

Corporate Governance

General

The duties of the various bodies within Stora Enso Oyj are determined by the laws of Finland and by the Company's 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.

Other governance bodies have an assisting and supporting role.

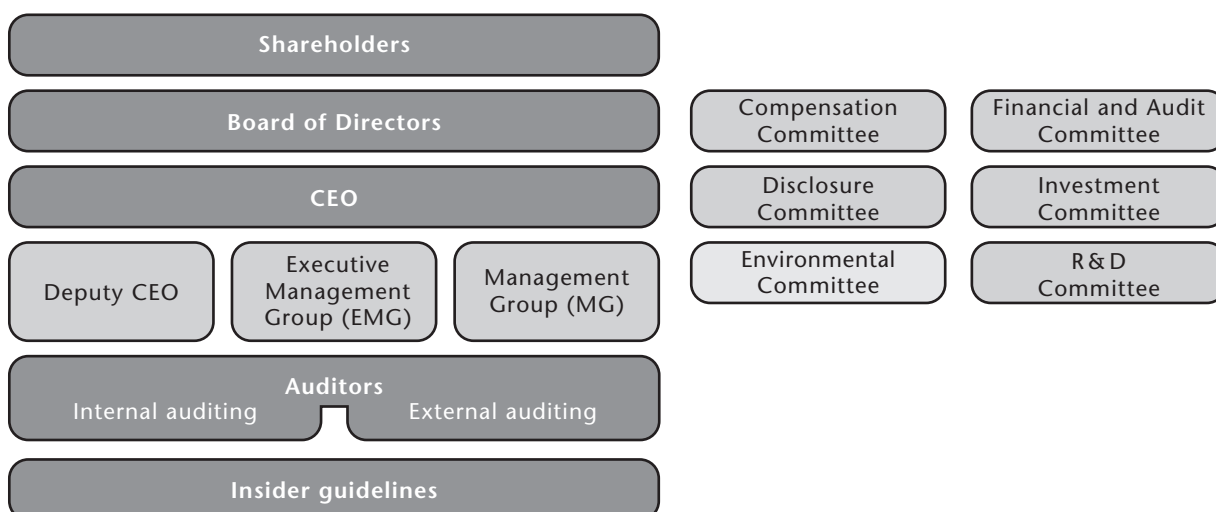
Stora Enso prepares annual and interim financial accounts conforming to international accounting standards (IAS) and published in Finnish, Swedish, English and German. In addition Stora Enso makes an annual reconciliation with US GAAP (Form 20-F).

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

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

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

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 2002 was the approval of the remuneration programme for the year. The Compensation Committee comprised three members (Claes Dahlbäck acting as Chairman, Krister Ahlström and Harald Einsmann) and convened twice during 2002.

Financial and Audit Committee

The Committee's main task is to assist the Board of Directors in fulfilling its controlling function. The Financial and Audit Committee comprised four members (Josef Ackermann acting as Chairman, Ilkka

Niemi, Paavo Pitkänen and Marcus Wallenberg) and convened twice during 2002.

CEO

- Executive Management Group (EMG)
- Management Group (MG)

Deputy CEO

- Environmental Committee
- R&D Committee

Other Committees

- Disclosure Committee
- Investment Committee

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

Objectives and Composition of Governance Bodies

Board of Directors

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

The Board 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 Company operations. It is likewise responsible for the proper supervision of accounting and control of financial matters.

The Board elects a Chairman and a Vice Chairman from among its members and appoints the 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 Financial and Audit Committees.

The Board meets at least five times a year. During 2002 it convened nine times.

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 of Directors. It is the duty of the CEO to ensure that the Company's accounting methods comply with the law and that financial matters are handled in a reliable manner.

The CEO is directly in charge of the following: strategy (long-term planning and investments), finance, accounting and legal affairs, corporate communications, investor relations, preparatory work with regard to Board meetings. In addition he supervises decisions regarding key 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 the following operational matters: monitoring and coaching of 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.

In addition to customary governance tasks, in 2002 the EMG undertook the major task of reviewing the most efficient ways of utilising available capital within the framework set by the Board of Directors. This resulted in the Stora Enso Asset Restructuring Programme that lays out the framework and principles for the Company's capital allocation.

The EMG convened twenty times in 2002.

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: members of the EMG and other divisional heads as well as heads of staff functions. Additional members may be appointed by the CEO. In 2002 the Group had twenty-two members.

The MG meets approximately four times a year. In 2002 the Group convened four times.

Disclosure Committee

The Disclosure Committee was nominated in 2002 to comply with the new financial reporting rules based on the Sarbanes Oxley Act. The Committee supervises the reliability of the Group financial reporting and disclosure processes. The Committee is chaired by the Group Controller and the members are the heads of Internal Auditing and Legal Affairs. The Disclosure Committee reports to CEO and CFO.

Investment Committee

The Investment Committee is chaired by the head of the Corporate Strategy, Investments and Business Planning. The Committee's 7-10 members are appointed by the CEO. In 2002 the number of members was ten.

The tasks and responsibilities of the Investment Committee are: co-ordination of 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 in the Company's various geographical areas as well as the drawing-up of recommendations on funds available for investments.

During 2002, the Committee developed a focused capital expenditure frame model, which is in line with Company strategy to keep capital expenditure under the depreciations average over the cycle. The Committee also examined major investment proposals and made recommendations on the allocation of divisional funds prior to decision. In co-operation with divisions and the EMG the Committee also developed the Stora Enso Asset Restructuring Programme in line with the capital expenditure frame model.

The Investment Committee convened thirteen times in 2002.

Environmental Committee

The Environmental Committee is chaired by the Deputy CEO. The 8–14 members are appointed by the CEO. In 2002 the Committee had thirteen members.

The function and tasks of the Environmental Committee are: to formulate and communicate corporate environmental strategy and division policy, 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 single largest item on the 2002 agenda was the Climate Change issue, which called for the setting up of a separate work structure to assess opportunities and threats and to shape Group strategy and an action plan. Other significant issues have been fibre strategy, forest certification and the Group Environment and Resources Report 2002.

The Environmental Committee convened four times in 2002.

R&D Committee

The R&D Committee is chaired by the Deputy CEO. The 5–9 members are appointed by the CEO. In 2002 the Committee had nine members.

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.

During the year, as an important step in reinforcing the focus of R&D strategy on improving the end

use performance of Stora Enso products, the Committee decided on the InnoCentre investment, an industrial scale development facility for the innovation of new packaging concepts. The planning of new funding arrangements to facilitate commercialisation of new business ideas was initiated in 2002.

The R&D Committee convened twice in 2002.

Other Supervisory Bodies and Norms

Auditor

The auditor of Stora Enso Oyj is PricewaterhouseCoopers Oy (Authorised Public Accountants) with Pekka Nikula, APA as principal auditor.

Internal Auditing

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

Internal Auditing reports its findings to the management, the external auditors and the Financial and 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 Financial and 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 Exchanges, which have been in force since 1 March 2000.

Stora Enso's internal insider guidelines were published in 2001 and are regularly distributed throughout the organisation.

Permanent insiders are members of the Board of Directors, the CEO and Deputy CEO, and the auditor. The CEO has also nominated as permanent insiders members of the Executive and Management Groups as well as persons responsible for legal, financial, accounting, R&D, communications and investor relations.

Management Group Interests at 31 December 2002

Information on Management Group ownership of shares and options/synthetic options, and memberships of different committees is given on page 77, Note 24 of the Financials 2002.