

Corporate Governance

General

The duties of the various bodies within Stora Enso are determined by the laws of Finland and by the corporate governance policy, which complies with the Finnish Companies Act and is decided by the Board of Directors.

The Board of Directors, the Chief Executive Officer (CEO) and the Deputy Chief Executive Officer (Deputy CEO) are responsible for the management of the Company.

The other governance bodies have an assisting and supporting role.

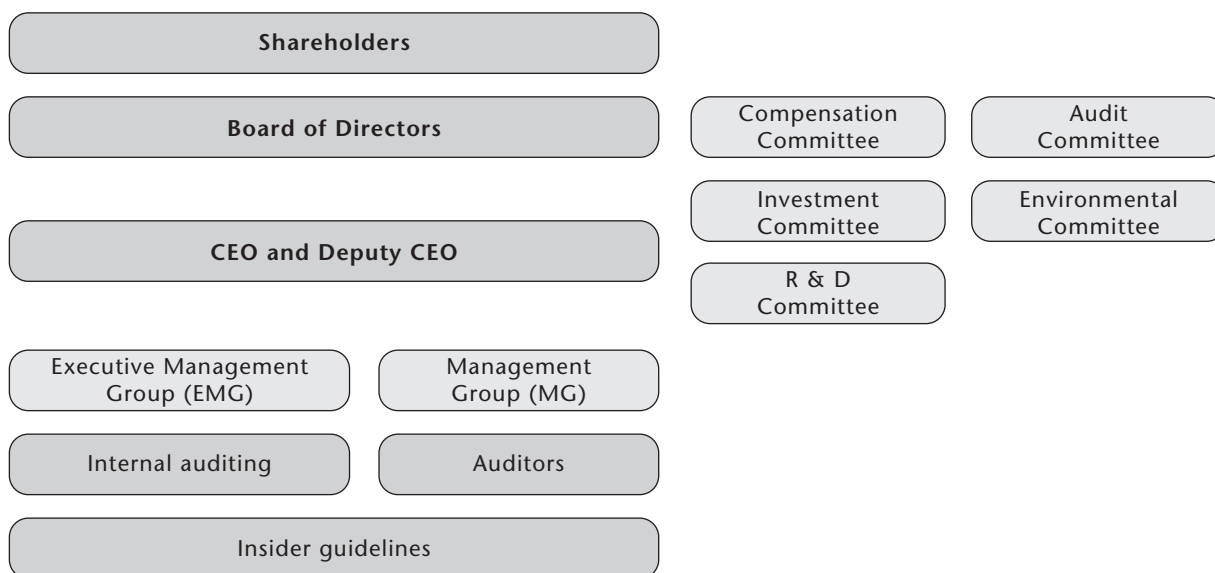
Stora Enso prepares annual and interim financial accounts conforming to international accounting standards (IAS) and published in Finnish, Swedish and English. In addition Stora Enso makes an annual reconciliation with US GAAP (Form 20-F).

Stora Enso is managed from dual headquarters in Finland and Sweden. Stora Enso also has an international office in London, UK.

Stora Enso has one or two auditors as decided by the Annual General Meeting.

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

Corporate Governance Bodies



The decision-making bodies with responsibility for managing the Company are:

Board of Directors

- **Compensation Committee**
The main decision taken by the committee during the year 2001 was the approval of the remuneration programme for the year. The Compensation Committee comprised three members (Claes Dahlbäck, Krister Ahlström and Harald Einsmann) and convened three times during 2001.
- **Audit Committee**
The Committee's main task is to assist the Board of Directors in fulfilling its controlling function. The Audit Committee comprised three members (Josef Ackermann, Paavo Pitkänen and Marcus Wallenberg) and convened five times during 2001.

CEO and Deputy CEO

- Executive Management Group (EMG)
- Management Group (MG)
- Investment Committee
- Environmental Committee
- R&D Committee

Day-to-day operational responsibility rests with the divisional management and their operations teams.

Objectives and Composition of Governance Bodies

Board of Directors

Stora Enso is managed by a Board of Directors under international two-tier corporate governance principles.

The Board of Directors consists of eleven ordinary members: nine non-executive and two executive. Members are appointed by the Annual General Meeting for a one-year term.

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 the management and proper organisation of the operations of the company. It is likewise responsible for the proper supervision of the accounting and control of the financial matters of the Company.

The Board elects a Chairman and a Vice Chairman from among its members and appoints a CEO, deputy CEO and heads of divisions and staff functions. The Board approves the organisational structure of the Company.

The Board appoints the Compensation and Audit Committees.

The Board meets at least five times per year. The Board convened eight times during 2001.

Chief Executive Officer (CEO)

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

The CEO is in charge of the following: strategy (long-range planning and investments), finance and financial planning, corporate communications, investor relations, preparatory work with regard to board meetings. In addition he supervises decisions regarding personnel, market services and IT and other important operational matters.

Deputy Chief Executive Officer (Deputy CEO)

The Deputy CEO acts as deputy to the CEO. The Deputy CEO is in charge of operational matters as follows: monitoring and coaching of the divisions, corporate support functions, purchasing, resources (wood, energy), R&D, environmental matters and human resources.

Executive Management Group (EMG)

The Executive Management Group is chaired by the CEO. It consists of the Deputy CEO and six divisional heads (Magazine Paper, Newsprint, Fine Paper, Packaging Boards, Timber and North America) and the heads of the Finance, Accounting and Legal Affairs (CFO) and Corporate Support staff functions.

The EMG's tasks and responsibilities are: investment planning and follow-up, control of mergers and acquisitions and divestments, preparation of strategic guidelines, allocation of resources, review of key day-to-day operations and operational decisions, preparatory work with regard to board meetings and review of the main features of the sales network.

The EMG convened eighteen times in 2001 and in the future will meet approximately twice a month. In addition to its customary governance tasks the EMG undertook a major review of Stora Enso's strategy and strategy process during the year. This work was completed in October 2001. The strategy process was directed toward focusing on key group and divisional issues as well as their solutions. The strategy approved by the Board of Directors in 1999 was subsequently updated and refined.

Management Group (MG)

The tasks and responsibilities of the Management Group are to review the budget, strategy and daily business development.

The members of the Management Group are: the members of the EMG and other divisional heads as well as heads of staff functions. The CEO may appoint additional members. In 2001 the number of members was twenty-two.

The MG meets approximately four times a year. The Management Group convened four times in 2001.

Investment Committee

The Investment Committee is chaired by the head of Strategy, Investments and Business Planning. The Committee's 5-10 members are appointed by the CEO. In 2001 the number of members was ten.

The tasks and responsibilities of the Investment Committee are: to coordinate investment planning and the approval process, coordination of the investment completion audit and follow-up process, participation in the planning and execution of large investment projects and the making of recommendations regarding the funds available for investments.

The Investment Committee convened ten times in 2001.

The Committee examined the major investment proposals and made recommendations on the allocation of divisional funds prior to decision.

Environmental Committee

The Environmental Committee is chaired by the Deputy CEO. The 8-14 committee members are appointed by the CEO. In 2001 the number of members was twelve.

The purpose and tasks of the Environmental Committee are: to formulate and communicate corporate environmental strategy and policy for divisions, to coordinate relations and communication with governmental/non-governmental organisations and other stakeholders, to establish environmental management procedures and to produce the annual environmental report.

The Environmental Committee convened three times in 2001. The Committee has drafted a Climate Change Policy and developed principles for forest certification, both of which have been presented to the EMG.

R&D Committee

The R&D Committee is chaired by the Deputy CEO. The Committee's 5-9 members are appointed by the CEO. In 2001 the number of members was eight.

The purpose and tasks of the R&D Committee are: to assist the Group's businesses to achieve and maintain quality and productivity leadership by facilitating high-quality R&D, to monitor technology and future-oriented product development and to recommend the extent of overall R&D activities within the Group.

The R&D Committee convened twice in 2001. During the year the R&D Committee requested and supported the active participation of Stora Enso Research in the strategy processes of the business units. The Committee has also defined a policy for joint R&D. The joint R&D programmes in the Nordic countries are complemented by selective and regionally steered participation in joint R&D in other major manufacturing countries.

Other supervisory bodies and norms

Auditors

The auditors of Stora Enso Oyj are SVH Pricewaterhouse Coopers Oy (Authorised Public Accountants) with Pekka Nikula, APA as principal auditor and KPMG Wideri Oy Ab (Authorised Public Accountants) with Hannu Niilekselä, APA as principal auditor.

Internal Auditing

Stora Enso also has a separate internal auditing organisation, which has a current complement of eleven persons. It independently appraises the adequacy and effectiveness of the systems, internal controls and accounting.

Internal Auditing reports its findings to the management, the external auditors and the Audit Committee. The Senior Vice President of the Internal Auditing Department reports to the Chief Financial Officer on a functional basis and has direct access to the chairman of the Audit Committee.

The Internal Audit Department conducts regular audits at major mills and other Group units.

Insider Guidelines

The Company fully complies with the insider guidelines of the Helsinki Stock Exchange which have been in force since 1 March 2000.

During 2001 the Stora Enso internal insider guidelines were published and distributed throughout the organisation.

Stora Enso permanent insiders are members of the Board of Directors, the CEO and deputy CEO, and the auditors. The CEO has also nominated as permanent insiders members of the Executive and Management Group as well as persons responsible for legal, financial, accounting, R&D and communications matters.

Management Group interests at 31 December 2001

Information on Management Group ownership of shares and options/synthetic options, and memberships in different committees is given on page 73, Note 23.