

METSÄ GROUP

REMUNERATION STATEMENT 2017



Metsä

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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. The monthly fees payable to the Chairman and the Vice Chairman accumulate pension benefits. The other members of the Supervisory Board receive meeting fees. Meeting fees are also

paid for the Supervisory Board's committee meetings. 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 the meetings of the Board of Directors' committees. In addition, the chairmen 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 Group's strategy and the development of its business operations. The remuneration system for executive management comprises a fixed monthly salary, a performance bonus based on financial criteria and personal targets ("short-term remuneration scheme"), a share-based incentive scheme ("long-term remuneration scheme") and the management's pension benefits.

PRESIDENT AND CEO

Metsäliitto Cooperative has a CEO, who also acts as the President and CEO of Metsä Group, unless otherwise decided by the Supervisory Board. The President and CEO manages the operation of the entire Metsä Group. Kari Jordan (M.Sc. (Econ.), born 1956) has acted as the President and CEO of Metsä Group since 2006 and also as the CEO of Metsäliitto Cooperative in 2004–2017.

Ilkka Hämälä (M.Sc. (Eng.), born 1961) took up the position of the CEO of Metsäliitto Cooperative on 1 January 2018. He will start his work as the President and CEO of Metsä Group on 1 April 2018, when Kari Jordan retires.

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

Jordan's monthly salary is agreed in the contract of the President and CEO (EUR 89,327 in December 2017) and it includes housing, company car, chauffeur and other minor fringe benefits. Pursuant to the President and CEO's contract, the Board of Directors may decide that Jordan be paid a bonus, based on defined financial criteria and personal targets, corresponding to a maximum of nine (9) months' salary.

Jordan falls within the scope of the 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. Jordan has a separate pension agreement with a retirement age of 60. He has nevertheless continued to work in his position subsequent to the retirement age of the President and CEO's contract, up until 30 March 2018. Jordan's maximum level of pension is 60% of the total salary under the Employees Pensions Act, calculated on the basis of the five-year period preceding retirement.

The terms and conditions of the service contract of Ilkka Hämälä, Metsäliitto Cooperative's new CEO (Metsä Group's President and CEO as of 1 April 2018), have been defined in a written President and CEO's contract, the terms and conditions of which have been approved by the Board of Directors. The period of notice pursuant to the contract

is 12 months. If the service contract is terminated by the company, Hämälä is entitled to severance pay corresponding to 12 months' total salary. No severance compensation is paid if the contract is terminated by Hämälä himself.

Hämälä's monthly salary is agreed in the contract of the President and CEO (EUR 65,212 in January 2018) and it includes housing, company car, chauffeur and other minor fringe benefits. The Board of Directors may decide that Hämälä be paid a bonus, based on defined financial criteria and personal targets, corresponding to a maximum of 9 months' salary.

Hämälä falls within the scope of the 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 schemes for management is not. Hämälä's retirement age is in accordance with the Employees Pensions Act. Hämälä also falls within the scope of the pension insurance for Metsä Group's executives.

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 months, and the members are entitled to severance pay equalling 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 business area specific bonus, to be determined separately each year. The maximum bonus paid to members of the Executive Management Team can vary, according to the task's effect on earnings, between amounts corresponding to 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, as well as personal targets.

The other members of the Executive Management Team fall within the scope of the 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% 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, a member of the Executive Management Team is entitled to a paid-up policy. At the end of 2017, five 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 or manager 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 remuneration from each earning periods (2015–2017 and the possible remuneration from the earning period 2016–2018 are 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 periods 2014–2016 and 2015–2017 are detailed below in the section "Remuneration Report 2017".

The remuneration from the earning period 2016–2018 equates in value to a maximum total of approximately 2.5 million Metsä Board B shares, including the portion payable in cash. At the end of 2017, the scheme covers 71 persons, including all 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 possible remuneration from the earning periods (2017–2019 and 2018–2020) are based on the development of Metsä Group's return on capital employed (ROCE, %) as specified 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 or manager contract is terminated or cancelled by the Group com-

pany 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. Correspondingly, the possible remuneration for the earning period 2018–2020 will be paid in the spring of 2021 as Metsä Board Corporation's B shares.

In the 2017–2019 earning period, the system's target group consists of 85 people (December 2017), 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 of 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.

In the 2018–2020 earning period, the system's target group consists, at the beginning of the period, of 84 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 2018–2020 equates in value to a maximum of 2.6 million of 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 2017

SUPERVISORY BOARD

The Annual General Meeting of the Representative Council in spring 2017 decided to keep the remuneration of the Supervisory Board members unchanged in 2017. In 2017, the monthly remuneration of the Vice Chairman was EUR 1,700 and the meeting fee EUR 700 per meeting. Other members of the Supervisory Board were paid a meeting fee of EUR 700 per meeting.

Hannu Järvinen was Chairman of the Supervisory Board until 4 May 2017, when the position of Chairman was taken over by the previous Vice Chairman, Juha Paajanen. The position of Vice Chairman was taken over by Ahti Sipponen, until then a member of the Supervisory Board. In 2017, Järvinen was paid a total of EUR 30,275 in salaries and meeting fees. In 2017, Paajanen was paid a total of

EUR 53,400 in salaries and meeting fees. In 2017, Sipponen was paid a total of EUR 21,650 in salaries and meeting fees. The other members were paid a total of EUR 139,300 in meeting fees. The members of the Supervisory Board were paid a total of EUR 244,625 in salaries and fees in 2017 (2016: 207,000).

BOARD OF DIRECTORS

In its meeting of November 2016, the Supervisory Board decided to raise the monthly remuneration of the chairman of the Board of Directors from EUR 6,700 to EUR 7,200, and the monthly remuneration of other members from EUR 3,700 to EUR 4,000. The meeting fee paid to the members of the Board of Directors (EUR 700), and the monthly remuneration of the chairman of the Audit Committee (EUR 1,200) and the monthly remuneration of the chair of the Compensation Committee (EUR 1,000) remained unchanged. In 2017, the chairman of the Board of Directors was paid a total of EUR 117,090 in salaries and meeting fees (2016: EUR 96,540). The other members were paid a total of EUR 469,850 in salaries and meeting fees (2016: EUR 405,550). The other members of the Board of Directors were paid a total of EUR 586,940 in salaries and fees in 2017 (2016: EUR 502,090). 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 5,444,294 in salaries, remuneration and other benefits in 2017 (2016: EUR 5,023,867). In 2017, the salary including fringe benefits paid by Metsäliitto Cooperative to the President and CEO was EUR 1,125,527 (2016: EUR 1,122,530) and the bonus and share-based incentive was EUR 4,186,207 (2016: EUR 3,776,633). In addition, EUR 799,332 of the share-based incentive for the earning period 2014–2016 was delayed and will be paid at a later date in accordance with the rules of the share-based incentive scheme. The other Group companies paid the President and CEO a total of EUR 132,560 in salaries, remuneration and other benefits (2016: EUR 124,704). In 2017, the annual contribution of the President and CEO's defined benefit pension plan was 2% (2016: 3) of the total salary and remuneration

paid by Metsä Group companies to the President and CEO.

OTHER EXECUTIVES

In 2017, Metsä Group companies paid members of the Executive Management Team (excluding the President and CEO) a total of EUR 7,790,155 in salaries and fees (2016: EUR 8,078,831), of which EUR 2,581,751 consisted of salaries and fringe benefits and EUR 5,208,404 of bonuses and share-based incentives. In addition, EUR 1,321,172 of the share-based incentive for the earning period 2014–2016 was delayed and will be paid at a later date in accordance with the rules of the share-based incentive scheme. In addition to the President and CEO, six members of the Executive Management Team had benefit-based pension insurance policies, the annual contributions of which totalled 14.5% 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 2017.

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. The remuneration was primarily paid in the spring of 2017.

The remuneration for the 2015–2017 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 4.3 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 1.2 million shares. The remuneration will primarily be paid in the spring of 2018.