

Corporate Governance Report

Part of Stora Enso's Annual Report 2016



Everything that's made with fossil-based materials today can be made from a tree tomorrow.

Stora Enso is a leading provider of renewable solutions in packaging, biomaterials, wooden constructions, and paper on global markets. Our aim is to replace fossil-based materials by innovating and developing new products and services based on wood and other renewable materials. We employ some 25 000 people and our shares are listed on the Helsinki (STEAV, STERV) and Stockholm (STE A, STE R) stock exchanges.

Stora Enso's Annual Report 2016 consists of four reports: Progress Book, Sustainability Report, Financial Report, and Corporate Governance Report.



The Progress Book explains Stora Enso's strategy, how we create value, and how our work is progressing. The publication is available in English, Finnish, and Swedish.



The Sustainability Report covers Stora Enso's social, environmental, and economic sustainability performance.



The Financial Report consists of Stora Enso in capital markets, a summary of our sustainability performance, the Report of the Board of Directors, and the financial statements.



The Corporate Governance Report covers Stora Enso's governance policy, practices, and actions as well as remuneration in 2016.



You can find the highlights of the year and the online Financial Report at storaenso.com/annualreport, where all reports can be downloaded.

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Corporate Governance in Stora Enso

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's Corporate Governance also complies with the Swedish Corporate Governance Code ("Swedish Code"), which has been applicable to Stora Enso as a foreign company from 1 January 2011, 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 Annual Reports, which are published in Finnish and English. The financial section of the Annual Report is also

translated into German, and the Interim Report into Swedish. Stora Enso Oyj prepares its Financial statements in accordance with the Finnish Accounting Act.

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

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

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

Objectives and composition of governance bodies

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

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

Shareholders' meetings

The Annual General Meeting of shareholders (AGM) is held annually to present detailed information about the Company's performance and to deal with matters such as adopting the annual accounts, setting the dividend (or distribution of funds) and its payment, and appointing members of the Board of Directors and 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 in at least two Finnish and two Swedish newspapers, 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 twenty-one (21) days before the date of the meeting. 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 in Annual Report and the Auditor's report
- use of the result and distribution of funds to the shareholders
- resolution concerning discharge of the members of the Board and the Chief Executive Officer from liability

Governance bodies

Shareholders' meeting

Shareholders' Nomination Board

Board of Directors

Financial and Audit Committee - Remuneration Committee -
Sustainability and Ethics Committee

CEO

Ethics and Compliance Board - Group Leadership Team (GLT)

Auditing

Internal Audit External Audit

- decision on the number and the remuneration of the members of the Board and the Auditor
- election of the 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 at least four weeks before the publication of the notice to the meeting.

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 2016

Stora Enso's AGM was held on 28 April 2016 in Helsinki, Finland. Of all issued and outstanding shares in the Company a total of 57.7 % of all shares (61.4 % in 2015) and a total of 80.3 % of all votes (81.4% in 2015) were represented at the meeting, with 91.6% of all A shares (91.3% in 2015) and 47.9 % of all R shares (52.7 % in 2015) represented. All Board members and most GLT members as well as the Company's Auditor were present at the meeting. No Extraordinary General Meetings of Shareholders were convened in 2016.

Shareholders' Nomination Board

Shareholders at the AGM have appointed a Shareholders' Nomination Board (the "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 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 Nomination Board 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.

Board of Directors (Board)

Stora Enso is managed by the Board according to International Corporate Governance Principles (based on OECD Principles of Corporate Governance of 2015).

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. The independence is evaluated yearly in accordance with recommendation 10 of the Finnish Corporate Governance Code of 2015. In addition, at least two of the directors comprising this majority

In 2016

The Nomination Board in 2016 comprised four members: Gunnar Brock (Chairman of the Board), Jorma Eloranta (Vice Chairman of the Board) and two other members appointed by the two largest shareholders, namely Kari Järvinen (Solidium) and Marcus Wallenberg (FAM AB). Prior to the AGM 2016, Juha Rantanen acted as Vice Chairman of the Board and as member of the Shareholders' Nomination Board in place of Jorma Eloranta.

Kari Järvinen was elected Chairman of the Nomination Board. The main tasks of the Nomination Board were to prepare the proposals for the AGM in 2017 concerning Board members and their remuneration. The Nomination Board during its working period 2016-2017 convened 4 times. Each member of the Nomination Board attended all the meetings.

In its proposal for the AGM in 2017, the Nomination Board proposes that of the current members of the Board of Directors – Anne Brunila, Jorma Eloranta, Elisabeth Fleuriot, Hock Goh, Mikael Mäkinen, Richard Nilsson and Hans Stråberg be re-elected members of the Board of Directors until the end of the following AGM and that Christiane Kuehne and Göran Sandberg be elected new members of the Board of Directors for the same term of office. The Nomination Board also proposes that the remuneration of the Board be kept at the current level.

For the purpose of carrying out its tasks, the Nomination Board has received the results of the yearly evaluation of the Board of Directors as well as the assessment of each director's independence of the Company and of significant shareholders. The Nomination Board has taken the results of the Board evaluation and the requirements relating to director independence into account in its work. The Nomination Board has a charter that defines its tasks and responsibilities in more detail.

Remuneration

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

Composition of the Shareholders' Nomination Board in 2016

Gunnar Brock ¹	Jorma Eloranta ¹
Chairman of Stora Enso's Board of Directors	Vice Chairman of Stora Enso's Board of Directors
Kari Järvinen	Marcus Wallenberg
Chairman of Stora Enso's Shareholders' Nomination Board. Born 1962. M.Sc. (Eng), MBA. Managing Director of Solidium Oy until 31 January 2017.	Member of Stora Enso's Shareholders' Nomination Board. Born 1956. B.Sc. (Foreign Service). Chairman of the Board of Directors of FAM AB.

¹ Curriculum vitae of Gunnar Brock and Jorma Eloranta, see page 16.

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 carried by all the shares or a shareholder that has the right or the obligation to purchase the corresponding number of already issued shares.



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All directors are required to deal at arm's length with the Company and its subsidiaries and to disclose circumstances that might be perceived as a conflict of interest.

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

The Board supervises the operation and management of Stora Enso and decides on significant matters relating to strategy, investments, organisation and finance.

The Board is responsible for overseeing management and for the proper organisation of the Company's operations. It is likewise responsible for overseeing the proper supervision of accounting and control of financial matters.

The Board has defined a working order, the principles of which are published in the Annual Report and on the Company's website.

The Board elects a Chairman and a Vice Chairman from among the Board members and 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 evaluates its performance annually. The results of the Board's evaluation are reviewed by the Board and shall be communicated to the 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 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 Nomination Board has taken the principles of the policy into account in its work. The Nomination Board finds that the proposed

composition of the Board reflects diversity and a good variety of skills and experiences among the Board members following the principles set out in the Board Diversity Policy.

The Board has during 2016 been composed of eight members representing four 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 one member holds 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 19–20.

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 as well as the business environment relevant to the operations of the Company. The age of the Board members during 2016 varied from 45 years to 66 years and the Board was composed of two women and six men.

The Nomination Board has in 2016 considered its previous evaluation of competencies that may be further strengthened in the long term Board succession planning as well as the aim to take action to further strive towards a good and balanced gender distribution. In its proposal for the AGM 2017 the Nomination Board has proposed a Board composition that includes three women and six men in the age range of 46 years to 66 years and representing a total of five different nationalities. The proposal aims at strengthening the Board's competence in the fields of biosciences and operative customer and sales experience as well as the cultural diversity and diverse background experience of the Board members. The proposed new Board members Christiane Kuehne and Göran Sandberg are both independent of the Company and also of significant shareholders of the Company with the exception of Göran Sandberg due to his position as executive director in majority shareholders of FAM AB, a significant shareholder of the Company.

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

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

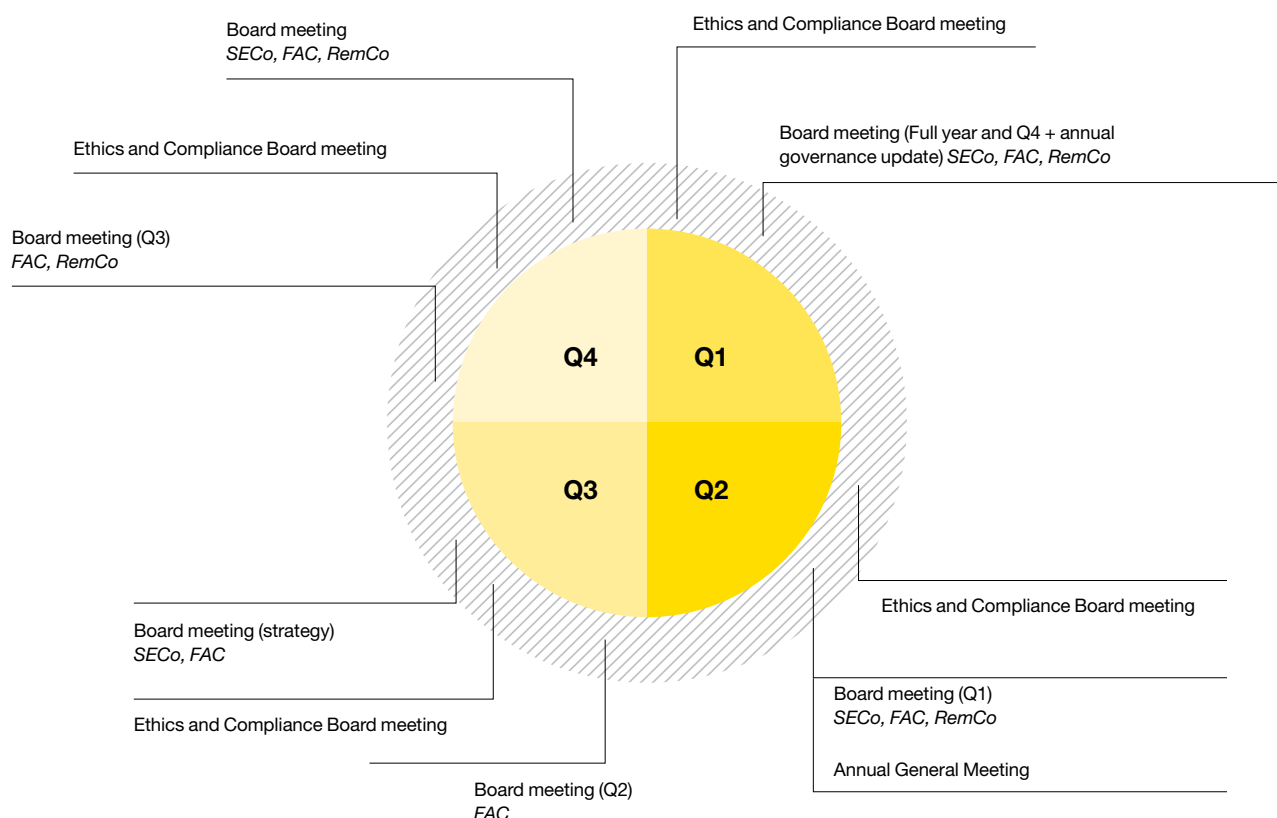
In 2016

The Board had eight members at the end of 2016, 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).

The Board members nominated at the AGM in 2016 were Gunnar Brock (Chairman), Jorma Eloranta (Vice Chairman), Anne Brunila, Elisabeth Fleuriot, Hock Goh, Mikael Mäkinen, Hans Stråberg and Richard Nilsson. The Board convened 8 times during the year.

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 Nomination Board for information. For detailed information about the Board members and their share ownerships, see pages 16–17.

The Board of Director's annual work cycle



Quarterly

- Meetings with auditors
- Divisional Business & Innovation reviews

Monthly

- GLT meetings
- Investment Working Group meetings

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

Working order of the Board

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

Board meetings

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

Information

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

Matters to be handled at Board meetings

- matters specified by the Finnish Companies Act;
- approval of business strategy;
- organisational and personnel matters
 - » decisions concerning the basic top management organisation;
 - » decisions concerning the composition of the Group Leadership Team;
 - » remuneration of the CEO;
 - » appointment and dismissal of the CEO and approval of heads of divisions and other senior officers belonging to the GLT;
 - » appointment of Board committees (including chairmen);
- economic and financial matters
 - » review of annual budget;
 - » approval of loans and guarantees, excluding intra-Group loans and guarantees;
 - » report of share repurchases, if any;
 - » approval of Group Risk Management Policy according to Financial and Audit Committee's proposal;

- investment matters
 - » approval of investment policy of the Group;
 - » approval of major investments;
 - » approval of major divestments;
- other matters
 - » report of the CEO on the Group's operations;
 - » reports of the Remuneration Committee, Financial and Audit Committee and Sustainability and Ethics Committee by the chairmen of the respective committees. The Nomination Board's recommendations and proposals shall be reported to the Board by the Chairman of the Board.
 - » approval and regular review of the Corporate Governance policy and the charters of the Board committees;
 - » annual self-assessment of Board work and performance as well as independence;
- other matters submitted by a member of the Board or the CEO.

Board committees

The tasks and responsibilities of the Board committees are defined in their charters, which are approved by the Board. All the committees evaluate their performance annually, are allowed to use external consultants and experts when necessary and shall have access to all information needed. Each committee's chairman and members are appointed by the Board annually.

Financial and Audit Committee

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

The Committee comprises three to five Board members, who are independent and not affiliated with the Company. At least one

Committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company, book-keeping or auditing. The Financial and Audit Committee meets regularly, at least four times a year. The Committee members meet the external and internal auditors regularly without the management being present. The Chairman of the Committee presents a report on each Financial and Audit Committee meeting to the Board. The tasks and responsibilities of the Financial and Audit Committee are defined in its charter, which is approved by the Board. Financial and Audit Committee members may receive remuneration solely based on their role as directors. The remuneration is decided upon by the shareholders at the AGM.

Remuneration Committee

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

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

In 2016

The Financial and Audit Committee comprised three members in 2016: Richard Nilsson (Chairman), Gunnar Brock and Mikael Mäkinen. The Committee convened 6 times.

The main task of the Committee is to support the Board in maintaining the integrity of Stora Enso's financial reporting and the Board's control functions. To fulfil its task the Committee regularly reviews the Company's system of internal control, management and reporting of financial and enterprise risks as well as the audit process. The Committee further reviews relevant compliance related cases that has been reported to internal audit and Ethics and Compliance during the year. In addition, the Committee has in 2016 prepared for the statutory audit tender process that will be held in 2017 as well as ensured compliance with the new audit regulation.

Remuneration

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

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

In 2016

The Remuneration Committee comprised three members in 2016. The members were Gunnar Brock (Chairman), Jorma Eloranta and Hans Stråberg. The Committee convened 4 times.

During 2016 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 programs. In addition the Committee discussed and evaluated a new format for external reporting on executive remuneration.

Remuneration

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

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

Sustainability and Ethics Committee

The Board has a Sustainability and Ethics Committee which is responsible for overseeing the Company's sustainability and ethical business conduct, its strive to be a responsible corporate citizen, and its contribution to sustainable development. The Committee regularly reviews Stora Enso's Sustainability Strategy and Ethics and Compliance Strategy and, in accordance with Stora Enso's corporate

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governance structure, oversees their effective implementation. In its work the Committee takes into consideration Stora Enso's Purpose and Values as well as Code of Conduct and Business Practice Policy.

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

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

In 2016

The Sustainability and Ethics Committee comprised three members in 2016: Anne Brunila (Chairman), Elisabeth Fleuriet and Richard Nilsson. The Committee convened 4 times.

The Committee in each of its meeting reviews the areas relevant for the Committee's work, including a 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 10 000 and member EUR 6 000 per annum as decided by the AGM.

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

- Technology (responsible for coordinating Stora Enso's R&D and innovation agendas, managing the group's investment processes, and leading Energy Services)
- CEO Office (responsible for Wood Supply Finland and Russia, Wood Supply Sweden, and special strategic projects)

The CEO is also responsible for preparatory work with regard to Board meetings. In addition, the CEO supervises decisions regarding key personnel and other important operational matters.

One of the Group Leadership Team members acts as deputy to the CEO as defined in the Finnish Companies Act.

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 2016, the twelve GLT members were the CEO, the CFO, the heads of the divisions, HR, Legal (who is also General Counsel), Communications, Sustainability, Sourcing and Logistics, and CTO.

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 2016

The GLT had twelve members at the end of 2016. The GLT convened 12 times during the year. Important items on the agenda in 2016 were safety issues, transformation strategy, sustainability, customer-driven innovation, reviewing the operations of the group, planning and following up investment and other strategic projects, and preparatory work for Board meetings.

Management of the Company

Chief Executive Officer (CEO)

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

The Board approves the main organisation, including the functions reporting to the CEO. At the end of 2016 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, Enterprise Risk Management, Internal Audit, Investor Relations, Tax, Treasury)
- IT
- Human resources
- Legal, General Counsel
- Communications
- Sustainability
- Sourcing and Logistics

Divisions and other functions

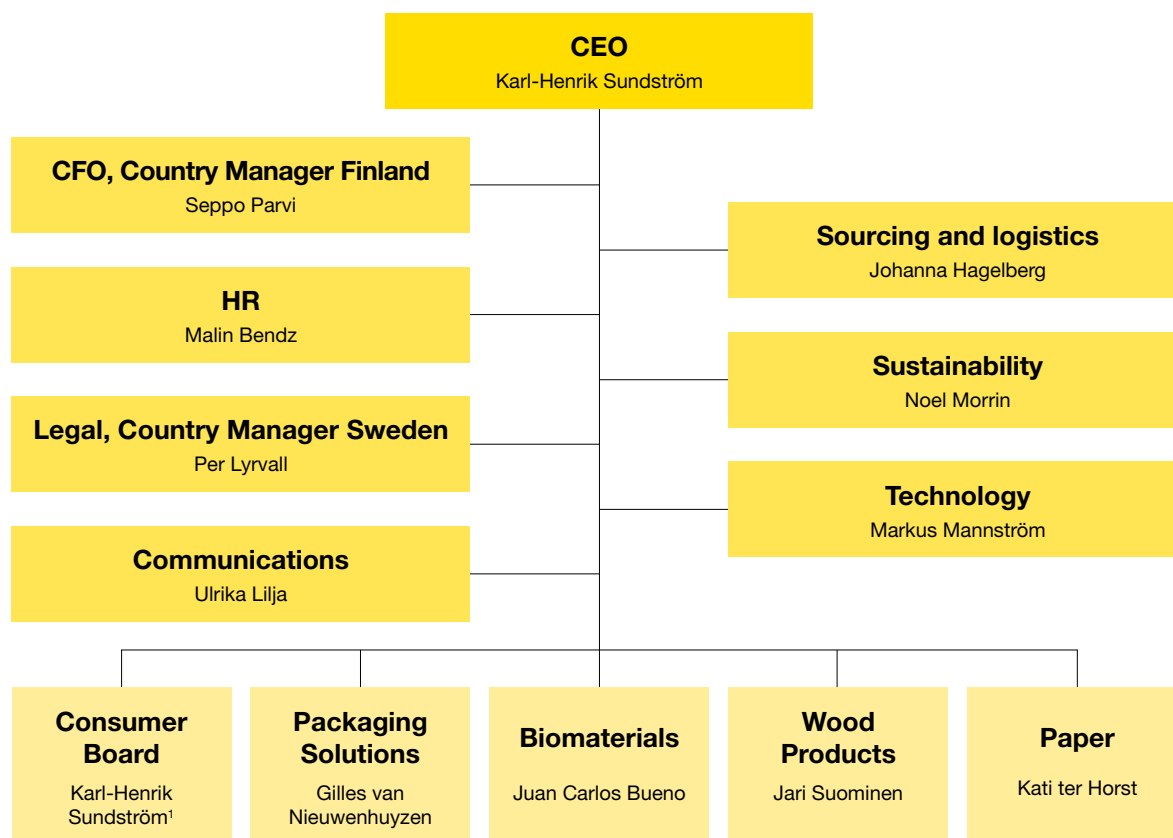
The divisions are responsible for their respective line of business and are organised and resourced to deal with all business issues. The CEO steers the divisions through quarterly and as needed Business Performance Reviews as well as the GLT meetings.

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 CTO (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, CTO, the division Head and the division Innovation Head.

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

Group Leadership team



¹ Annica Bresky has been appointed Executive Vice President, Consumer Board division and member of the Group Leadership Team. She will join Stora Enso at the latest by 1 May 2017.

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

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

Other supervisory bodies and norms

Auditor

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

In 2017 the Company will conduct a statutory audit tender process with view of the proposal to be made to the AGM in 2018 regarding the auditor election as the current auditor of the Company has served since 2008.

In 2016

Deloitte & Touche Oy (Deloitte) has been acting as Stora Enso's auditor since 2008. At the 2016 Annual General Meeting Deloitte was re-elected as auditor for a term of office expiring at the end of the Annual General Meeting in 2017.

Principal independent auditor's fees and services

Year Ended 31 December

EUR million	2016	2015
Audit fees	4	4
Audit-related	-	-
Tax fees	-	-
Other fees	1	1
Total	5	5

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Internal Audit

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

To ensure the independence of the Internal Audit department, its personnel report to the head of Internal Audit, who reports functionally to the Financial and Audit Committee, and administratively to the CFO. The head of Internal Audit is appointed by the CEO. The CEO shall seek approval of the appointment from the Financial and Audit Committee.

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 Board

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

Compliance

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

In order to enhance the supervision and monitoring of legal and regulatory compliance-related policies and issues, in 2012 Stora Enso established its Ethics and Compliance Board. In addition to the Division Compliance Forums established in 2015, a Compliance Forum for group functions was established in 2016. These forums bring together the heads of key functions and they play an important role in risk-assessing and monitoring compliance within divisions and group functions.

The Ethics and Compliance Self-Assessment Tool (T.E.S.T) was established in 2015 to give Stora Enso divisions a better overview of the progress their units are making in policy implementation, compliance measures taken, and possible gaps and risks in compliance. T.E.S.T was run twice also in 2016, also covering group functions in addition to divisions. The results were covered in Compliance Forums and action plans were developed and followed up on accordingly.

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, the heads and all members of 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 maintained when considered appropriate by the General Counsel or Assistant General Counsel.

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

Closed period

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

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

**Internal control and risk management
related to financial reporting****Internal control over financial reporting**

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

The internal controls related to financial reporting are designed to provide reasonable assurance regarding the reliability of financial



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reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies.

Control environment

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

The Board, supported by the Financial and Audit Committee, has the overall responsibility for setting up an effective system of internal control and risk management. Responsibility for maintaining effective risk management and internal controls over financial reporting is delegated to the CEO. The GLT and senior management issue corporate guidelines that stipulate responsibilities and authority and constitute the control environment for specific areas, such as finance, accounting, investments, purchasing and sales. In 2016, Stora Enso established the Group Internal Control function to strengthen the second line of defence in monitoring risks and controls. This department, under the CFO's supervision, is responsible for group-wide internal control governance and processes, whereas divisions, various support and service functions are accountable for operating effective internal controls.

Risk assessment

Stora Enso's management specifies objectives relating to the preparation of financial statements. The company applies an annual process to establish the overall materiality and to identify significant financial statements accounts and disclosures. Relevant objectives and risks for processes are identified and evaluated to determine Stora Enso's minimum internal control requirements for all business units and support functions. The assessment of risk includes risks related to fraud and irregularities as well as the risk of loss or the misappropriation of assets. Information on the development of essential risk areas and executed and planned activities in these areas are regularly communicated to the Financial and Audit Committee.

Control activities

Stora Enso's control activities are the policies, procedures and organisational structures in place to ensure that management directives are carried out and that necessary action is taken to address risks

related to the achievement of objectives relating to financial reporting. Stora Enso's minimum internal control requirements are aimed at preventing, detecting and correcting accounting and disclosure errors and irregularities and are performed on all company levels. They include a range of activities such as approvals, authorisations, verifications, reconciliations, reviews of operating performance, the security of assets and the separation of duties as well as general computer controls.

Information and communication

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

Monitoring

The Company's financial performance is reviewed at each Board meeting. The Financial and Audit Committee handles all Interim Reports and the Board reviews them before they are released by the CEO. The annual financial statements and the Report of the Board of Directors are reviewed by the Financial and Audit Committee and approved by the Board. The effectiveness of the process for assessing risks and the execution of control activities are monitored continuously at various levels. Monitoring involves both formal and informal procedures applied by management and processes owners, including reviews of results which are compared against the set budgets and plans, analytical procedures and key performance indicators. Additionally, self-assessment is used as a tool to facilitate the evaluation of controls and the progress of policy implementation and compliance measures taken in individual business units and support functions. In 2016, Stora Enso has developed and implemented group-level internal control reporting to support ongoing monitoring activities by management.

Stora Enso has a separate internal auditing organisation which independently evaluates the design and operating effectiveness of internal controls over financial reporting. The role, responsibilities and organisation of Internal Audit are described under Other Supervisory Bodies and Norms.

Remuneration statement

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 2016 (Remuneration Report).

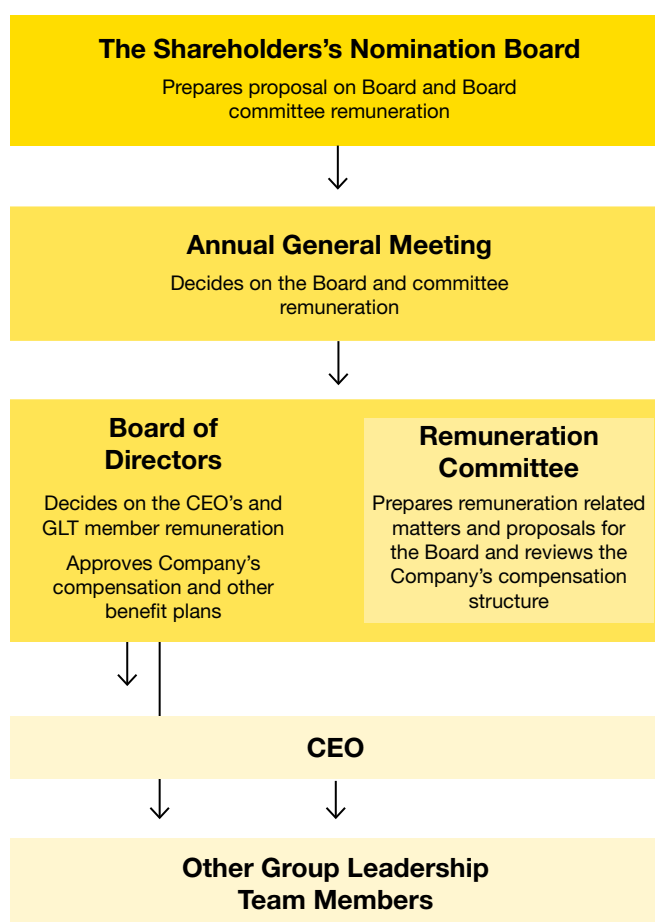
The Remuneration statement has been prepared in accordance with the Finnish Corporate Governance Code of 2015 (the "Code"). The Code is available at cgfinland.fi. Stora Enso's Corporate Governance also complies with the Swedish Corporate Governance Code ("Swedish Code") which has been applicable to Stora Enso as a foreign company from 1 January 2011, 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 2 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



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Stora Enso remuneration principles – general overview

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

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

Stora Enso's total remuneration mix consists of:

- Annual fixed salary
- Variable pay components as short-term incentives (cash) and long-term incentives (shares when applicable)
- Long-term employee benefits (pension, medical and health benefits)
- Other benefits (car, housing, etc. when applicable)

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

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

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

Board member remuneration principles

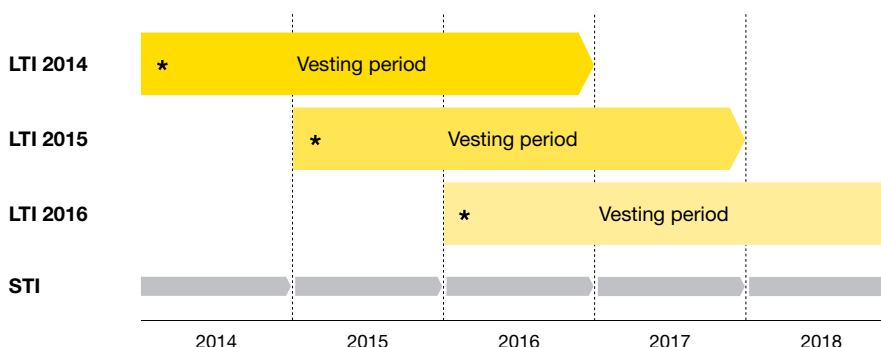
Remuneration of the Board of Directors is decided annually by the shareholders at the AGM. The AGM in 2016 resolved in accordance with the proposal of the Shareholders' Nomination Board that the members of the Board of Directors be paid the following annual remuneration for their term of office expiring at the end of the AGM 2017

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

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

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

Share-based compensation plan



* Date of grant 1 March

Yearly STI programme

LTI Long term incentive

STI Short term incentive

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CEO remuneration principles

The CEO has been employed since 1 August 2012 and assumed the position as CEO on 1 August 2014. He has a notice period of six months with a severance payment of twelve months salary on termination by the company but with no contractual payments on any change of control. 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 59 300 SEK in 2016) 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 2016 was based 70% on financial measures and 30% on Individual Key Targets.

Long Term Incentive (LTI) programmes for CEO

The CEO participates in 2014, 2015 and 2016 share based LTI programmes. The programmes have three year targets and vest in only one portion after three years. Three quarters (75%) of the awards are 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 awards are in Restricted Shares, for which vesting is only subject to continued employment.

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.

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

Short Term Incentive (STI) programmes for management

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

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

Long Term Incentive (LTI) programmes for management

Since 2009 Stora Enso has launched new share programmes each year. The 2009 to 2013 Performance Share programmes vested in portions over three years, based on annually defined targets set by the Remuneration Committee. The 2014 to 2016 programmes have three year targets and vest in only one portion after three years. In Performance Share programmes launched since 2012, the absolute maximum vesting level is 100% of the number of shares awarded. Three quarters (75%) of the awards under the 2016 programme is in Performance Shares, proposed by the Remuneration Committee and approved by the Board of Directors. One quarter (25%) of the award under the 2016 programme is in Restricted Shares, for which vesting is subject to continued employment.

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

CEO remuneration

Component	
Annual salary	EUR 934 000 in 2016
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 2014, 2015 and 2016. The CEO received a grant of maximum 78 799 shares in the 2016 programmes that will be settled 2019.
Other benefits	Benefits include mobile phone, car 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.

GLT remuneration

Component	
Annual salary	GLT members receive a monthly salary. In total for all GLT members EUR 3 964 000 in 2016.
Short-term incentive	GLT members are eligible for STI with up to a maximum of 50% of their annual fixed salary, payable the year after the performance period.
Long-term incentive	Outstanding LTI programmes include the yearly programmes of 2014, 2015 and 2016. The GLT members received a total grant of maximum 248 888 shares in the 2016 programmes that will be settled 2019.
Other benefits	Benefits include mobile phones, cars and insurances.
Pension	GLT members may retire at sixty-five 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.

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Board remuneration in 2016

In 2016, the Board members of Stora Enso were compensated as set out in the following chart. Based on the decision of the AGM in 2016, 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.

Board Remuneration

EUR	2016 ¹	2015
Chairman	170 000	170 000
Vice Chairman	100 000	100 000
Board Member	70 000	70 000

¹ 40% of the Board remuneration in 2016 was paid in Stora Enso R shares purchased from the market and distributed as follows: to Chairman 9 092 R shares, Vice Chairman 5 348 R shares, and members 3 744 R shares each. The Company has no formal policy requirements for the Board members to retain shares received as remuneration.

CEO remuneration

The total compensation for the CEO in 2016 amounted to EUR 2 218 000, including annual salary, customary fringe benefits (such as mobile phone) STI and LTI programmes, and pension costs.

The CEO has the potential to receive up to 78 799 shares under the 2016 LTI programme. The grant value EUR 600 448 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 19 751 shares having a

cash value at the 1 March 2016 settlement date of EUR 150 503 based on the share price of EUR 7.62 at that date.

GLT remuneration excluding CEO

The total compensation for the GLT members excluding CEO in 2016 amounted to EUR 7 681 000 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 (13) at year end 2016, including also the CEO. Malin Bendz joined GLT at 1 November, and two GLT members left during the year, Jari Latvanen on 28 October and Lars Häggström on 31 October.

Under the 2016 LTI programme, GLT members (in GLT at year end) potentially can receive 248 888 shares assuming that the maximum vesting level during the three-year vesting period (2016–2018) is achieved.

The fair value of employee services received in exchange for share-based compensation payments is accounted for in a manner that is consistent with the method of settlement either as cash-settled or equity settled as described in more detail in Note 21 of the Financial Report 2016. 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 55 681, having a cash value at the 1 March 2016 settlement date of EUR 424 289 based on the share price at that date.

Board Remuneration and Committee Memberships

EUR thousand	Year Ended 31 December			2015	Committee Memberships
	2016	2016	2016		
	Cash	Shares	Total	Total	
Board Members at 31 December 2016					
Gunnar Brock, Chairman	126	68	194	194	Remuneration, Nomination ^{2,3} , Financial and Audit
Jorma Eloranta, Vice Chairman	66	40	106	-	Remuneration, Nomination ^{2,3}
Anne Brunila	52	28	80	80	Sustainability and Ethics
Elisabeth Fleuriot	48	28	76	76	Sustainability and Ethics
Hock Goh	42	28	70	70	
Mikael Mäkinen	56	28	84	84	Financial and Audit
Richard Nilsson	68	28	96	90	Financial and Audit, Sustainability and Ethics
Hans Stråberg	48	28	76	76	Remuneration
Former Board members					
Juha Rantanen (until 28 April 2016)	-	-	-	126	
Total Remuneration as Directors¹	506	276	782	796	

¹ 40% of the Board remuneration in 2016 was paid in Stora Enso R shares purchased from the market and distributed as follows: to Chairman 9 092 R shares, Vice Chairman 5 348 R shares, and members 3 744 R shares each. The Company has no formal policy requirements for the Board members to retain shares received as remuneration.

² Stora Enso's Nomination Board is appointed by the shareholders at the Annual General Meeting. Gunnar Brock and Jorma Eloranta were appointed thereto in their roles as Chairman and Vice Chairman of the Board of Directors. A member of the Board of Directors may not be Chairman of the Nomination Board.

³ Kari Järvinen appointed by Solidium Oy is Chairman of the Nomination Board. Marcus Wallenberg is the member of the Nomination Board appointed by FAM AB.

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The following table shows the aggregate remuneration paid to the CEO and GLT members in 2016:

EUR thousand	Year Ended 31 December					
	2016			2015		
	CEO	Others ¹	GLT Total	CEO	Others	GLT Total
Remuneration						
Annual salary ⁴	934	3 964	4 898	932	3 846	4 778
Local housing (actual costs)	-	119	119	-	132	132
Other benefits	20	581	601	25	605	630
Termination benefits	-	-	-	-	475	475
Short Term Incentive programme ³	499	924	1 423	232	650	882
Long Term Incentive programme ³	151	424	575	371	1 493	1 864
	1 604	6 012	7 616	1 560	7 201	8 761
Pension Costs						
Mandatory Company plans	64	1 044	1 108	61	983	1 044
Stora Enso voluntary plans	550 ²	625	1 175	537	629	1 166
	614	1 669	2 283	598	1 612	2 210
Total Compensation	2 218	7 681	9 899	2 158	8 813	10 971

¹ The amounts include payments related to Jari Latvanen until 28 October and Lars Häggström until 31 October. Payments related to the new GLT member Malin Bendz are included from 1 November.

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 1 579 thousand.

³ Disclosed amounts for Short and Long term Incentives include amounts for executives who were GLT members at the time of the payment in March 2016.

⁴ Annual salary for executives is disclosed only for the period during which they were GLT members.

CEO and GLT share interests

Stora Enso recommends and expects GLT members to hold Stora Enso shares at a value corresponding to at least one annual base salary. Stora Enso shares received as remuneration are therefore recommended not to be sold until this level has been reached. Stora Enso GLT members, including the CEO, held on 31 December 2016 shares in the Company as follows:

Executives in Office at the Year End	R Shares Held ¹	Performance share opportunity 2017-2019 ²	Restricted share opportunity 2017-2019 ²
Juan Carlos Bueno	-	94 734	31 578
Johanna Hagelberg	1 626	43 672	14 557
Kati ter Horst	11 779	72 402	24 135
Malin Bendz	10 647	25 408	8 469
Ulrika Lilja	13 355	37 251	12 417
Per Lyrvall ³	37 954	63 580	21 193
Markus Mannström	20 951	35 651	11 884
Noel Morrin	11 940	38 534	24 453
Gilles van Nieuwenhuyzen	-	60 979	20 326
Seppo Parvi	7 253	65 329	21 776
Karl-Henrik Sundström ⁴	91 794	200 901	66 967
Jari Suominen	16 836	56 459	18 819
Total, Serving Officers⁵	224 135	794 900	276 574

¹ None of the GLT members holds A shares.

² Potential shares to GLT members listed here are gross of taxes

³ Spouse holds 1 257 shares.

⁴ 41 700 of the shares are held by a related party (Alma Patria AB).

⁵ The Company recommends and expects GLT members to hold Stora Enso shares at a value corresponding to at least one annual base salary. Stora Enso shares received as remuneration are therefore recommended not to be sold until this level has been reached.

The Following Executive Officers also Served in 2016

	Shares Held when GLT Membership Ended	Performance Share Opportunity when GLT Membership Ended ¹	Restricted Share Opportunity when GLT Membership Ended ¹	Effective Date of GLT Membership Ending
Lars Häggström	23 095	66 227	22 075	31 October 2016
Jari Latvanen	-	58 991	19 664	28 October 2016

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

Board of Directors



	Gunnar Brock	Jorma Eloranta	Anne Brunila	Elisabeth Fleuriot
	1950, M.Sc. (Econ.)	1951, M.Sc. (Tech), D. Sc. (Tech) h.c.	1957, D.Sc. (Econ.)	1956, M.Sc. (Econ.)
Position	Chairman of Stora Enso's Board of Directors since March 2010, member since March 2005. Member of the Financial and Audit Committee and Chairman of the Remuneration Committee since March 2010. Member of the Shareholders' Nomination Board.	Vice Chairman of Stora Enso's Board of Directors since April 2016. Member of the Remuneration Committee and Shareholders' Nomination Board since April 2016.	Member of Stora Enso's Board of Directors since April 2013. Chairman of the Sustainability and Ethics Committee since April 2013.	Member of Stora Enso's Board of Directors since April 2013. Member of the Sustainability and Ethics Committee since April 2015.
Board memberships	Chairman of the Board of Mölnlycke Healthcare AB. Member of the Board of Investor AB, Stockholm School of Economics, Stena AB, Syngenta International AG and Patricia AB. Member of the Royal Swedish Academy of Engineering Sciences (IVA).	Chair of the Board of Neste, Suominen and Uponor. Vice Chairman of the Board of Finnish Fair Foundation. Member of the Board of Cargotec. Vice Chairman of the Supervisory Board in Finnish Naval Foundation. Senior Advisor of Eera Ltd. Chair of the Board and President of Pienelo Ltd.	Chairman of the Board of Aalto University Foundation as of 13 January 2016 (previously Vice Chairman). Member of the Board of Kone Plc and Sanoma Plc. Member of the Board of the Research Institute of the Finnish Economy ETLA and the Finnish Business and Policy Forum EVA until end of 2016.	Member of the Board of Directors of Carlsberg Company.
Principal work experience and other information	President and CEO of Atlas Copco Group 2002–2009, President of Thule International 2001–2002, President and CEO of Tetra Pak Group 1994–2000, President and CEO of Alfa Laval 1992–1994.	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.	Professor in Hanken School of Economics as of 2014. 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.	CEO of Thai Union Europe (previously MW Brands) as of 2013. 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 2016, EUR¹	194 000	106 000	80 000	76 000
Board meeting attendance	8/8	5/5 ⁵	8/8	7/8
Financial and Audit Committee attendance	6/6 			
Remuneration Committee attendance	4/4 	2/2 ⁵ 		
Sustainability and Ethics Committee attendance			4/4 	4/4
Shareholding²	Owens 78 000 R shares in Stora Enso	Owens 150 A shares and 5 648 R shares in Stora Enso	Owens 15 909 R shares in Stora Enso	Owens 15 909 R shares in Stora Enso
Independence from the company and significant shareholders³	yes ⁴	yes	yes	yes

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	Hock Goh	Mikael Mäkinen	Richard Nilsson	Hans Stråberg
	1955, B. Eng (Hons) in Mechanical Engineering	1956, M.Sc.(Eng.)	1970, B.Sc (BA and Econ.)	1957, M.Sc. (Eng.)
Position	Member of Stora Enso's Board of Directors since April 2012.	Member of Stora Enso's Board of Directors since March 2010. Member of the Financial and Audit Committee since April 2013.	Member of Stora Enso's Board of Directors since April 2014. Member of the Financial and Audit Committee since April 2015 and Chairman since April 2016. Member of the Sustainability and Ethics Committee since April 2015.	Member of Stora Enso's Board of Directors since April 2009. Member of the Remuneration Committee since March 2010.
Board memberships	Chairman of the Board of Advent Energy Limited and MEC Resources. Member of the Board of AB SKF, Santos Australia, Harbour Energy and Vesuvius Plc.	President of Marine Rolls-Royce as of 2014. President of Cargotec Marine 2012–2013.	Member of the Board of Directors of Boston-Power Inc. and Cellutech AB.	Chairman of the Board of Atlas Copco AB, Roxtec AB, CTEK Holding AB and Nikkarit Holding AB. Vice Chairman of the Board of Orchid First Holding AB. Member of the Board of Investor AB, N Holding AB, Mellby Gård AB, Hedson Technologies International AB, Consilio International AB and Business Challenge AB.
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.	President and CEO of Cargotec Oyj 2006–2012. Deputy CEO Wärtsilä 2004–2006, Group Vice President, Ship Power, Wärtsilä 1999–2004.	Investment Manager at FAM AB since 2008. Pulp & paper research analyst at SEB Enskilda 2000–2008, Alfred Berg 1995–2000 and Handelsbanken 1994–1995.	President and CEO of AB Electrolux 2002–2010. Several management positions at Electrolux in Sweden and the USA 1983–2002.
Total remuneration 2016, EUR¹	70 000	84 000	96 000	76 000
Board meeting attendance	8/8	7/8	8/8	8/8
Financial and Audit Committee attendance		6/6 	6/6 	
Remuneration Committee attendance				4/4
Sustainability and Ethics Committee attendance			4/4 	
Shareholding²	Owns 21 692 R shares in Stora Enso	Owns 28 585 R shares in Stora Enso	Owns 14 042 R shares in Stora Enso	Owns 31 470 R shares in Stora Enso
Independence from the company and significant shareholders³	yes	yes	yes/no	yes

¹ Detailed description of Board Remunerations and Committee Memberships as decided by the AGM in 2016 on page 14

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

³ The Board members are independent of significant shareholders of the Company with the exception of Richard Nilsson (Investment Manager at FAM AB). A significant shareholder is a shareholder that holds more than 10% of all Company shares or the votes carried by all the shares or has the right or obligation to purchase 10% of already issued shares.

⁴ The Board has evaluated the independence of Gunnar Brock taking into account that he has served on the Board since 2005 for a period exceeding 10 years, and has based on its overall evaluation of independence concluded Brock to be independent of the company.

⁵ Meetings attended out of meetings held after election as Board 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.

Juha Rantanen was Vice Chairman of Stora Enso's Board of Directors since March 2010 (and member since March 2008) until his resignation on 28 April 2016. Member of the Financial and Audit Committee since March 2010 and Chairman since April 2015. Member of the Remuneration Committee since April 2014. Member of the Shareholders' Nomination Board. He was independent of the company and the significant shareholders. Held 9 918 Stora Enso R shares when Board membership ended.

● Chairman ● Member

Corporate Governance in Stora Enso

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Board of Directors

Group Leadership Team

Group Leadership Team **18**

Group Leadership Team

				
	Karl-Henrik Sundström	Seppo Parvi	Malin Bendz	Juan Carlos Bueno
	1960. B.Sc. (Business Studies)	1964. M.Sc. (Econ.)	1976. B.Sc. (Personnel Mgmt & Org. Development), MBA.	1968. M.Sc. (Industrial Eng.).
Position	Chief Executive Officer (CEO) since 2014. Acting head of Division Consumer Board ¹ . Member of the GLT since 2012. Joined the company in 2012.	Chief Financial Officer (CFO), Deputy to the CEO, Country Manager Finland. Member of the GLT since 2014. Joined the company in 2014.	Executive Vice President, HR. Member of the GLT since November 2016. Joined the company in 2000.	Executive Vice President, Division Biomaterials. Member of the GLT since 2011. Joined the company in 2011. EVP, Stora Enso Latin America until 2012.
Board memberships, principal work experience and other information	Executive Vice President, Printing and Living until 2014. CFO of the company 2012–2013. CFO of NXP Semiconductors 2008–2012. Prior to that CFO and several managerial positions in Ericsson. Chairman of the Board of Skogsindustrierna. Member of the Board of Swedbank, Sustainable Energy Angels AB, Swedish Securities Council, Confederation of European Paper Industries (CEPI) and Confederation of Swedish Enterprise.	CFO and EVP, Food and Medical Business Area at Ahlstrom Corporation 2009–2014. CFO for Metsä Board (M-real) 2006–2009. Prior to that various line management positions at the packaging company Huhtamäki, including responsibilities such as paper manufacturing within Rigid Packaging Europe and General Manager for Turkey. Deputy Chairman of the Board of the Finnish Forest Industries Federation. Member of the Board of Pohjolan Voima Oy. Member of the supervisory board of Ilmarinen.	Has held several international positions in human resources, business development and purchasing.	Vice President of DuPont Agricultural Products in Brazil 2006–2011. Prior to that several finance, sales, marketing and general business management positions in DuPont in other Latin American countries, USA, Europe, the Middle East and Africa. Chairman of the Board of Montes del Plata and Veracel.
Shareholding^{2,3}	Owens 50 094 R shares in Stora Enso directly ⁴	Owens 7 253 R shares in Stora Enso	Owens 10 647 R shares in Stora Enso	Does not own any Stora Enso shares

				
	Johanna Hagelberg	Kati ter Horst	Ulrika Lilja	Per Lyrvall
	1972. M.Sc. (Industrial Eng. & Mgmt) and M.Sc. (Eng. and Mgmt of Manufacturing Systems).	1968. MBA (International Business), M.Sc. (Marketing).	1975. M.Sc. (BA and Econ.).	1959. LL.M.
Position	Executive Vice President, Sourcing and Logistics. Member of the GLT since 2014. Joined the company in 2013 as SVP Sourcing, Printing and Living.	Executive Vice President, Division Paper. Member of the GLT since 2014. Joined the company in 1996. Senior Vice President, Paper Sales, Stora Enso Printing and Living until 2014.	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.	Executive Vice President, Legal, General Counsel, Country Manager Sweden. Member of the GLT since 2012. Joined the company as Legal Counsel in 1994.
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.	Has held several managerial positions in the paper business. Member of the Board of Finnish Forest Industries Federation and Outokumpu Oy.	Director External Communications at SSAB in Sweden 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.	General Counsel since 2008. 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^{2,3}	Owens 1 626 R shares in Stora Enso	Owens 11 779 R shares in Stora Enso	Owens 13 355 R shares in Stora Enso	Owens 36 697 R shares in Stora Enso directly ⁵

Corporate Governance in Stora Enso

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Board of Directors

Group Leadership Team

Group Leadership Team **19**



Markus Mannström

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



Noel Morrin

1958. B.Sc. (Chemistry and Biology).



Gilles van Nieuwenhuyzen

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



Jari Suominen

Born 1969. M.Sc. (BA).

Position

Chief Technology Officer. Member of the GLT since March 2015. Joined the company in 2001.

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

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

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

Has held several managerial positions in large investment and R&D projects within the company, most recently as General Manager of Stora Enso's Guangxi project in China. Member of the Renewable Packaging division management team 2009–2014. Member of the Board of Teollisuuden Voima Oyj. Deputy Member of the Board of Pohjolan Voima Oy.

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.

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).

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

Shareholding^{2,3}

Owens 20 951 R shares in Stora Enso

Owens 11 940 R shares in Stora Enso

Does not own any Stora Enso shares

Owens 16 836 R shares in Stora Enso

¹ **Annica Bresky** has been appointed as Executive Vice President, Division Consumer Board and member of the Group Leadership Team. She will join Stora Enso at the latest by 1 May 2017.

² None of the GLT members holds A shares.

³ There were no shareholdings by related parties of GLT members as of 31 December 2016 with the exception of Karl-Henrik Sundström and Per Lyrvall as shown below.

⁴ and 41 700 R shares through Alma Patria AB (related party)

⁵ and 1 257 R shares through related persons (spouse)

Lars Häggström, Executive Vice President, Human Resources was a member of the Group Leadership Team until 31 October 2016

Jari Latvanen, Executive Vice President, Division Consumer Board was a member of the Group Leadership Team until 28 October 2016.



Appendix 1

Due to differences between the Swedish and Finnish legislation, governance code rules and corporate governance practices Stora Enso's Corporate Governance deviates in the following aspects from the Swedish Corporate Governance Code:

- Rule 1.3 The company's nomination committee is to propose a chair for the annual general meeting. The proposal is to be presented in the notice of the meeting.
 - » According to Finnish annual general meeting (AGM) practice, the Chairman of the Board of Directors opens the meeting and proposes the chairman. The proposed chairman is normally an attorney-at-law.
- Rule 2.1 The nomination committee is also to make proposals on the election and remuneration of the statutory auditor.
 - » The Financial and Audit Committee prepares these proposals for shareholder approval in line with the Finnish Code.
- Rule 6.1 The chair of the board is to be elected by the shareholders' meeting.
 - » The Board of Directors shall elect one of its members as Chairman and one of its members Vice Chairman according to Stora Enso's Articles of Association.
- Rule 9.1 The board is to establish a remuneration committee, whose main tasks are to monitor and evaluate the application of the guidelines for remuneration that the annual general meeting is legally obliged to establish, as well as the current remuneration structures and levels in the company.
- Rule 10.3 No later than two weeks before the annual general meeting, the board is also to report the results of the evaluation required by bullets two and three of Code rule 9.1 on the company's website.
 - » In accordance with Finnish law, the remuneration of the CEO and management is the responsibility of the Board of Directors. The guidelines for and information on remuneration are presented in this Corporate Governance Report and the company's webpages.
- Rule 9.7 The shareholders' meeting is to decide on all share and share-price related incentive schemes for the executive management.
 - » The incentive schemes are established by the Board of Directors. If the programmes include the issuance of new shares or disposal of shares held by the Company then the programme will be subject to shareholder approval. Current programmes of the Company do not include such elements.

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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.