

Metsä Board
Remuneration Report 2022



Review by the Chair of the Nomination and HR Committee



■ Dear shareholder,

Metsä Board's Annual General Meeting adopted the company's remuneration policy in June 2020. No changes have been made since to the policy, which is available on the company's website. 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 HR Committee actively monitors the development of remuneration models, as well as new regulatory initiatives, and proposes changes to the remuneration policy and remuneration practices when necessary. Remuneration must be in line with Metsä Board's remuneration principles. In 2022, the Nomination and HR Committee paid special attention to the prominence of sustainability targets in remuneration's target-setting. As previously reported, our goal for 2022 was to include ESG indicators or targets in every Metsä Board employee's annual targets. This goal was achieved, and the particular target-setting model will continue to guide also in the future our continuous assessment and improvement of sustainability.

This remuneration report is based on the recommendations in the Corporate Governance Code published by the Securities Market Association and on the requirements of the Securities Market Act and the Limited Liability Companies Act. The report describes how the principles of the remuneration policy have been applied and complied with in Metsä Board, and how members of the company's Board of Directors and the CEO were remunerated during the 2022 financial period.

We have aimed to provide an illustrative and transparent summary of the remuneration of the company's statutory governing bodies. The remuneration report enables the company's shareholders and other stakeholders 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 HR Committee of Board of Directors of Metsä Board Corporation

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 scheme with a review period of one calendar year. The company also has a long-term share-based incentive scheme with a performance period of three years and a restriction period of approximately two years. The targets of the long-term incentive scheme, 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 schemes. Metsä Board's financial result has a direct impact on the remuneration of the CEO through both the short- and long-term incentive schemes.

■ Review of remuneration policy at General Meeting

Metsä Board's remuneration policy was addressed at the company's Annual General Meeting on 11 June 2020. Of the votes cast in advance, 98.52% were in favour of and approximately 1.48% against the remuneration policy. The Board of Directors has thereby concluded that the policy enjoys the shareholders' wide confidence.

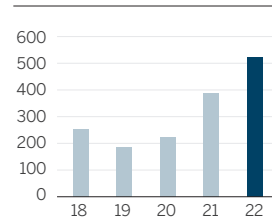
■ Compliance with the remuneration policy

Metsä Board's remuneration policy was complied with throughout the financial year 2022, and the policy was not deviated from in any respect.

■ The company's financial development

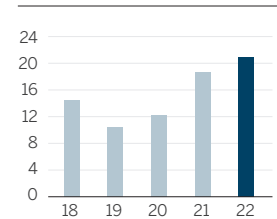
OPERATING RESULT, COMPARABLE

EUR million



RETURN ON CAPITAL EMPLOYED, COMPARABLE

%



■ Development of remuneration in 2018–2022

No changes were made to the remuneration paid to Board members in 2018-2021. In 2022, the Annual General Meeting decided to increase the annual remuneration paid to Board members. The annual remuneration paid to the Chair and to the Deputy Chair of the Board of Directors is EUR 99,000 and EUR 85,000, respectively. The annual remuneration paid to other members of the Board of Directors is EUR 67,000. The 2022 Annual General Meeting also decided to keep meeting fees at

EUR 800. The CEO's base salary has been increased by around 5.0% 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 schemes 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)

	2022	2021	2020	2019	2018
Chair of the Board of Directors	113,400	108,600	108,300	105,500	108,300
Ilkka Härmälä as of 27 March 2018					
Kari Jordan until 27 March 2018					
Deputy Chair of the Board of Directors	99,400	93,600	94,700	90,500	93,300
Jussi Linnaranta as of 11 June 2020					
Martti Asunta until 11 June 2020					
Other members of the Board of Directors (average)	82,329	75,986	75,900	73,400	74,700
CEO ¹⁾	1,817,130	1,558,658	1,148,937	1,333,824	1,766,254
Mika Joukio as of 1 October 2014					
Average earnings of employees ²⁾	59,564	56,941	50,695	51,418	54,168

¹⁾ The figures shown in the table do not include paid supplementary pension insurance premiums.

²⁾ 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 2022 (IN EUROS)

	Annual remuneration ¹⁾	Meeting fees	Pension benefit ²⁾	Total
Ilkka Härmälä , Chair	99,000	14,400	18,359	131,759
Jussi Linnaranta , Deputy Chair	85,000	14,400	17,584	116,984
Hannu Anttila	67,000	14,400	14,400	95,800
Raija-Leena Hankonen-Nybohm ³⁾	67,000	23,300	14,620	104,920
Erja Hyrsky	67,000	14,400	14,400	95,800
Mari Kiviniemi , as of 24 March 2022	67,000	8,000	12,143	87,143
Jukka Moisio	67,000	13,600	13,049	93,649
Timo Saukkonen	67,000	14,400	13,179	94,579
Veli Sundbäck	67,000	14,400	0	81,400
Total	653,000	131,300	117,734	902,034
Former members of the Board of Directors				
Kirsi Komi , until 24 March 2022	-	4,800	777	5,577
Total	-	4,800	777	5,577

¹⁾ 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.

²⁾ 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.

³⁾ Hankonen-Nybohm acts as the Chair of the Audit Committee and has also been paid a monthly remuneration of EUR 900.

Remuneration of the CEO

THE SALARIES AND FEES PAID TO THE CEO AND THE COST OF THE SUPPLEMENTARY PENSION ARRANGEMENT IN 2022 (IN EUROS)

	2022
Base salary, including fringe benefits ¹⁾	535,749
Short-term incentive ²⁾	327,155
Long-term incentive ³⁾	954,226
Total	1,817,130
Supplementary defined-benefit pension insurance	589,122

- ¹⁾ The base salary includes a company car and phone benefit as well as extended health, travel and accident insurance coverage.
²⁾ The short-term incentive paid concerns performance in 2021.
³⁾ The long-term incentive paid concerns the 2019–2021 performance period.

The short-term incentive paid to the CEO was based on performance in 2021. The maximum level of remuneration available in the short-term incentive scheme in 2021 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 2021 was 61.1% of the base salary paid in 2022, accounting for Metsä Group's EBIT multiplier. The reward was paid in March 2022.

REALISATION OF THE LONG-TERM INCENTIVE SCHEME'S 2019–2021 PERFORMANCE PERIOD AND THE SHARES DELIVERED TO THE CEO IN 2022

Performance period	2019–2021
Performance criteria	ROCE, % ¹⁾
Realisation of performance period, %	70.0
Year of payment of reward	2022
Restriction period	2 years
Share price on the date of transfer, EUR	8.86
Number of shares delivered	52,500

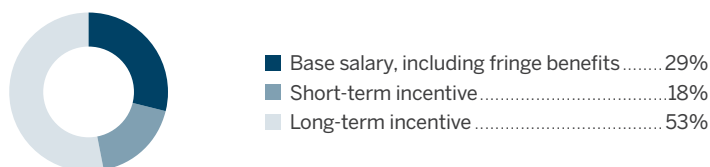
- ¹⁾ The three-year average ROCE % of Metsä Board and Metsä Group. Furthermore, minimum values have been set for the equity ratio and operating result.

The reward paid from the long-term incentive scheme concerned the 2019–2021 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 2019–2021 performance period was 70.0%. 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 fixed annual base salary at the maximum. The long-term incentive paid in March 2022 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 178.1% of the base salary paid in 2022.

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 following 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 2022 was EUR 589,122. No other financial benefits were paid to the CEO in 2022.

THE DIVISION OF THE CEO'S REMUNERATION INTO A FIXED BASE SALARY, SHORT-TERM INCENTIVE AND LONG-TERM INCENTIVE IN 2022



The maximum level of remuneration available in the short-term incentive scheme in 2022 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%), including sustainability targets as well as the realisation of Metsä Group's EBIT multiplier. In 2022, the CEO's sustainability target was related to safety at work. The potential reward will be paid in March 2023.

In 2019, Metsä Board's Board of Directors decided on a new long-term performance-based incentive scheme for 2020–2024. The scheme consists of three performance periods of three years. The reward for the 2020–2022 performance period will be paid in March 2023. The amount of reward has been limited. The CEO's reward (including both shares and cash portion) can be no more than 270% of the CEO's fixed annual base salary. The payment of the reward is followed by a restriction period of approximately two years, during which the CEO cannot transfer or dispose of the shares. As in the

previous performance-based incentive scheme, the reward 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.

In 2022, Metsä Board's Board of Directors decided on a new long-term performance-based incentive scheme for 2023–2027. The scheme consists of three performance periods of three years. Each performance period is followed by a restriction period of approximately two years. The amount of reward has been limited. The CEO's reward (including both shares and cash portion) can be no more than 270% of the CEO's fixed annual base salary. The reward will be 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.



**Together we make
the perfect package**

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