

METSÄ GROUP

REMUNERATION STATEMENT
2016



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This Remuneration Statement of Metsä Group on the remuneration of the Board of Directors, Supervisory Board and executive management has been issued pursuant to the Finnish Corporate Governance Code published by the Securities Market Association (www.cgfinland.fi/en/). The description of the decision-making procedure and principles concerning remuneration in this Remuneration Statement is updated when necessary, but always at least simultaneously with the Corporate Governance Statement. The Remuneration Report concerning the remuneration paid during the previous financial period is published at the same time.

DECISION-MAKING PROCEDURE CONCERNING REMUNERATION

Decisions on the remuneration of the Supervisory Board of the Group's parent company, Metsäliitto Cooperative, are made by the Representative Council.

Decisions on the remuneration of the members of Metsäliitto Cooperative's Board of Directors are made by the Supervisory Board on the basis of a proposal made by the Supervisory Board's Nomination Committee.

The Board of Directors decides on the remuneration and other financial benefits of the Group President and CEO and the members of the Group's Executive Management Team employed by Metsäliitto Cooperative, as well as on the principles of the bonus and share-based incentive scheme on the basis of the Compensation Committee's preparation. All Metsä Group companies comply with the same remuneration principles, and the remuneration criteria are approved by the Board of Directors of each subsidiary.

PRINCIPLES OF REMUNERATION SUPERVISORY BOARD AND BOARD OF DIRECTORS

Pursuant to a decision of the Representative Council, the Chairman and Vice Chairman of the Supervisory Board are paid fixed monthly remuneration and meeting fees. Other members of the Supervisory Board are paid meeting fees. The members of the Supervisory Board are furthermore entitled to travel compensation pursuant to Metsä Group's travel policy.

Pursuant to the Supervisory Board's decision, each member of the Board of Directors is paid fixed monthly remuneration and meeting fees. Meeting fees are also paid for committee meetings. In addition, the chairpersons of the Board of Directors' Audit Committee and Compensation Committee are paid separate monthly compensation. The members of the Board of Directors are entitled to travel compensation according to Metsä Group's travel policy. The remuneration paid for Board work accumulates pension benefits.

The President and CEO is not paid a salary or remuneration for Board work. With the exception of the President and CEO, the members of the Board of Directors do not fall within the scope of Metsä Group's short- or long-term incentive schemes.

EXECUTIVE MANAGEMENT

The purpose of the remuneration system for Metsä Group's executive management is to remunerate the management in a fair and competitive manner for the performance of Metsä Group and for realising the strategy and development of the business operations. The remuneration system for executive management comprises a fixed monthly salary, a performance bonus determined on the basis of the task's effect on earnings ("short-term remuneration scheme"), a share-based incentive scheme ("long-term remuneration scheme") and the management's pension benefits.

PRESIDENT AND CEO

The terms and conditions of the President and CEO's service are defined in writing in the President and CEO's contract, the terms of which have been confirmed by the Board of Directors. The term of notice of the President and CEO is six (6) months. If the contract of the President and CEO is terminated by the Board, the President and CEO is entitled to severance pay corresponding to 24 months' total salary. No severance compensation is paid if the contract is terminated by the President and CEO.

The President and CEO's monthly salary is agreed in the President and CEO's contract, and it includes company housing, a company

car, a chauffeur and other fringe benefits of a minor nature. Pursuant to the President and CEO's contract, the Board of Directors may decide that the President and CEO receives a bonus, based on defined financial criteria, corresponding to nine (9) months' salary.

The President and CEO falls within the scope of the Finnish Employees' Pensions Act. It provides pension security based on the period of service and earned income as provided in the Act. In the Finnish earnings-related pension system, basic salary, remuneration and taxable fringe benefits are included in earned income, whereas income from options and share-based incentive systems for management are not. The President and CEO has a separate pension agreement with a retirement age of 60. The Board of Directors of Metsäliitto Cooperative and Kari Jordan, President and CEO, agreed in May 2015 that Jordan will continue in his position beyond 9 March 2016, when he reached the age of retirement determined in his contract. The President and CEO's maximum level of pension is 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement.

OTHER EXECUTIVES

The other members of Metsä Group's Executive Management Team also have written manager contracts. The period of notice applicable to members of the Executive Management Team is six (6) months, and the members are entitled to severance pay equaling 6–12 months' salary if their contract is terminated on grounds not related to the executive.

In addition to the monthly salary paid to the other members of Metsä Group's Executive Management Team, they may also be paid a bonus specific to each Group company, to be determined separately. The maximum bonus paid to members of the Executive Management Team can vary, according to the task's effect on earnings, between the amounts corresponding to six (6) or seven (7) months' salary for that person. The criteria for the bonus system are the performance targets at Group level and in the executives' own areas of responsibility.

The other members of the Executive Management Team fall within the scope of the Finnish Employees' Pensions Act. It provides pension security based on the period of service and earned income as provided in the Act. Depending on the date on which the manager contract began, some members of Metsä Group's Executive Management Team have separate benefit-based pension insurance policies, with a retirement age of 62. According to the pension insurance, the level of pension is a maximum of 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. If their employment relationship with Metsä Group ends before retirement age, members of the Executive Management Team are entitled to a paid-up policy. At the end of 2016, six members of the Executive Management Team had separate pension arrangements.

LONG-TERM SHARE-BASED REMUNERATION

Share-based incentive scheme for 2014–2018: The Board of Directors of Metsäliitto Cooperative decided in February 2014 on a share-based incentive scheme for Metsä Group's executives for the years 2014–2018. The share-based incentive scheme has three earning periods of three years each: the calendar years 2014–2016, 2015–2017 and 2016–2018.

The Board of Directors of Metsäliitto Cooperative determines the executives who belong to the target group and their maximum remuneration at the beginning of every three-year earning period (the maximum remuneration is expressed as a number of shares). Attaining the targets established for an earning period determines the proportion of the maximum remuneration that will be paid to the executives. The amount of the remuneration paid annually may be limited. Any remuneration will be paid partially in shares in Metsä Board Corporation and partially in cash. The remuneration will, as a rule, be paid in the spring following the earning period. Each earning period will be followed by a subsequent two-year commitment period during which the participant is not entitled to transfer or dispose of the shares. If the executive's employment contract is terminated or cancelled by the Group company or the executive during the commitment period, the Board of Directors is entitled to require the executive to return the share-based incentive earned for the earning period, without consideration.

Any remuneration from each earning period (2014–2016, 2015–2017 and 2016–2018) is based on Metsä Group's return on capital employed (ROCE), earnings before interest and taxes (EBIT) and equity ratio.

The remuneration earned for the earning period 2014–2016 is detailed below in the section "Remuneration Report 2016".

The remuneration for the earning period 2015–2017 equates in value to a maximum of approximately 3 million Metsä Board B shares, including the portion payable in cash. At the end of the 2016 earning period, the scheme covers 50 persons, including all the members of Metsä Group's Executive Management Team.

The remuneration for the earning period 2016–2018 equates in value to a maximum of approximately 2.5 million Metsä Board B shares, including the portion payable in cash. At the end of the 2016 earning period, the scheme covers 71 persons, including all the members of Metsä Group's Executive Management Team.

Share-based incentive scheme for 2017–2021: The Board of Directors of Metsäliitto Cooperative decided in January 2017 to extend the share-based incentive scheme for Metsä Group's executives to the years 2017–2021. The scheme aims to integrate the goals of the owners and the management to increase the Group's value, secure the management's commitment to the implementation of the common strategy and offer the management a competitive remuneration system based on shareholdings.

The performance-based share-based incentive scheme for 2017–2021 has three earning periods: the calendar years 2017–2019, 2018–2020 and 2019–2021. The Board of Directors determines the executives who belong to the target group and their maximum remuneration at the beginning of every three-year earning period (the maximum remuneration is expressed as a number of shares). The earning criteria for each earning period and the targets set for them at the beginning of each earning period are decided by the Board of Directors. The potential remuneration for the earning period 2017–2019 will be based on the development of Metsä Group's return on capital employed (ROCE) as defined by the Board of Directors. The Board is furthermore entitled to cut, partly or in full, the remuneration based on the system, provided that certain criteria related to the development of the Group's result and equity ratio are not met. In addition,

the Board may set a maximum amount for the remuneration paid to those participating in the incentive scheme from one or more of Metsä Group's incentive schemes. If the maximum amount set for the remunerations paid is exceeded, the remuneration may be cut with regard to the part that exceeds the maximum amount.

Each earning period will be followed by a subsequent, approximately two-year commitment period during which the participant is not entitled to transfer or dispose of the shares. If the executive's employment contract is terminated or cancelled by the Group company or the executive during the commitment period, the Board of Directors is entitled to require the executive to return the share-based incentive earned for the earning period, without consideration. The possible remuneration for the earning period 2017–2019 will be paid in the spring of 2020 as Metsä Board Corporation's B shares.

In the 2017–2019 earning period, the system's target group consists of 85 people, including the members of Metsä Group's Executive Management Team. The remuneration to be paid on the basis of the system for the earning period 2017–2019 equates in value to a maximum of a total of 2.8 million Metsä Board Corporation's B shares, including the portion payable in cash. In addition, the remuneration includes a cash portion, which covers the taxes and tax-like charges resulting from the remuneration to the participants.

REMUNERATION REPORT 2016 SUPERVISORY BOARD

The Annual General Meeting of the Representative Council in spring 2016 decided to keep the remuneration of the Supervisory Board members unchanged in 2016. In 2016, the monthly remuneration of the Chairman of the Supervisory Board was EUR 3,900 and the meeting fee EUR 700 per meeting. The Chairman was paid a total of EUR 64,850 (EUR 59,000 in 2015) in salaries and meeting fees. The monthly remuneration of the Vice Chairman of the Supervisory Board was EUR 1,700 and the meeting fee EUR 700 per meeting in 2016. The Vice Chairman was paid a total of EUR 27,350 (EUR 28,400 in 2015) in salaries and meeting fees. The other members were paid EUR 700 per meeting, totaling EUR 114,800 (EUR 108,600 in 2015). Members of the Supervisory Board were paid a total of EUR 207,000 (EUR 196,000 in 2015) in salaries and fees in 2016.

BOARD OF DIRECTORS

At its meeting in November 2015, the Supervisory Board decided to raise the meeting fee payable to the members of the Board of Directors from EUR 600 to EUR 700. In other respects, the remuneration of the members of the Board of Directors remained unchanged in 2016. In 2016, the monthly remuneration of the Chairman of the Board of Directors was EUR 6,700 and the meeting fee EUR 700 per meeting. The Chairman was paid a total of EUR 96,540 (EUR 94,540 in 2015) in salaries and meeting fees. The monthly remuneration of the other members was EUR 3,700 and the meeting fee EUR 700 per meeting in 2016. The chairperson of the Audit Committee was paid separate monthly compensation of EUR 1,200. At its meeting in May 2016, the Supervisory Board also decided on EUR 1,000 in monthly compensation to be paid to the chairperson of the Compensation Committee. The other members were paid a total of EUR 405,550 (EUR 387,700 in 2015) in salaries and meeting fees. The members of the Board of Directors were paid a total of EUR 502,090 (EUR 482,240 in 2015) in salaries and fees in 2016. The aforementioned fees paid for Board work accumulate pension benefits. Metsä Group's President and CEO was not paid a separate salary or remuneration for Board work.

PRESIDENT AND CEO

Metsä Group companies paid President and CEO Kari Jordan a total of EUR 5,023,867 (EUR 3,955,430 in 2015) in salaries, remuneration and other benefits in 2016. The salary including fringe benefits paid by Metsäliitto Cooperative to the President and CEO in 2016 amounted to EUR 1,122,530 (EUR 1,111,432 in 2015), and the bonus and share-based incentive to EUR 3,776,633 (EUR 2,721,694 in 2015). The other Group companies paid the President and CEO a total of EUR 124,704 (EUR 122,304 in 2015) in salaries, remuneration and other benefits. In 2016, the annual contribution of the President and CEO's defined benefit pension plan was 3.0 per cent (8.5 per cent in 2015) of the total salary and remuneration paid by Metsä Group companies to the President and CEO.

OTHER EXECUTIVES

In 2016, Metsä Group companies paid to the members of the Executive Management Team (other than the President and CEO) a total of EUR 8,078,831 (EUR 6,344,338 in 2015) in salaries and remuneration, of which EUR 2,801,726 consisted of salary including fringe benefits, and EUR 5,277,104 of bonuses and share-based incentives. In addition to the President and CEO, six members had benefit-based pension insurance policies, the annual contributions of which totalled 11.78 per cent of the total salaries and remuneration paid to members of the Executive Management Team of Metsä Group companies (other than the President and CEO) in 2016.

LONG-TERM SHARE-BASED REMUNERATION

The remuneration for the 2014–2016 earning period of the share-based incentive scheme paid to a total of 48 persons (including all members of Metsä Group's Executive Management Team) equated in value to approximately 3.6 million Metsä Board B shares, including the portion payable in cash. President and CEO Kari Jordan's share of the remuneration corresponded to the value of approximately 0.6 million shares, whereas the share of the other members of the Executive Management Team corresponded to the value of approximately 0.9 million shares.