

# SALARY AND REMUNERATION REPORT

This salary and remuneration report of Metsä Group has been issued pursuant to Recommendation 47 of the Finnish Corporate Governance Code of 15 June 2010 and it has been published on Metsä Group's website on 27 March 2013. In accordance with the Group's practice the salary and remuneration report is updated two (2) times every calendar and always in March in connection with the Corporate Governance Statement.

## FEES OF THE SUPERVISORY BOARD AND THE BOARD OF DIRECTORS METSÄLIITTO COOPERATIVE'S SUPERVISORY BOARD

Pursuant to a decision of the Representative Council, the Chairman and Deputy Chairman of the Supervisory Board are paid a fixed monthly remuneration and a meeting fee. The other members only receive a meeting fee. The members are entitled to travel compensation according to Metsä Group's travel rules.

The Annual General Meeting of the Representative Council in the spring 2012 decided to keep the remuneration of the Supervisory Board members unchanged in 2012. In 2012, the monthly remuneration of the Chairman of the Supervisory Board was EUR 3,400 and the meeting fee EUR 600 per meeting. The Chairman was paid a total of EUR 57,000 (EUR 56,600 in 2011) in salaries and meeting fees. The monthly remuneration of the Deputy Chairman of the Supervisory Board was EUR 1,500 and the meeting fee EUR 600 per meeting in 2012. The Deputy Chairman was paid a total of EUR 22,800 (EUR 20,000 in 2011) in salaries and meeting fees. The other members were paid EUR 600 per meeting, totalling EUR 91,200 (EUR 80,300 in 2011). Members of the Supervisory Board were paid a total of EUR 171,000 (EUR 156,900 in 2011) in salaries and fees in 2012.

## METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS

Pursuant to the Supervisory Board's decision, each member of the Board of Directors is paid a fixed monthly remuneration and a meeting fee. The meeting fee is also paid for committee meetings. The members are entitled to travel compensation according to Metsä Group's travel rules.

The meeting of the Supervisory Board decided in November 2011 to keep the remuneration of the members of the Board of Directors unchanged in 2012. In 2012, the monthly remuneration of the Chairman of the Board of Directors was EUR 5,800 and the meeting fee EUR 600 per meeting. The Chairman was paid a total of EUR 86,640 (EUR 85,440 in 2011) in salaries and meeting fees. The monthly remuneration of the other members was EUR 3,200 and the meeting fee EUR 600 per meeting in 2012. The other members were paid a total of EUR 343,800 (EUR 337,050 in 2011) in salaries and meeting fees. The President and CEO is not paid a salary or remuneration for acting in the Board of Directors. Members of the Board of Directors were paid a total of EUR 430,440 (EUR 422,490 in 2011) in salaries and fees in 2012.

## REWARDING OF THE ACTING MANAGEMENT

The purpose of the reward system of Metsä Group's acting management is to reward the management in a just and competitive manner for the performance of Metsä Group and realising the strategy and development of the business operations. The Board of Directors of Metsäliitto Cooperative decides on the remuneration and other financial benefits of the Group President and CEO and members of the Group's Executive Management Team employed by Metsäliitto Cooperative, and the principles of the profit pay system based on the preparation of the Compensation Committee. All Metsä Group companies comply with the same reward principles, but the remuneration criteria are separately decided on by each subsidiary's Board of Directors.

The reward system comprises a fixed monthly salary, a bonus determined on the basis of the task's effect on earnings, the management's pension benefits and a share compensation system.

## SHORT-TERM INCENTIVES SALARY AND SEVERANCE PAY OF THE PRESIDENT AND CEO

The CEO's monthly salary with fringe benefits is EUR 84,241. The monthly salary includes housing, car, chauffeur and other minor benefits.

Pursuant to the President and CEO's contract, the Board of Directors may decide that the President and CEO receives a bonus based on the profit, cash flow and personal performance, corresponding to six (6) months' salary.

The companies in Metsä Group paid the President and CEO a total of EUR 1,362,171 (EUR 2,813,700 in 2011) in salaries, fees and other benefits in 2012. The salary with fringe benefits paid by Metsäliitto Cooperative amounted to EUR 1,054,878 (EUR 1,027,766 in 2011), and the bonus and share reward to EUR 196,766 (EUR 1,674,522 in 2011) in 2012. The other Group companies paid the President and CEO a total of EUR 110,527 (EUR 111,412 in 2011) in salaries, fees and other benefits.

The term of notice of the President and CEO is six (6) months. When the contract of the President and CEO is terminated by the Board, the President and CEO is entitled to a severance pay corresponding to 24 months' total salary. No severance compensation is paid if the contract is terminated by the President and CEO.

## SALARIES AND FEES OF OTHER MANAGEMENT

The maximum bonus paid to members of the Group Executive Management Team employed by Metsäliitto Cooperative can vary, according to the task's effect on earnings, between the amounts corresponding to the person's 0–6 months' wages. The criteria of the profit pay system are the earnings requirements of the Group level and of its own area of responsibility.

The companies in Metsä Group paid members of the Executive Management Team (excluding the President and CEO) a total of EUR 2,904,262 (EUR 3,626,964 in 2011) in salaries and fees in 2012.

## LONG-TERM INCENTIVES SHARE OWNERSHIP SYSTEM FOR THE EXECUTIVE MANAGEMENT TEAM

A part of the members of the Metsä Group Executive Management Team have established a company named Metsäliitto Management Oy. Mika Joukio from the Group Executive Management Team is not a participant in Metsäliitto Management. Through the company, the management has invested EUR

3,850,000 of their own funds in Metsä Board Corporation's B shares. In addition, some of the investments of the company in Metsä Board's B shares have been financed by a loan granted by Metsäliitto Cooperative. The management themselves shoulder the ownership risk for the investment they make in the system. The purpose of the system is to encourage members of the Executive Management Team to acquire and own Metsä Board's B shares and, through this, to increase the shareholder value of Metsä Group in the long term and support the achievement of the Group's strategic objectives.

The loan granted by Metsäliitto Cooperative will be repaid in its entirety by 31 March 2014. If the validity of the system is continued one (1) year at a time in 2013, 2014, 2015 or 2016, the loan period will be extended correspondingly. Metsäliitto Management has the right to repay the loan prematurely at any time. Metsäliitto Management is obligated to repay the loan prematurely by selling the Metsä Board shares it holds if the stock exchange price of Metsä Board's B share exceeds a certain level defined in the system for an extended period of time.

The system will remain in force until the end of 2013 and beginning of 2014, at which time the intention is to dismantle the system in a manner to be decided later. The system will be extended one (1) year at a time if, in October–November 2013, 2014, 2015 or 2016, the stock exchange price of Metsä Board's B share is lower than the average price at which Metsäliitto Management acquired Metsä Board's B shares it owns. The assignment of Metsä Board's B shares owned by Metsäliitto Management is restricted during the validity of the system. As a rule, the ownership of members of the Executive Management in Metsäliitto Management will remain in force until the dismantling of the system. If a member of the Executive Management Team resigns before the dismantling of the system, he/she is repaid the funds invested, but not any potential increase in value. If the system shows a loss, a resigning member of the Executive Management Team only receives a calculated share of the capital.

A total of 6,790,887 Metsä Board's B shares have been acquired through Metsäliitto Management, of which the President and CEO indirectly owns 1,763,867 shares and

the other members of the Executive Management Team indirectly own 5,027,020 shares.

#### SHARE-BASED INCENTIVE SCHEME FOR EXECUTIVES

**Share-based incentive scheme for 2011–2015:** The Board of Directors has accepted a share-based incentive scheme for Metsä Group's executives for the years 2011–2015. The arrangement offers the target group an opportunity to receive Metsä Board Corporation's B Series shares on three (3) earning periods of three calendar years each for the achievement of the targets set for the periods' earning criteria. The earning periods are calendar years 2011–2013, 2012–2014 and 2013–2015. The first earning period which lasts three (3) years is from 2011 to 2013.

The Board of Directors of Metsäliitto Cooperative shall determine the executives who belong to the target group and their maximum rewards at the beginning of every three-year earning period. The maximum reward is expressed as a number of shares. Attaining the targets established for an earning period determines the proportion of the maximum reward that shall be paid to the executives. Any reward will be paid partially in Metsä Board Corporation's shares and partially in cash. The amount paid in cash covers the taxes and tax-like charges resulting from the reward. The shares cannot be transferred during a commitment period of two (2) years. The reward will not be paid if the person's employment has terminated before the payment of the reward. In addition, any rewards that have been paid must be returned if the person's employment is terminated as a result of the person being dismissed or giving notice within two (2) years of the end of an earning period. The possible reward from the earning period of 2011–2013 is based on the development of Metsä Group's equity ratio, return on capital employed (ROCE), and earnings before interest and taxes (EBIT). The reward from the earning period equates in value the maximum of altogether approximately 4.7 million in Metsä Board's B shares including the share payable in cash (including the rewards of Metsä Board's share-based incentive scheme).

#### MANAGEMENT PENSION ARRANGEMENTS

Members of the Group's 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. In the Finnish earnings-related pension system, basic salary, remuneration and taxable fringe benefits are included in earned income, but not income from options and management's share-based incentive systems.

#### PENSION ARRANGEMENTS OF THE PRESIDENT AND CEO

The President and CEO has a separate pension agreement with a retirement age of 60, as a rule. 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. In 2012, the annual contribution of the President and CEO's benefit-based pension scheme was 76 per cent (77.5 per cent in 2011) of the total salary and remuneration paid by Metsä Group companies to the President and CEO. If the contract of the President and CEO should terminate before retirement age, he/she is entitled to a paid-up policy.

#### MANAGEMENT PENSION ARRANGEMENTS

The members of the Group's Executive Management Team have a separate benefit-based pension agreement with a retirement age of 62. The 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. If the employment relationship with Metsä Group ends before retirement age, a member of the Executive Management Team is entitled to a paid-up policy.