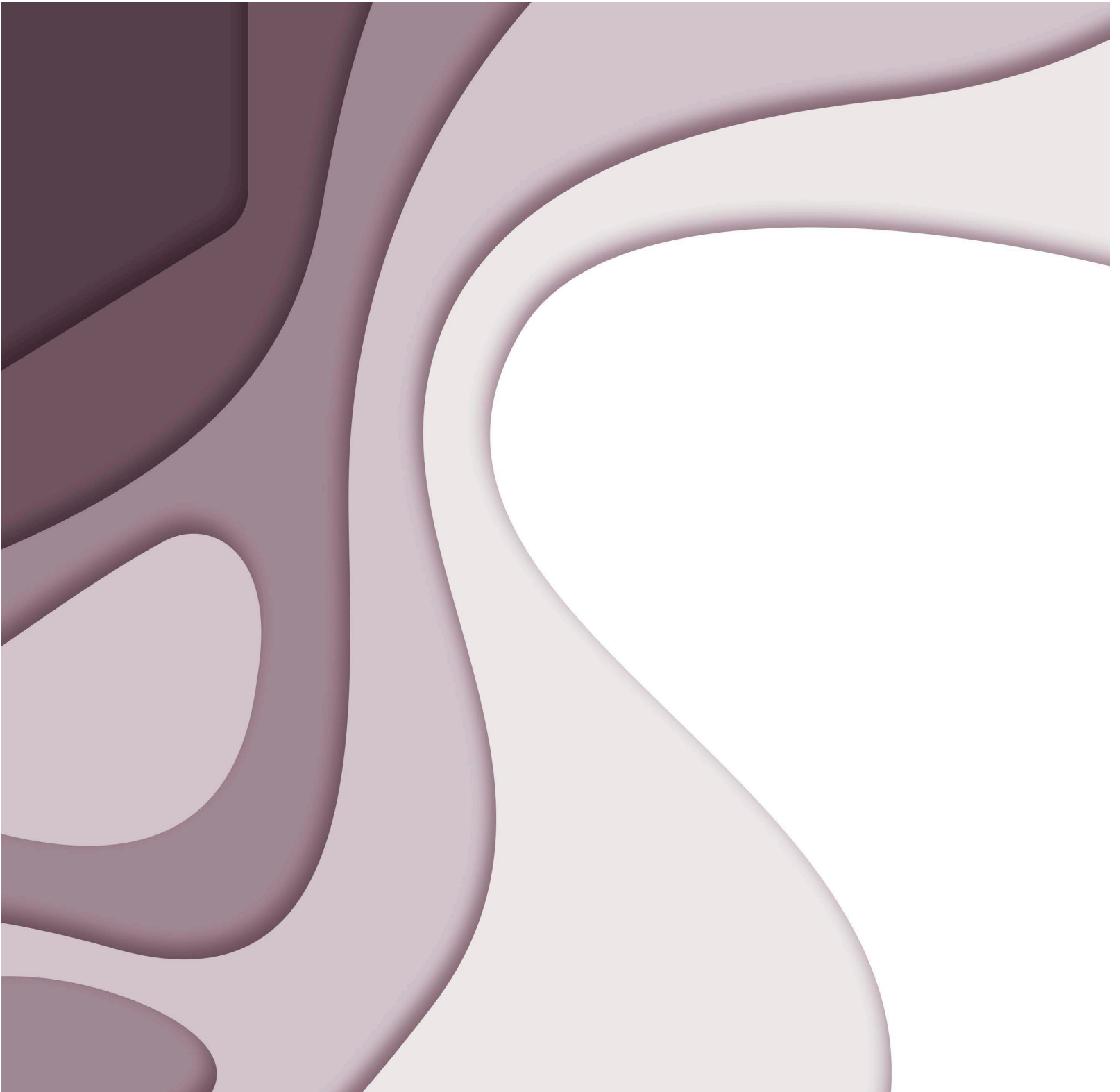


Metsä Board  
Remuneration Report 2021



# Review by the Chair of the Nomination and Compensation Committee



## ■ Dear shareholder,

Metsä Board's Annual General Meeting adopted the company's remuneration policy in June 2020. The policy is available on the company's website and has not been subject to any changes so far. The policy's principles apply to the remuneration of the entire personnel, and compliance with them promotes the realisation of the company's strategy and long-term financial success.

The Board of Directors' Nomination and Compensation Committee actively monitors the development of remuneration models and remuneration thinking, as well as new regulatory initiatives, and proposes changes to the remuneration policy and remuneration practices when necessary. In 2021, the committee paid special attention to the introduction of sustainability targets in remuneration's target-setting and ensures for its part that ESG-related indicators are as of 2022 included in the annual target setting of all Metsä Board employees.

This year's Remuneration Report is based on the renewed Remuneration Report published in the spring of 2021. This

report describes how the principles of the remuneration policy have been applied and complied with, and how members of the company's Board of Directors and the CEO were remunerated during the 2021 financial period.

Our goal has been to produce an illustrative presentation of the remuneration of the company's statutory governing bodies. We have aimed to provide the reader with an informative and transparent overall picture of remuneration, and to provide both shareholders and the company's other stakeholders a possibility to evaluate the success of the company and its remuneration.

Further information on the remuneration of the management and personnel is available in the company's financial statements and on its web pages.

### **Ilkka Hämälä**

Chair of the Nomination and Compensation Committee  
of Metsä Board's Board of Directors

# Introduction

Metsä Board's remuneration aims to fairly support profitable growth and the increase of shareholder value in line with the company's values and interests. The key objective is to enable the achievement of the company's vision as well as its strategic and operational targets, including our sustainability targets. We aim to motivate excellent performance both in the short-term and long-term.

## ■ Short-term and long-term targets

Metsä Board has a short-term incentive system with a review period of one calendar year as well as a long-term, share-based incentive system with a performance period of three years and a restriction period of approximately two years. The targets of the long-term incentive system, tied to the return on capital employed, operating result, and equity ratio, impact the long-term development of shareholder value. The Board of Directors has steered the company's operations in the short- and long-term with the support of the incentive systems. Metsä Board's financial result has a direct impact on the remuneration of the CEO through both the short- and long-term incentive systems.

## ■ Review of remuneration policy at General Meeting

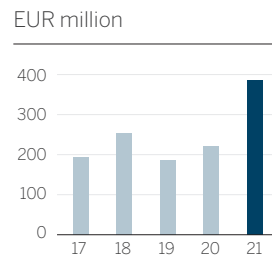
The remuneration policy was addressed at the company's Annual General Meeting on 11 June 2020. The General Meeting was held by special arrangement pursuant to the act allowing temporary derogation from the Companies Act in such a way that the meeting could be attended only by means of advance voting. Of the votes cast in advance, 98.52% were in favour of and approximately 1.48% against the remuneration policy. The shareholders did not present any opinion or questions on the content of the policy by the prescribed deadline. The Board of Directors has thereby concluded that the policy enjoys the broad support of shareholders.

## ■ Compliance with the remuneration policy

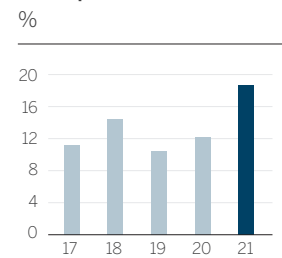
Metsä Board's remuneration policy was complied with throughout the financial year, and the policy was not deviated from in any respect.

## ■ The company's financial development

### Operating result, comparable



### Return on capital employed, comparable



## ■ Development of remuneration in 2017–2021

In 2017, the Board's annual remuneration was increased by a decision of the General Meeting so as to correspond with general salary development and development in companies counted among the company's peer group. The size of the increase was roughly 8%. In addition, the meeting fees paid to the members of the Board of Directors were increased from EUR 600 to EUR 700. The remuneration paid to members of the Board was not changed in 2018–2020. In 2021, the Annual General Meeting decided to keep the annual remuneration paid to the members of the Board unchanged. The annual remuneration paid to the Chair and to the Deputy Chair of the Board of Directors is EUR 95,000 and EUR 80,000, respectively.

The annual remuneration paid to other members of the Board of Directors is EUR 62,500. The Annual General Meeting in 2021 furthermore decided to increase meeting fees from EUR 700 to EUR 800. The CEO's base salary has been increased by around 3.0% during a five-year period. The development of the gross earnings has been influenced particularly by the company's success and thereby by the number of the company's B series shares earned in the long-term incentive system and the strengthening of the share price. The development of employees' average earnings has been moderate.

### Development of the Board of Directors' remuneration, the remuneration of the CEO, and the average earnings of employees (in euros)

	2021	2020	2019	2018	2017
<b>Chair of the Board of Directors</b>	108,600	108,300	105,500	108,300	109,000
Ilkka Hämälä as of 27 March 2018					
Kari Jordan until 27 March 2018					
<b>Deputy Chair of the Board of Directors</b>	93,600	94,700	90,500	93,300	94,000
Jussi Linnaranta as of 11 June 2020					
Martti Asunta until 11 June 2020					
<b>Other members of the Board of Directors (average)</b>	75,986	75,900	73,400	74,700	75,814
<b>CEO <sup>1)</sup></b>	1,558,658	1,148,937	1,333,824	1,766,254	1,339,476
Mika Joukio as of 1 October 2014					
<b>Average earnings of employees <sup>2)</sup></b>	56,941	50,695	51,418	54,168	51,181

<sup>1)</sup> The CEO was also paid deferred long-term incentives in 2021 (EUR 7,902), in 2020 (EUR 658,981) and in 2019 (EUR 625,703). The long-term incentives paid in 2017 includes solely the portion earned as the CEO of Metsä Board Corporation. The figures shown in the table do not include paid supplementary pension insurance premiums.

<sup>2)</sup> The average earnings of employees have been calculated from the employee costs of Metsä Board Group in its entirety by deducting social security costs from the total and dividing the remainder by the average number of employees.

# Remuneration of the Board of Directors

Remuneration paid to the Board of Directors and the costs of the Board members' pension arrangements in 2021 (in euros)

	Annual remuneration <sup>1)</sup>	Meeting fees	Pension benefit <sup>2)</sup>	<b>Total</b>
<b>Iikka Hämälä</b> , Chair	95,000	13,600	16,931	125,531
<b>Jussi Linnaranta</b> , Deputy Chair	80,000	13,600	15,996	109,596
<b>Hannu Anttila</b>	62,500	13,600	13,005	89,105
<b>Raija-Leena Hankonen-Nybm</b> , as of 25 March 2021 <sup>3)</sup>	62,500	7,200	11,989	81,689
<b>Erja Hyrsky</b> , as of 25 March 2021	62,500	8,000	12,048	82,548
<b>Kirsi Komi</b>	62,500	13,600	11,864	87,964
<b>Jukka Moisio</b>	62,500	13,600	11,864	87,964
<b>Timo Saukkonen</b>	62,500	13,600	11,864	87,964
<b>Veli Sundbäck</b>	62,500	13,600	0	76,100
<b>Total</b>	<b>612,500</b>	<b>110,400</b>	<b>105,562</b>	<b>828,462</b>
<b>Former members of the Board of Directors</b>				
<b>Kai Korhonen</b> , until 25 March 2021 <sup>3)</sup>	-	5,600	0	5,600
<b>Liisa Leino</b> , until 25 March 2021	-	5,600	873	6,437
<b>Total</b>	<b>0</b>	<b>11,200</b>	<b>873</b>	<b>12,073</b>

<sup>1)</sup> Approximately half of the remuneration has been paid as the company's B series shares and roughly half in cash. The cash portion has covered the taxes to be charged from the remuneration. The figures shown in the table do not include the portion of transfer tax paid by the company.

<sup>2)</sup> Members of the Board are covered by a voluntary employees' pension insurance until they reach the upper age limit for the legal obligation concerning employees' pension insurance.

<sup>3)</sup> The Chair of the Audit Committee has also been paid a monthly remuneration of EUR 800.

# Remuneration of the CEO

The salaries and fees paid to the CEO and the cost of the supplementary pension arrangement in 2021 (in euros)

	2021
Base salary, including fringe benefits <sup>1)</sup>	518,981
Short-term incentive <sup>2)</sup>	135,341
Special reward <sup>3)</sup>	30,000
Long-term incentive <sup>4)</sup>	874,336
Deferred long-term incentive <sup>5)</sup>	7,902
<b>Total</b>	<b>1,566,560</b>
Supplementary defined-benefit pension insurance	402,967

- <sup>1)</sup> The base salary includes a company car and phone benefit as well as extended health, travel and accident insurance coverage.  
<sup>2)</sup> The short-term incentive paid concerned performance in 2020.  
<sup>3)</sup> A special reward paid for a project related to the divestment of a 30% share in the Husum pulp mill to Norra Skog.  
<sup>4)</sup> The long-term incentive paid concerns the 2018–2020 performance period.  
<sup>5)</sup> In accordance with the terms of the performance share plan, a total of EUR 7,902 of deferred long-term incentive was paid for the 2015–2017 performance period.

The short-term incentive paid to the CEO was based on performance in 2020. The maximum level of remuneration available in the short-term incentive system in 2020 was, accounting for Metsä Group's EBIT multiplier, 75% of the fixed annual base salary. The reward was based on Metsä Board's operating result (weighting 50%) and the strategic targets defined by the Board of Directors (weighting 50%), as well as the realisation of Metsä Group's EBIT multiplier. The CEO's short-term incentive for 2020 was 26.1% of the base salary paid in 2021, accounting for Metsä Group's EBIT multiplier. The reward was paid in March 2021.

Realisation of the long-term incentive system's 2018–2020 performance period and the shares delivered to the CEO in 2021.

Performance period	2018–2020
Performance criteria	ROCE <sup>1)</sup>
Realisation of performance period, %	59.0
Year of payment of reward	2021
Restriction period	2 years
Share price on the date of transfer, EUR	9.43
Number of shares delivered	44,250

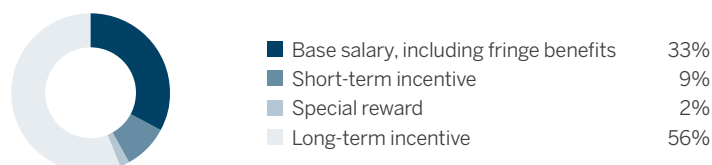
- <sup>1)</sup> The three-year average ROCE of Metsä Board Group and Metsä Group. Minimum values have furthermore been set for the equity ratio and operating result.

The reward paid from the long-term incentive system concerned the 2018–2020 performance period of the 2017–2021 performance share plan. The paid long-term incentive was based on the development of Metsä Board Group's (50%) and Metsä Group's (50%) return on capital employed (ROCE, %), as determined by the Board of Directors. Minimum levels had also been set for the operating result and equity ratio. The realisation of the 2018–2020 performance period was 59.0%. The amount of the reward is limited, and the CEO's reward (including both shares and cash portion) can be 200% of the CEO's annual base salary at the maximum. The long-term incentive paid in March 2021 is followed by an approximately two-year restriction period during which the CEO cannot transfer or dispose of the shares. The realisation of the long-term incentive was 168.5% of the base salary paid in 2021.

The variable pay (short- and long-term incentives) form a significant portion of the CEO's remuneration. The relative portions of variable pay and the fixed annual base salary are shown in the graph on the next page.

The CEO is covered by the supplementary defined benefit pension arrangement, according to which the CEO is entitled to retire at the age of 62. The payment of the supplementary defined benefit pension arrangement in 2021 was EUR 402,967. In addition, the CEO was paid a special reward of EUR 30,000 in 2021 for a project related to the divestment of a 30% share in the Husum pulp mill to Norra Skog. No other financial benefits were paid to the CEO in 2021.

## The division of the CEO's remuneration into a fixed base salary, short-term incentive, special reward and long-term incentive in 2021.



The maximum level of remuneration available in the short-term incentive system in 2021 is, accounting for Metsä Group's EBIT multiplier, 75% of the fixed annual base salary. The reward is based on Metsä Board's operating result (weighting 50%) and the strategic targets defined by the Board of Directors (weighting 50%), as well as the realisation of Metsä Group's EBIT multiplier. The potential reward will be paid in March 2022.

The potential reward for the 2019–2021 performance period of the 2017–2021 performance share plan is based on the development of Metsä Board Group's (50%) and Metsä Group's (50%) return on capital employed (ROCE, %), as determined by the Board of Directors. Minimum levels have also been set for the operating result and equity ratio. The amount of the reward is limited, and the CEO's reward (including both shares and cash portion) can be 200% of the CEO's annual base salary at the maximum. The potential reward will be paid in March 2022. The payment of the reward is followed by an approximately two-year restriction period during which the CEO cannot transfer or dispose of the shares.



**Together we make  
the perfect package**

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