

# SALARY AND REMUNERATION REPORT 2015

This salary and remuneration report of Metsä Group on the remuneration of Board of Directors, Supervisory Board and executive management has been issued pursuant to Recommendation 47 of the Finnish Corporate Governance Code of 2010. Metsä Group issues the salary and remuneration report once per year simultaneously with the publishing of Metsä Group's Financial Statements and Report of the Board of Directors. Metsä Group updates the salary and remuneration information based on this report, provided on its website, to ensure that the website is as up to date as possible.

## **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 fixed monthly remuneration and meeting fees. The other members only receive meeting fees. The members are entitled to travel compensation according to Metsä Group's travel rules.

The Representative Council decided, at the Annual General Meeting of spring 2015, to raise the monthly remuneration of the Chairman and Deputy Chairman of the Supervisory Board as of May 2015 as follows: the monthly remuneration of the Chairman increased from EUR 3,400 to EUR 3,900, and the monthly remuneration of the Deputy Chairman increased from EUR 1,500 to EUR 1,700. In addition, the meeting fees payable to the members of the Supervisory Board were raised from EUR 600 to EUR 700. The Chairman was paid a total of EUR 59,000 (EUR 57,300 in 2014) in salaries and meeting fees in 2015. The Deputy Chairman was paid a total of EUR 28,400 (EUR 24,900 in 2014) in salaries and meeting fees in 2015. The other members were paid meeting fees totalling EUR 108,600 (EUR 116,100 in 2014) in 2015. Members of the Supervisory Board were paid a total of EUR 196,000 (EUR 198,300 in 2014) in salaries and fees in 2015.

## **METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS**

The Supervisory Board decides on the remuneration of the members of the Board of Directors based on a proposal from the Nomination Committee. 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 chairman of the Audit Committee is paid separate monthly compensation of EUR 1,200. The members of the Board of Directors are entitled to travel compensation according to Metsä Group's travel rules. At its meeting in November 2014, the Supervisory Board decided to raise the monthly compensation payable to the members of the Board of Directors as of January 2015. The monthly compensation for the Chairman of the Board increased from EUR 5,800 to EUR 6,700, and the monthly compensation of the other members increased from EUR 3,200 to EUR 3,700. The meeting fee of EUR 600 remained unchanged.

The Chairman was paid a total of EUR 94,540 (EUR 86,640 in 2014) in salaries and meeting fees in 2015. The other members were paid a total of EUR 387,700 (EUR 355,800 in 2014) in salaries and meeting fees in 2015. Members of the Board of Directors were paid a total of EUR 482,240 (EUR 442,440 in 2014) in salaries and fees in 2015. The aforementioned fees paid for duties in the Board of Directors accumulate pension benefits. The President and CEO is not paid a salary or remuneration for duties in the Board of Directors.

## **REWARDS SYSTEM FOR OPERATIVE MANAGEMENT**

The purpose of the reward system for Metsä Group's operative 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.

## **SALARY AND REMUNERATION OF THE PRESIDENT AND CEO**

The monthly salary, including fringe benefits, of President and CEO Kari Jordan was EUR 88,428 (EUR 87,400 in December 2014) in December 2015. 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 maximum nine (9) months' salary.

Metsä Group companies paid President and CEO Kari Jordan a total of EUR 3,955,430 (EUR 2,638,103 in 2014) in salaries, fees and other benefits in 2015. The salary including fringe benefits paid by Metsäliitto Cooperative to the President and CEO amounted to EUR 1,111,432 (EUR 1,098,223 in 2014) and the bonus and share reward to EUR 2,721,694 (EUR 1,427,369 in 2014) in 2015. The other Metsä Group companies paid the President and CEO a total of EUR 122,304 (EUR 112,512 in 2014) in salaries, fees and other benefits.

## **PRESIDENT AND CEO'S TERM OF NOTICE, SEVERANCE PAY AND PENSION ARRANGEMENTS**

The term of notice of the President and CEO is 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 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 is 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, have agreed in May 2015 that

Jordan will continue in his position beyond 9 March 2016, when he reaches 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. In 2015, the annual contribution of the President and CEO's defined benefit pension plan was 8.5 per cent (60 per cent in 2014) of the total salary and remuneration paid by Metsä Group companies to the President and CEO.

#### **SALARIES AND FEES OF OTHER MANAGEMENT**

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 6–7 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. Metsä Group companies paid members of the Executive Management Team (excluding the President and CEO) a total of EUR 6,344,338 (EUR 5,153,958 in 2014) in salaries and fees in 2015.

#### **PERIODS OF NOTICE AND PENSION ARRANGEMENTS OF OTHER MANAGEMENT**

The period of notice of the other members of Metsä Group's Executive Management Team is six months. The members of the Executive Management Team are entitled to a severance pay equalling 6–12 months' salary if their contract is terminated on grounds not related to the executive.

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. 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 share-based incentive systems for management. Depending on when their contract began, some members of Metsä Group's Executive Management Team have a separate defined benefit pension agreement with a retirement age of 62. According to the pension agreement, 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 2015, six members of the Executive Management Team had separate pension arrangements.

#### **SHARE-BASED INCENTIVE SCHEME FOR EXECUTIVES**

**Share-based incentive scheme for 2011–2015:** The Board of Directors of Metsäliitto Cooperative decided in December 2010 on 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 in three (3) earning periods of three calendar years each if they achieve the targets set for the periods' earning criteria. The earning periods are the calendar years 2011–2013, 2012–2014 and 2013–2015.

The Board of Directors of Metsäliitto Cooperative determines 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 will be paid to the executives. Any reward will be paid partially in shares in Metsä Board Corporation and partially in cash. The reward will, as a rule, be paid in the spring following the earning period. As a rule, the reward will not be paid if the person's employment has ended before the payment of the reward. The shares cannot be transferred during a commitment period of two (2) years.

The possible reward from each earning period (2011–2013, 2012–2014 and 2013–2015) is based on the development of Metsä Group's equity ratio, return on capital employed (ROCE), and earnings before interest and taxes (EBIT).

The rewards from the 2012–2014 earning period paid to 54 persons equated to approximately 1.9 million Metsä Board B shares, including the portion payable in cash. President and CEO Kari Jordan's share of the reward equalled the value of approximately 0.3 million shares.

The reward from the 2013–2015 earning period paid to 48 persons equated to approximately 3.2 million Metsä Board B shares,

including the portion payable in cash. President and CEO Kari Jordan's share of the reward equalled the value of approximately 0.5 million shares.

**Share-based incentive scheme for 2014–2018:** The Board of Directors of Metsäliitto Cooperative decided in February 2014 to extend the share-based incentive scheme for Metsä Group's executives for the years 2014–2018. The share-based incentive scheme has three 3-year earning periods: 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 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 will be paid to the executives. The amount of the reward paid annually may be limited. Any reward will be paid partially in shares in Metsä Board Corporation and partially in cash. The reward will, as a rule, be paid in the spring following the earning period. Each earning period will be followed by a subsequent 2-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 executive must return the share-based incentive earned for the earning period without consideration.

The possible reward 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 reward from the earning period 2014–2016 equates in value to a maximum of approximately 4.1 million Metsä Board B shares, including the portion payable in cash. At the end of the 2015 earning period, the scheme covers 47 persons, including all the members of Metsä Group's Executive Management Team.

The reward from the earning period 2015–2017 equates in value to a maximum of approximately 4.8 million Metsä Board B shares, including the portion payable in cash. At the end of the 2015 earning period, the scheme covers 51 persons, including all members of Metsä Group's Executive Management Team.

