Remuneration Policy

THE RENEWABLE MATERIALS COMPANY

storaenso

Remuneration Policy 2022

This Remuneration Policy describes Stora Enso's main principles and the decision-making process of remuneration for the members of the Board, President and Chief Executive Officer (CEO) and Deputy CEO, and the remuneration elements for them.

These principles apply to remuneration agreed or amendments to remuneration already agreed, after the adoption of the guidelines by the Annual General Meeting (AGM) 2022.

Stora Enso general remuneration principles

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 remuneration within Stora Enso, careful consideration is taken to ensure the remuneration elements drive the business strategy of the company and its long-term financial interests. An up-to-date description of the business strategy can be found on the company's webpage storaenso.com/en/about-stora-enso.

The remuneration principles applicable to all employees form the basis of considerations when determining the Remuneration Policy which applies to the President and Chief Executive Officer (CEO) and the Deputy CEO. However, due to their positions certain additional criteria may be applicable to the extent this is in the best interest of Stora Enso. Our main consideration is to make sure that the CEO and Deputy CEO remuneration supports our company strategy and business objectives. We also consider the view of our stakeholders, the relation to pay and employment conditions for other employees in Stora Enso, as well as considerations related to the market in which the executive is based.

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

The Board regularly review and define key performance indicators which serve to measure the progress of the company and completion of strategic objectives. These are financial and non-financial measures, some are measured over 1 year and some over 3 years. The total set of the key performance indicators aim to be balanced in measuring different dimension of business results and shall not contribute to sub-optimising or short-term profit focus at the expense of long-term prosperity of the company. Stora Enso remuneration programmes are based on this set of key performance indicators. The Board makes sure an appropriate portion of total remuneration is variable and the outcome dependent on the fulfilment of the key performance indicators, thereby providing a clear incentive to enhance the long-term, sustainable performance of Stora Enso. These principles apply to all employees. They also apply to the CEO and Deputy CEO, who, in order to emphasize their pay for performance prerequisite and alignment to shareholders, respectively have a higher portion of total compensation tied to performance-based incentives.

Decision-making process

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 Chair, Vice Chair and members of the Board as well as the remuneration for the Chair 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 as has been decided earlier by the AGM. The composition of the Shareholders' Nomination Board is described in more detail in the Corporate Governance Report and/or the company's website. The Chair and Vice Chair of the Board shall not participate in the decision-making regarding Board or Committee Remuneration in the Shareholders' Nomination Board.

The Board appoints the CEO and Deputy CEO and approves his/her remuneration as well as the compensation of other Group Leadership Team (GLT) members. The Board's Remuneration Committee (or a Committee possibly succeeding the Remuneration Committee) prepares remuneration related matters and proposals for the Board, which is responsible for ensuring that management compensation policies are aligned with the company's objectives and shareholder interest.

Board remuneration

Remuneration of the Board is decided annually by the shareholders at the AGM or a possible extraordinary shareholders' meeting. The remuneration of the members of the Board may depend on their respective roles as Chair, Vice Chair, and Members of the Board or its committees. Board remuneration can be paid in cash or in cash and shares as further decided by the AGM.

Remuneration for the President and Chief Executive Officer (CEO) and Deputy CEO

The total remuneration to CEO and Deputy CEO consists of:

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

The purpose, operation, opportunity and link to performance of each remuneration element is described below.

Annual Base Salary – ABS (Fixed pay)

Purpose and link to strategy

The purpose of the base salary is to attract and retain talent of the calibre to deliver our strategic priorities.

Operation

The ABS is generally reviewed once a year and fixed for 12 months from 1 March. The ABS of the CEO and Deputy CEO is proposed by the Remuneration Committee and decided by the Board each year.

Paid in cash and paid monthly.

Set by taking into account the role, individual level of skills, experience, performance, and peer comparison.

Opportunity

There is no maximum salary limit.

CEO and Deputy CEO salary increases takes into consideration average salary increases for appropriate parts of the wider workforce. Increases may be larger, or applied more often, at the discretion of the Board under certain circumstances such as, but not limited to, the general development of business, financial performance, operational performance or when required considering market practice.

Performance metrics

Not applicable

Short Term Incentives – STI (Variable pay)

Purpose and link to strategy

The purpose of the STI programme is to drive alignment against set objectives and to create engagement by setting clear measurable yearly targets that will have a direct impact on company performance.

Operation

The STI programme is proposed by the Remuneration Committee and decided by the Board each year. Target levels of chosen performance metrics are set by the Board, taking into account the business plan, market outlook, and past years performance.

STI is paid in cash during the first half of each year for performance of the previous year. STI may be reclaimed and clawed back by the Board (see below for criteria).

In case of new appointments to the positions as CEO and Deputy CEO, an additional one-time award, in addition to the normal yearly award, could be made in order to align the person to the long-term goals of Stora Enso, and to compensate any value forfeited or lost by other means when leaving the current employer.

Opportunity

Opportunity of a maximum % of annual fixed salary if targets are met. STI maximum opportunity is reviewed yearly to ensure market competitiveness and link to strategy. The Board may decide on a maximum STI opportunity of 50%–100% of ABS for the CEO, and Deputy CEO.

Performance metrics

The STI programme is based partly on financial metrics and partly on measurable non-financial operational metrics that are set in the beginning of each year and measured for one year.

Financial metrics are for example related to sales growth, profit, working capital and cash flow or other financial metrics as decided by the Board. Operational metrics are based on the Stora Enso balanced scorecard, with targets in the strategic areas of Innovation, Customer Insight, Structured Processes, Motivated Employees and Special Projects. These may also be adjusted to reflect any changes in the balanced scorecard.

Operational metrics will account for no more than 40% of the STI opportunity. Target levels of operational metrics for the CEO and the Deputy CEO are decided by the Board.

Given that the performance metrics are measurable, it is possible for the Board to objectively evaluate the outcome at the end of each performance period. No pay out of incentives is done until financial results have been audited and approved by the external auditor.

Long Term Incentives – LTI (Variable pay)

Purpose and link to strategy

The purpose of the LTI is to incentivise and align management with shareholder interests and long-term strategy of the company, including its sustainability. This is done through setting measurable financial, strategic and ESG (Environmental, Social and Governance) long-term targets as well as through encouraging personal share ownership.

Operation

The LTI programme is proposed by the Remuneration Committee and decided by the Board each year with an annual conditional opportunity to earn shares dependent on the achievement of performance conditions.

Vestings will be paid in shares whenever possible, with a portion settled in cash in order to cover income tax.

Any vesting is subject to final approval and adjustments, and already vested shares may be clawed back by the Board (see below for criteria).

In case of new appointments to the positions as CEO and Deputy CEO, an additional one-time award, in addition to the normal yearly award, could be made in order to align the person to the long-term goals of Stora Enso, and to compensate any value forfeited or lost by other means when leaving the current employer.

Opportunity

LTI consists of a Performance Share award in Stora Enso shares. LTI maximum opportunity is reviewed yearly to ensure market competitiveness and link to strategy. The Board may decide on a maximum LTI opportunity of 70%–120% of ABS for the CEO, and Deputy CEO.

Each LTI plan has a share price cap set in EUR. The number of shares transferred to the participant is reduced proportionally, should the share price at vesting date exceed this share price cap.

Performance metrics

The shares will vest dependent on at least three-year performance criteria proposed by the Remuneration Committee and decided by the Board.

The performance metrics are for example related to earnings per share, economic value added, share price development, cash flow or measurable strategic or ESG targets as decided by the Board.

Given that the performance metrics are measurable, it is possible for the Board to objectively evaluate the outcome at the end of each performance period. No pay out of incentives is done until financial results have been audited and approved by the external auditor.

Long Term Benefits – LTB

Purpose and link to strategy

The purpose is to stay competitive and aligned to market practice, giving the CEO and Deputy CEO the confidence of a solid insurance coverage during their term of office and the opportunity to retire at normal retirement age.

Operation

Includes pension, disability, death and health benefits as well as further possible insurance coverage.

The pension plan for CEO and Deputy CEO in Sweden and Finland may consist of benefits comparable to the collectively agreed pension plan with a defined contribution (DC) top up plan. The DC top up element has the purpose to ensure that pension benefits for the CEO and the Deputy CEO are aligned with market practice in the country of employment for similar positions.

Long Term Employee Benefits such as pension, medical and health benefits will in the cases of new appointments to the positions as CEO and Deputy CEO may be determined based on the country of residence, candidate profile and market practice.

Opportunity

In Finland the contributions on top of statutory pension shall be limited to 23,5% of pensionable salary, while in Sweden total pension contributions shall be limited to 30% of pensionable salary.

Pensionable salary is fixed salary and paid STI.

Retirement age is 65 years.

The CEO and Deputy CEO may have accident, disability and death insurances in line with collectively agreed pension plans, to the extent those include this coverage in Sweden and Finland. In addition, the CEO and Deputy CEO may be covered by a company sponsored health insurance. The cost of the above-mentioned insurances may be up to 4% of fixed salary.

For positions governed by rules other than Finnish or Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Performance metrics

Not applicable

Other Benefits

Purpose and link to strategy

The purpose is to stay competitive and aligned to market practice. Some benefits will also help to attract and retain talent.

Operation

Typically include for example car and mobile phone.

In case the CEO or Deputy CEO would need to relocate, or in case of new appointments to the positions as CEO and Deputy CEO, Stora Enso may provide taxable relocation benefits related to that move.

Opportunity

Benefits are based on cost and will be provided in line with local market practice. The cost of the car benefit may be up to 4% of fixed salary.

The level of Relocation Benefits will depend on individual circumstances and market practice. These will be provided for a limited time.

For positions governed by rules other than Finnish or Swedish, benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Performance metrics

Not applicable

Other main terms applicable to the CEO and Deputy CEO

The CEO and Deputy CEO have notice periods of six months with severance payment of twelve months salary on termination by the company but with no contractual payments on any change of control.

The treatment of outstanding share awards in the event that the CEO or Deputy CEO leaves is governed by the relevant share plan rule.

Share ownership requirements applicable to the CEO and Deputy CEO

To further align the interests of the CEO and the Deputy CEO with those of the shareholders, the CEO and the Deputy CEO shall build up and maintain a shareholding in Stora Enso shares equivalent to at least one Annual Base Salary. Stora Enso shares received as remuneration from LTI plans shall therefore not to be sold until this level has been reached.

Discretion and the possibility for the company to reclaim compensation

The Board has discretion to reclaim some or all of not paid STI or non-vested LTI awards in case of, but not limited to a significant downturn in company results.

The Board may also decide to claw back already paid out STI or value of vested shares from the LTI programmes in case of, but not limited to, if an award has been paid out based on inaccurate or misleading information, or in case of serious breach of a regulation, law, or company code of conduct.

Possible exemptions from this Policy

The Board may decide to temporarily deviate from the policy, in whole or in part, in situations where that is in the long-term interest of the company. The company will disclose such deviations in the next Remuneration Report.

The Board can temporarily deviate from the policy in connection with corporate restructurings, such as a public takeover or other significant M&A or other reorganisation affecting the company or its size, change of control, change of mandatory applicable legislation or collective agreements, or in connection with the appointment of a new CEO or Deputy CEO. The Board may further deviate from the policy in case of a material change in the financial position or business strategy of the company where this is necessary to ensure the company's financial viability and long-term interest.

Changes may apply to all pay elements, contract provisions, as well as incentive plan structures and mechanisms, their timelines, metrics and opportunities, as seen necessary in ensuring the long-term development of of Stora Enso.

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