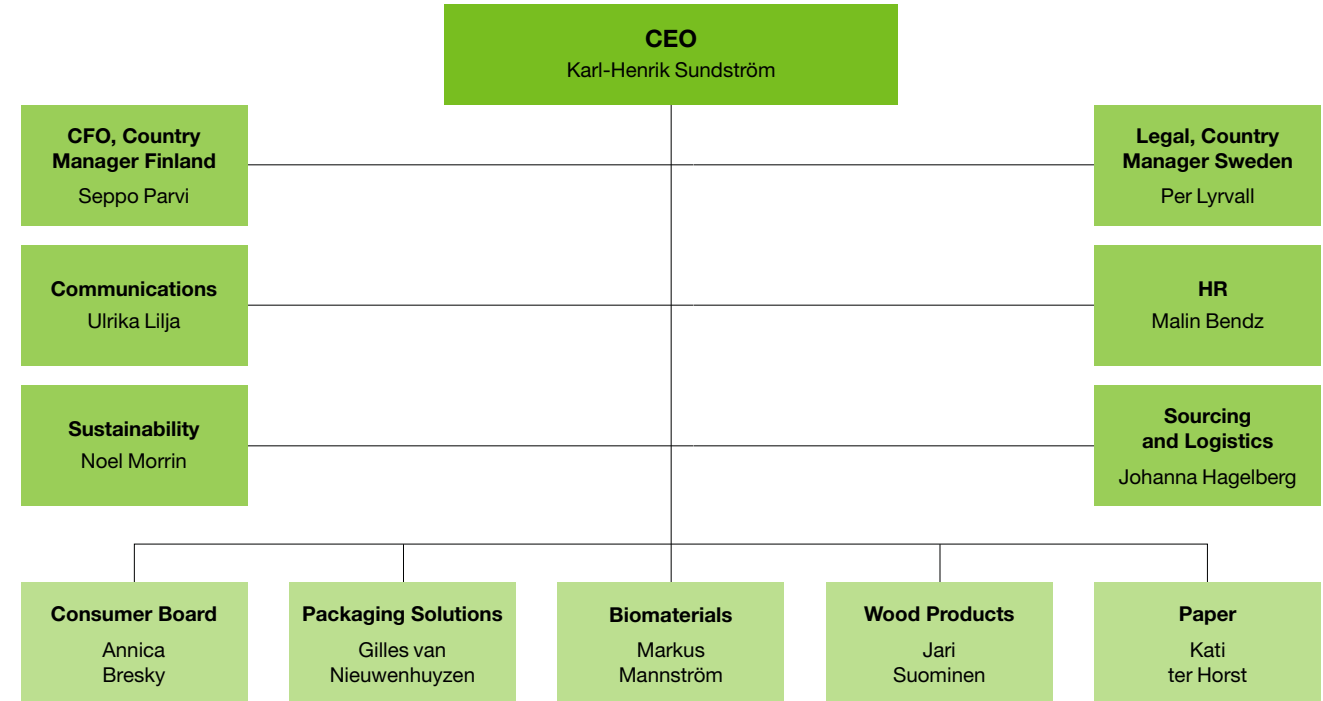
The GLT assists the CEO in supervising the Group and divisional performance against agreed targets, portfolio strategy, ensuring the availability and value-creating allocation of Group funds and capital, and statutory, governance, compliance and listing issues and policies.

The GLT meets regularly every month, and as required.

In 2018

The GLT had 12 members at the end of 2018. The GLT convened 12 times during the year. Important items on the agenda in 2018 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.

Group Leadership Team



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 work is led by the Executive Vice President (EVP), Sustainability, who reports directly to the CEO and is part of the GLT.

Everyday sustainability topics are managed by Group Sustainability team together with Human Resources, Legal, Wood Supply, and Sourcing and Logistics functions, and divisions. Each of business divisions has its own Head of Sustainability, who reports directly to the Head of the division. Other key functions, such as Wood Supply and Sourcing and Logistics, have sustainability organisations to support their management teams. The everyday implementation of Stora Enso's Sustainability Agenda is the responsibility of line management supported by functional experts at all levels. Stora Enso's sustainability work is steered by Sustainability Council, which includes members from five divisions, Sourcing and Logistics function, and subject matter experts from Group Sustainability team. It is chaired by the EVP, Sustainability. The CEO has the ultimate responsibility for the successful implementation of Stora Enso's sustainability strategy.

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.

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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.

Auditor's fees and services

EUR million	Year Ended 31 December	
	2018	2017
Audit fees	4	4
Audit-related	-	-
Tax fees	-	-
Other fees	1	1
Total	5	5

In 2018

The Board in 2018 on the recommendation of the Financial and Audit Committee proposed that PricewaterhouseCooper Oy be elected auditor by the AGM 2018 following a statutory audit tender process conducted in year 2017. The AGM 2018 elected PricewaterhouseCoopers Oy as auditor for a term of office expiring at the end of the AGM 2019.

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 reports 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 ethics and 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 Communications, Head of Sustainability and Head of Internal Audit with the Legal Counsel dedicated to compliance matters being the secretary. The Ethics and Compliance Management Committee shall convene at least four times every year.

Ethics and 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 is a single set of values defined for all employees, to provide guidance on Company's approach to ethical business practices, environmental values, and human and labour rights. These same values are applied wherever Stora Enso operates. In 2011 the company established its Business Practice Policy to complement the Code, 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 policies and guidelines. Continuous e-learning, communication, 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.

Stora Enso uses an index to monitor and evaluate employee perceptions of the work on topics covered by the Stora Enso Code. The index is based on employee responses to related questions in the annual employee survey. In 2018, this index improved to 85 (83 in 2017). The goal is to maintain this positive trend. By the end of 2018, 20 930 Stora Enso employees had received training on the Code.

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 Stora Enso's 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 Inside 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.

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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 that sets forth its rules. To complement the Code, 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 and the 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 in accordance with Stora Enso's policy management process. These guidelines 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 risks 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. A comprehensive description of Stora Enso's risk management can be found at storaenso.com/investors.

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 material 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 reviews all Interim Reports and the Board approves 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. 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. 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. In 2017 Stora Enso has taken into use internal control tool to facilitate and automate internal control processes, control performance, continuous controls monitoring and quarterly internal control reporting to management.

Stora Enso has a separate internal auditing organisation which in addition to the Group Internal Control function monitors independently 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.

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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 2018 (Remuneration Report).

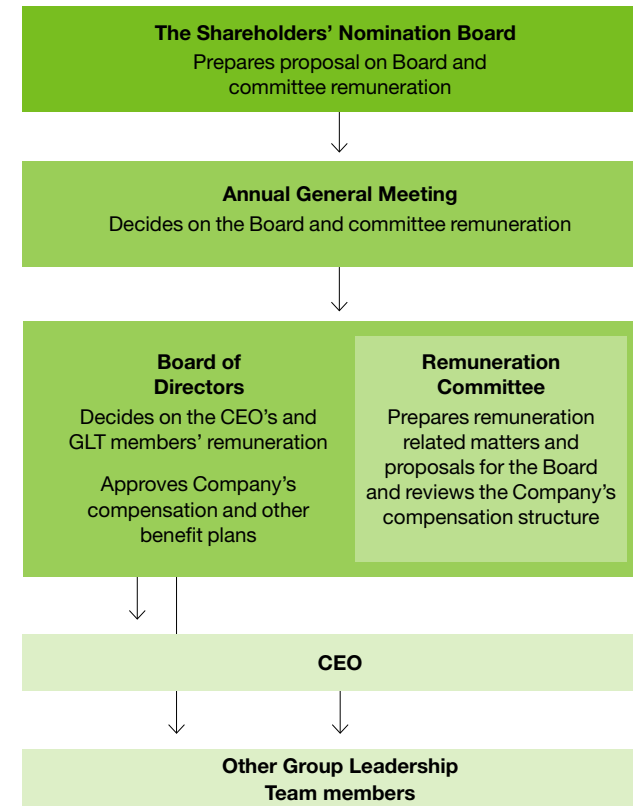
The Remuneration statement has been prepared in accordance with the Finnish Corporate Governance Code (the "Code"). The Code is available at cgfinland.fi. Stora Enso also complies with the Swedish Corporate Governance Code ("Swedish Code"), with the exception of the deviations listed in [Appendix 1](#) 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.

Remuneration decision-making procedure



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 longterm 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 GLT 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.

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Board member remuneration principles

Remuneration of the Board of Directors is decided annually by the shareholders at the AGM. The AGM in 2018 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 2019:

- for the Chairman of the Board of Directors EUR 175 000
- for the Vice Chairman of the Board of Directors EUR 103 000, and
- for other members of the Board of Directors EUR 72 000 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 20 600, and
- for the members of the Financial and Audit Committee EUR 14 400 each,
- for the Chairman of the Remuneration Committee EUR 10 300, and
- for the members of the Remuneration Committee EUR 6 200 each,
- for the Chairman of the Sustainability and Ethics Committee EUR 10 300, and
- for the members of the Sustainability and Ethics Committee EUR 6 200 each.

CEO remuneration principles

The CEO has been employed by Stora Enso 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. The CEO's pension plan consists of collectively agreed pension plan in Sweden (ITP2) and a defined contribution (DC) top up pension plan. Contributions to the DC plan in the interval 20–30 Income Base Amounts (IBA; one IBA was 62 500 SEK in 2018) is 23%, contributions above 30 IBA is 35% for the salary the CEO had prior to assuming this position and 39% on the salary increase amount received when assuming the position as CEO. The retirement age is sixty-five years.

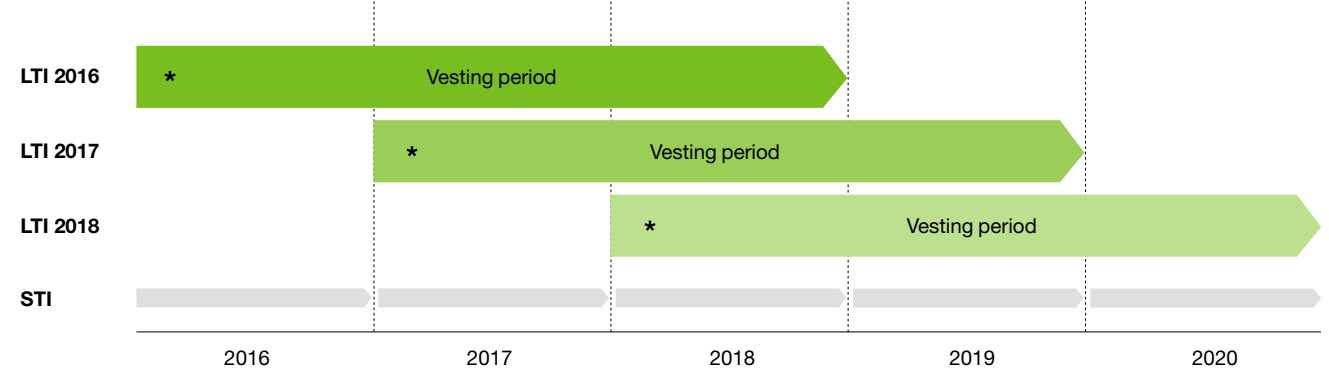
Short Term Incentive (STI) programme for CEO

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 2017 and 2018 was based 70% on financial measures and 30% on Individual Key Targets.

Long Term Incentive (LTI) programmes for CEO

The CEO participates in 2016, 2017 and 2018 share based LTI programmes. The programmes have three year targets and vest in

Share-based compensation plan



* Date of grant 1 March

● Yearly STI programme

LTI Long term incentive

STI Short term incentive

2018 CEO remuneration

Annual salary	EUR 905 000 in 2018.
Short-term incentive	The CEO is entitled to a STI programme decided by the Board each year giving a maximum of 75% of annual fixed salary.
Long-term incentive	Outstanding LTI programmes include the yearly programmes of 2016, 2017 and 2018. The CEO has the potential to receive a maximum of 65 762 shares before taxes in the 2018 programmes that will be settled 2021.
Other benefits	Benefits include mobile phone and insurance.
Pension	Retirement age is 65. Pension plan consists of collectively agreed pension plan in Sweden (ITP2) and a defined contribution (DC) top up pension plan.
Termination of assignment	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.

one portion after three years. Three quarters (75%) of the opportunity in the 2016 and 2017 programmes is in Performance Shares, where shares will vest 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 opportunity under the 2018 programme is in Performance Shares only.

2018 GLT remuneration, other than CEO

Annual salary	GLT members receive a monthly salary. In total for all GLT members EUR 3 589 000 in 2018.
Short-term incentive	GLT members are eligible for STI with up to a maximum of 50% or 60% of their annual fixed salary, payable the year after the performance period.
Long-term incentive	Outstanding LTI programmes include the yearly programmes of 2016, 2017 and 2018. The GLT members can potentially receive total of maximum 211 410 shares before taxes in the 2018 programmes that will be settled 2021.
Other benefits	Benefits include mobile phones, cars and insurances.
Pension	GLT members may retire at 65 years of age with pensions consistent with local practices in their respective home countries.
Termination of assignment	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.

GLT remuneration principles

GLT members in Stora Enso receive a monthly salary, which in addition to a salary payment includes customary fringe benefits, such as mobile phones and cars. GLT members further have the possibility to receive yearly awards in the Company's short term and long term incentive programmes for management.

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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 the GLT other than the CEO

GLT members have STI programmes with up to a maximum 50% or 60% of their annual fixed salary, payable the year after the performance period. 70% of the STI for 2017 and 2018 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 GLT other than the CEO

The LTI programmes have three-year targets and vest in one portion after three years. The absolute maximum vesting level is 100% of the number of shares granted. The opportunity under the 2018 programme is in Performance Shares, where the shares vest in accordance with performance criteria proposed by the Remuneration Committee and approved by the Board of Directors.

The financial success metric in the Performance Share programme is 3-year EVA (Economic Value Added) and EPS (Earnings per Share) for the Stora Enso Group.

Remuneration Report 2018

Board remuneration in 2018

In 2018, the Board members of Stora Enso were compensated as set out in the following chart. Based on the decision of the AGM 2018, 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.

CEO remuneration

The total compensation for the CEO in 2018 amounted to EUR 2 925 000, including annual salary, customary fringe benefits (such as mobile phone) STI and LTI programmes, and pension costs.

The CEO has the potential to receive a value corresponding to a maximum of 65 762 shares before taxes under the 2018 LTI programme. The grant value EUR 958 481 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 59 522 shares having a cash value at the 1 March 2018 settlement date of EUR 867 553 based on the share price of EUR 14.58 at that date.

GLT remuneration excluding CEO

The total compensation for the GLT members excluding CEO in 2018 amounted to EUR 9 259 000 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 2018, including also the CEO.

Under the 2018 LTI programme, GLT members (in GLT at year end) can potentially receive a value corresponding to 211 410 shares before taxes, assuming the maximum vesting level during the three-year vesting period (2018–2020) is achieved. Total number of shares actually transferred will be lower because a portion of shares corresponding to the tax obligation will be withheld to cover the income tax.

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 Financials 2018. 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 168 179, having a cash value at the 1 March 2018 settlement date of EUR 2 451 209 before taxes based on the share price at that date.

Board Remuneration

EUR	Year Ended 31 December	
	2018 ¹	2017
Chairman	175 000	170 000
Vice Chairman	103 000	100 000
Board Member	72 000	70 000

¹ 40% of the Board remuneration in 2018 was paid in Stora Enso R shares purchased from the market and distributed as follows: to Chairman 4 221 R shares, Vice Chairman 2 484 R shares, and members 1 737 R shares each. The Company has no formal policy requirements for the Board members to retain shares received as remuneration.

Board and Committee remuneration

EUR thousand (before taxes)	Year Ended 31 December				Committee memberships
	2018		2017		
	Cash	Value of Shares	Total	Total	
Board Members at 31 December 2018					
Jorma Eloranta, Chairman	130	70	200	194	Remuneration, Nomination ^{2,3} , Financial and Audit
Hans Stråberg, Vice Chairman	68	41	109	106	Remuneration, Nomination ^{2,3}
Anne Brunila	54	29	82	80	Sustainability and Ethics
Elisabeth Fleuriot	49	29	78	76	Remuneration
Hock Goh	49	29	78	76	Sustainability and Ethics
Christiane Kuehne	58	29	86	84	Financial and Audit
Antti Mäkinen	58	29	86	0	Financial and Audit
Richard Nilsson	64	29	93	90	Financial and Audit
Göran Sandberg	49	29	78	76	Sustainability and Ethics
Former Board members					
Mikael Mäkinen (until 28 March 2018)	-	-	-	84	
Total Remuneration as Directors ¹	578	313	891	866	

¹ 40% of the Board remuneration in 2018 was paid in Stora Enso R shares purchased from the market and distributed as follows: to Chairman 4 221 R shares, Vice Chairman 2 484 R shares, and members 1 737 R shares each. The Company has no formal policy requirements for the Board members to retain shares received as remuneration.

² Shareholders at the Annual General Meeting (AGM) have established a Shareholders' Nomination Board to exist until otherwise decided. The Shareholders' Nomination Board according to its Charter as approved by the AGM comprises of four 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.

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The aggregate remuneration paid to the CEO and GLT members in 2018

EUR thousand	Year Ended 31 December					
	2018			2017		
	CEO	Others	GLT Total	CEO	Others	GLT Total
Remuneration						
Annual salary	905	3 589	4 494	913	3 583	4 496
Local housing (actual costs)	-	22	22	-	70	70
Other benefits	20	385	405	20	610	630
Termination benefits	-	-	-	-	531	531
Short Term Incentive programme	611	1 089	1 700	532	643	1 175
Long Term Incentive programme ¹	845	2 431	3 276	549	1 403	1 952
	2 381	7 516	9 897	2 014	6 840	8 854
Pension Costs						
Mandatory plans	66	1 296	1 362	69	1 029	1 098
Stora Enso voluntary plans ²	478	447	925	555	544	1 099
	544	1 743	2 287	624	1 403	2 197
Total Compensation	2 925	9 259	12 184	2 638	6 840	11 051

¹ The 2018 amounts relate to the vesting of programme started in 2015 and ended on 31 December 2017. The 2017 amounts relate to the vesting of programme started in 2014 and ended on 31 December 2016.

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 2 483 thousand.

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 2018 shares in the Company as follows:

Executives in office at the year end	R Shares held ¹	Performance share opportunity 2018–2020 ²	Restricted share opportunity 2018–2020 ²
Johanna Hagelberg	11 258	45 339	9 899
Kati ter Horst	30 318	71 660	15 763
Malin Bendz	17 422	33 686	6 289
Ulrika Lilja	21 534	39 681	8 693
Annica Bresky	0	49 401	8 397
Per Lyrvall ³	53 245	57 330	12 601
Markus Mannström	32 350	40 803	7 057
Noel Morrin	26 588	48 665	11 095
Gilles van Nieuwenhuyzen	11 308	77 367	17 145
Seppo Parvi	25 585	57 429	12 497
Karl-Henrik Sundström ⁴	143 505	185 912	40 050
Jari Suominen	31 553	54 349	11 995
Total, Serving Officers	404 666	761 622	161 481

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).

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Members of the 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

Chairman of the Board of Finnish Fair Foundation. Member of the Board of Cargotec. Vice Chairman of the Supervisory Board in Finnish Naval Foundation. Chair of the Board and CEO of Pienelo Ltd.

Principal work experience and other information

President and CEO of Metso 2004–2011, President and CEO of Kvaerner Masa-Yards 2001–2003 and President and CEO of Patria Industries Group 1997–2000. Executive Vice President of Finvest Group and Jaakko Pöyry Group 1996 and President of Finvest 1985–1995.

Total remuneration 2018, EUR¹	199 700
Meeting attendance	11/11
FAC attendance	6/6 ●
RemCo attendance	4/4 ●
SECo attendance	
Shareholding²	Owens 1 150 A shares and 18 381 R shares in Stora Enso.
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

Chairman of the Board of Atlas Copco AB, Roxtec AB, CTEK Holding AB, Nikkarit Holding AB and AB SKF. Vice Chairman of the Board of Orchid First Holding AB. Member of the Board of Investor AB, N Holding AB, Mellby Gård AB and Hedson Technologies International AB.

Principal work experience and other information

President and CEO of AB Electrolux 2002–2010. Several management positions at Electrolux in Sweden and the USA 1983–2002.

Total remuneration 2018, EUR¹	109 200
Meeting attendance	11/11
FAC attendance	
RemCo attendance	4/4 ●
SECo attendance	
Shareholding²	Owens 37 490 R shares in Stora Enso.
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

Member of the Board of Kone Plc and Sanoma Plc.

Principal work experience and other information

Professor in Hanken School of Economics 2014–2018. Executive Vice President, Corporate Relations and Strategy and Member of the Management Team of Fortum 2009–2012. President and CEO of the Finnish Forest Industries Federation 2006–2009. Director General in the Finnish Ministry of Finance 2003–2005 and several positions in the Bank of Finland 1992–2000 and the European Commission 2000–2002.

Total remuneration 2018, EUR¹	82 300
Meeting attendance	11/11
FAC attendance	
RemCo attendance	
SECo attendance	4/4 ●
Shareholding²	Owens 20 121 R shares in Stora Enso.
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

Board member and Chairman of CSR Committee at G4S since July 2018.

Principal work experience and other information

President and CEO of Thai Union Europe Africa 2013–2017. Senior Vice President, Emerging Markets and Regional Vice President, France, Benelux, Russia and Turkey, in Kellogg Company 2001–2013. General Manager, Europe, in Yoplait, Sodial Group 1998–2001. Several management positions in Danone Group 1979–1997.

Total remuneration 2018, EUR¹	78 200
Meeting attendance	11/11
FAC attendance	
RemCo attendance	4/4 ●
SECo attendance	
Shareholding²	Owens 21 151 R shares in Stora Enso.
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. Member of the Board of AB SKF, Santos Australia and Vesuvius Plc.

Principal work experience and other information

Operating Partner of Baird Capital Partners Asia 2005–2012. Several senior management positions in Schlumberger Limited, the leading oilfield services provider, in 1995–2005.

Total remuneration 2018, EUR¹	78 200
Meeting attendance	11/11
FAC attendance	
RemCo attendance	
SECo attendance	3/4 ●
Shareholding²	Owens 25 904 R shares in Stora Enso.
Independent member	Yes

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Christiane Kuehne

Born 1955. LL.M., B.B.A.

Position

Member of Stora Enso's Board of Directors since April 2017. Member of the Financial and Audit Committee since April 2017.

Board memberships

Member of the Board of James Finlays Ltd, Wetter Foundation, Whitestone Foundation and Foundation Pierre du Bois.

Principal work experience and other information

Operative roles within the Nestlé Group 1977–2015. Her last operative role at Nestlé was as Head of Strategic Business Unit Food with strategic responsibility for the food business of Nestlé at global level.

Total remuneration 2018, EUR¹	86 400
Meeting attendance	11/11
FAC attendance	6/6 ●
RemCo attendance	
SECo attendance	
Shareholding²	Owens 5 712 R shares in Stora Enso.
Independent member	Yes



Antti Mäkinen

Born 1961. LL.M.

Position

Member of Stora Enso's Board of Directors since March 2018. Member of the Financial and Audit Committee since March 2018.

Board memberships

Member of the Board of Rake Oy, Metso Oyj and Sampo Oyj. Chairman or a member of the shareholders' nomination boards of several listed companies.

Principal work experience and other information

CEO of Solidium Oy since 2017. Several leading management positions within Nordea Corporate & Investment Banking, most notably as Head of Corporate Finance in Finland, Head of Strategic Coverage unit and as Co-Head for Corporate & Investment Banking, Finland 2010–2017. CEO of eQ Corporation and its main subsidiary eQ Bank Ltd. 2005–2009.

Total remuneration 2018, EUR¹	86 400
Meeting attendance	9/9 ³
FAC attendance	5/5 ⁷ ●
RemCo attendance	
SECo attendance	
Shareholding²	Owens 2 137 R shares in Stora Enso.
Independent member	Yes/no ³



Richard Nilsson

Born 1970. B.Sc. (BA and Econ.).

Position

Member of Stora Enso's Board of Directors since April 2014. Chairman of the Financial and Audit Committee since April 2016 and member since April 2015.

Board memberships

Member of the Board of Directors of IPCO AB and group companies.

Principal work experience and other information

Investment Manager at FAM AB since 2008. Pulp & paper research analyst at SEB Enskilda 2000–2008, Alfred Berg 1995–2000 and Handelsbanken 1994–1995.

Total remuneration 2018, EUR¹	92 600
Meeting attendance	11/11
FAC attendance	6/6 ●
RemCo attendance	
SECo attendance	
Shareholding²	Owens 18 254 R shares in Stora Enso.
Independent member	Yes/no ⁴



Göran Sandberg

Born 1955. Ph.D.

Position

Member of Stora Enso's Board of Directors since April 2017. Member of the Sustainability and Ethics Committee since April 2017.

Board memberships

Member of the Board of the Marcus Wallenberg Foundation for Promoting Scientific Research in the Forest Industry and the Wallenberg Foundations AB.

Principal work experience and other information

Professor in Plant Biology and professor at the Swedish University of Agricultural Science and the Umeå University. Executive director of the Knut and Alice Wallenberg Foundation and the Marianne and Marcus Wallenberg Foundation. Member of the Royal Swedish Academy of Science, the Royal Swedish Academy for Agriculture and Forestry Sciences, and the Royal Swedish Academy of Engineering Sciences. His previous positions include Vice chancellor of Umeå University 2005–2010, Chairman of Umeå Plant Science Center 1996–2004, Chairman of SciLifeLab Sweden 2013–2016 as well as Board member of the Human Protein Atlas project and the Wallenberg Wood Science Center.

Total remuneration 2018, EUR¹	78 200
Meeting attendance	11/11
FAC attendance	
RemCo attendance	
SECo attendance	4/4 ●
Shareholding²	Owens 4 212 R shares in Stora Enso.
Independent member	Yes/no ⁵

FAC = Financial and Audit Committee
RemCo = Remuneration Committee
SECo = Sustainability and Ethics Committee

● Chairman ● Member

¹ Detailed description of Board Remunerations and Committee Memberships as decided by the AGM in 2018 on page 13.

² Shares held by Board members and related parties. Board members' related parties held no Stora Enso shares.

³ Antti Mäkinen is independent of the company but not of its significant shareholders due to his position as the CEO of Solidium Oy.

⁴ Richard Nilsson is independent of the company but not of its significant shareholders due to his employment at FAM AB.

⁵ Göran Sandberg is independent of the company but not of its significant shareholders due to his position as executive director of majority shareholders of FAM AB, a significant shareholder of the company.

⁶ Meetings attended out of the meetings held after election as Board member.

⁷ Meetings attended out of the meetings held after election as FAC member.

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.

Mikael Mäkinen was Member of Stora Enso's Board of Directors since March 2010 until his resignation on 28 March 2018. He was independent of the Company and the significant shareholders.

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Members of the Group Leadership Team



Karl-Henrik Sundström

Born 1960. B.Sc. (Business Studies).

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 and Confederation of European Paper Industries (CEPI). Member of the Board of Sustainable Energy Angels AB, and Mölnlycke Health Care AB.

Shareholding

Owens 101 805 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 and Pohjolan Voima Oy. Member of the Board of Ilmarinen.

Shareholding

Owens 25 585 R shares in Stora Enso.



Malin Bendz

Born 1976. B.Sc. (Personnel Mgmt & Org. Development), MBA.

Position

Executive Vice President, HR. Member of the GLT since 2016. Joined the company in 2000.

Board memberships, principal work experience and other information

Several international positions in human resources, business development and purchasing. Member of the Stora Enso Paper division management team (2015–2016), Renewable Packaging management team (2012–2014) and Latin America Division Management team (2004–2008).

Shareholding

Owens 17 422 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 2017. Joined the company in 2017.

Board memberships, principal work experience and other information

President and CEO of Iggesund Paperboard AB, part of the Swedish Holmen Group 2013–2017. Mill Director at BillerudKorsnäs AB 2010–2013. Prior to that engineering and superintendent positions at Stora Enso's Kvarnsveden Mill in 2001–2010.

Shareholding

Does not own any Stora Enso shares.



Johanna Hagelberg

Born 1972. M.Sc. (Industrial Eng. & Mgmt) and M.Sc. (Eng. and Mgmt of Manufacturing Systems).

Position

Executive Vice President, Sourcing and Logistics. Member of the GLT since 2014. Joined the company in 2013 as SVP 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

Owens 11 258 R shares in Stora Enso.

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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

Owens 30 318 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.

Board memberships, principal work experience and other information

Director External Communications at SSAB 2010–2013. Prior to that several leading communications positions at OMX Stockholm Stock Exchange and Neonet. Member of the Board of Swedish Association of Communication Professionals.

Shareholding

Owens 21 534 R shares in Stora Enso.



Per Lyrvall

Born 1959. LL.M.

Position

Executive Vice President, Legal, General Counsel, Country Manager Sweden. Member of the GLT since 2012. Joined the company as Legal Counsel in 1994. General Counsel since 2008. Country Manager Sweden since 2013.

Board memberships, principal work experience and other information

Prior to joining Stora Enso legal positions at Swedish courts, law firms and Assi Domän. Member of the Board of Montes del Plata and Bergvik Skog AB. Deputy Member of the Board of Skogsindustrierna.

Shareholding

Owens 51 988 R shares in Stora Enso directly and 1 257 R shares through related persons (spouse).



Markus Mannström

Born 1963. M.Sc. (Paper Tech.).

Position

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

Board memberships, principal work experience and other information

Chief Technology Officer (CTO) of the company 2015–2017. Member of the Renewable Packaging division management team 2009–2014. Member of the Board of Teollisuuden Voima Oyj, Montes del Plata and Veracel. Deputy Member of the Board of Pohjolan Voima Oy.

Shareholding

Owens 32 350 R shares in Stora Enso.



Noel Morrin

Born 1958. B.Sc. Joint Honours, First Class (Chemistry and Biology).

Position

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

Board memberships, principal work experience and other information

Group SVP for Sustainability & Green Support at Skanska AB 2005–2015. Group Environment Director at RMC plc 1999–2005. Prior to that senior roles at the UK National Environmental Technology Centre, the British NGO Business in the Community and the global chemical company ICI plc.

Shareholding

Owens 26 588 R shares in Stora Enso.

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Gilles van Nieuwenhuyzen

Born 1959. M.Sc. (Applied Physics), MBA (INSEAD).

Position

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

Board memberships, principal work experience and other information

President of the Enablers division at DuPont Nutrition & Health (formerly Danisco) 2010–2014. Prior to that senior management positions at among others the Dutch food ingredients group CSM (now Corbion), Rexam (coated films and papers), and DSM (chemicals and polymers).

Shareholding

Owns 11 308 R shares in Stora Enso.



Jari Suominen

Born 1969. M.Sc. (BA).

Position

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

Board memberships, principal work experience and other information

Senior Vice President, head of Building and Living Business Area until 2014. Has held several managerial positions in paper and wood products businesses. Chairman of Finnish Wood Products Industry Association. Member of the Board of Tornator. Member of the supervisory board of Varma Mutual Pension Insurance Company.

Shareholding

Owns 31 553 R shares in Stora Enso.

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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.

- According to the Finnish Code, the Financial and Audit Committee shall make a recommendation on the auditor election for the Board, which shall give its proposal on the matter to the AGM.

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 9.6 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.



Annual Report 2018

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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.