

Metsä Group
Remuneration Report 2021



Review by the Chair of the HR Committee



■ Dear reader,

Metsä Group's remuneration policy published in 2020 defines, among other things, the principles on which remuneration at Metsä Group is based. These principles are applicable to the entire personnel, and compliance with them promotes the implementation of Metsä Group's strategy and long-term financial success. The policy is available on Metsä Group's website and has not been subject to any changes so far.

The HR Committee actively monitors the development of remuneration models, as well as new regulatory initiatives, and submits proposed changes to the remuneration policy and remuneration practices to the Board, when necessary. Targets related to environmental and social responsibility and good corporate governance have gained increasing significance when setting goals concerning remuneration. The HR committee ensures for its part that sustainability is included in the remuneration-related targets for all Metsä Group employees in 2022.

The revised Remuneration Report published in the spring of 2021 described how the company's governing bodies, the members of Metsäliitto Cooperative's Supervisory Board and Board of Directors, as well as Metsä Group's President and CEO, were remunerated during the previous financial period. This year's Remuneration Report is based on the report published in the spring of 2021. Our goal is to provide our stakeholders with a clear and comprehensive overall picture of the remuneration of our governing bodies and the implementation of Metsä Group's remuneration policy.

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

Arto Hiltunen

Chair of the HR Committee
of Metsäliitto Cooperative's Board of Directors in 2021

Introduction

Remuneration in Metsä Group is based on the following principles:

- **Ensuring sustainable and responsible business operations**

Our remuneration supports the achievement of Metsä Group's vision, strategic and operational goals as well as the goals of sustainable development. We encourage activities in line with our values and Metsä Group's interests – responsible profitability, reliability, renewal and cooperation.

- **Ensuring performance and profitable growth**

With remuneration, we encourage excellent performance and results in both the short and the long term. We remunerate our people for achieving and exceeding targets and for profitable growth and the increase of shareholder and stakeholder value.

- **Supporting competence development and renewal**

With remuneration, we support competence development and the commitment of talent. We encourage continuous improvement, renewal and the creation of conditions needed for future success. In addition to monetary remuneration, we develop the personnel's competencies and offer opportunities for career development. Our leadership is of a high quality and we encourage the personnel's participation.

- **Consistency, competitiveness and transparency**

The remuneration is fair and based on clear principles and structures. We offer competitive overall remuneration. We communicate and report on remuneration transparently and according to requirements.

■ Short-term and long-term goals

Metsä Group has a short-term incentive system with a review period of one calendar year, as well as a long-term 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 development of shareholder value in the long term. With the support of the incentive systems, the Board of Directors steers Metsä Group's operations over the short and long term. Metsä Group's financial result has a direct impact on the President and CEO's remuneration through both the short- and long-term incentive systems.

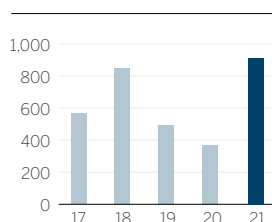
■ Compliance with the remuneration policy

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

■ Metsä Group's financial development

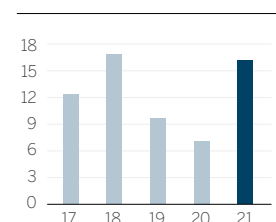
Operating result, comparable

EUR million



Return on capital employed, comparable

%



■ Development of remuneration 2017–2021

Over the past five years, the monthly remuneration of the Chair of the Supervisory Board has been increased by approximately 5% and the monthly remuneration of the Deputy Chair of the Supervisory Board by approximately 6%. The most recent increases were made in 2019, when the monthly remuneration of the Chair of the Board was raised to EUR 4,100 and the Deputy Chair's to EUR 1,800. In 2019, the meeting fee paid to the members of the Supervisory Board was raised from EUR 700 to EUR 800. No changes were made to the monthly remuneration or meeting fees paid to the Supervisory Board in 2020–2021.

The monthly remuneration of the Chair of the Board of Directors was increased in 2020. It now amounts to EUR 11,570. No changes were made to the monthly remuneration paid to the Chair of the Board of Directors in 2021. The monthly remuneration paid to the Deputy Chair of the Board of Directors is EUR 5,200, and it has been paid since 2019. The monthly remuneration of the Deputy Chair remained unchanged in 2020–2021.

The monthly remuneration paid to other members of the Board of Directors has increased by around five per cent over the past five years. The most recent increase was made in 2019,

when the monthly remuneration was raised to EUR 4,200. In 2020, the meeting fee paid to the members of the Board of Directors was raised from EUR 700 to EUR 800. The remuneration of other members of the Board of Directors remained unchanged in 2021. The changes have corresponded to general remuneration trends and the trend in companies belonging to Metsä Group's peer group.

In addition, a separate monthly remuneration is paid to the chairs of the Board of Directors' Audit Committee and HR Committee. The Chair of the Audit Committee receives a monthly remuneration of EUR 1,200 and the Chair of the HR Committee EUR 1,000. No changes have been made to the monthly remuneration of the Chair of the Audit Committee and the Chair of the HR Committee in 2017–2021.

Metsä Group's President and CEO changed in April 2018 and the President and CEO's remuneration was revised in this connection. The gross earnings of Kari Jordan and Ilkka Hämälä, both of whom have served as President and CEO during the comparison period, have been strongly influenced by Metsä Group's success and thereby by the stronger share price and the number of Metsä Board Corporation's B-series shares earned within the long-term incentive system. The development of employees' average earnings has been moderate.

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

	2021	2020	2019	2018	2017
Chair of the Supervisory Board	77,600	78,300	68,850	65,700	70,250
Juha Paajanen, as of 4 May 2017					
Hannu Järvinen, until 4 May 2017					
Deputy Chair of the Supervisory Board	33,600	33,600	36,950	31,250	30,900
Ahti Siponen, as of 4 May 2017					
Juha Paajanen, until 4 May 2017					
Other members of the Supervisory Board (in total)	191,600	146,800	167,100	165,900	158,200
Chair of the Board of Directors ¹⁾	170,840	163,940	158,330	157,880	169,370
Jussi Linnaranta, as of 1 January 2020					
Martti Asunta, until 31 December 2019					
Deputy Chair of the Board of Directors	83,200	83,800	72,950	0	0
Timo Saukkonen, as of 1 January 2020					
Jussi Linnaranta 1 January – 31 December 2019					
Kari Jordan, until 31 March 2018					
Other members of the Board of Directors (on average)	69,967	72,167	65,558	63,871	67,121
President and CEO ²⁾	2,695,238	2,289,521	2,540,578 ³⁾	2,105,073 ⁴⁾	5,444,294
Ilkka Hämälä, as of 1 April 2018					
Kari Jordan, until 31 March 2018					
Employees' average earnings ⁵⁾	48,101	44,305	44,784	46,260	44,941

¹⁾ The figures for 2017–2019 include, in addition to the remuneration paid to Martti Asunta for board work in Metsäliitto Cooperative, the remuneration paid to him for board work in Metsä Fibre and Metsä Tissue Corporation. The remuneration paid for board work in Metsä Board Corporation is disclosed in Metsä Board Corporation's Remuneration Report.

²⁾ The President and CEO's remuneration details disclose the salaries and rewards paid for the year in question. With regard to Ilkka Hämälä, the figures also include the rewards earned as the CEO of Metsä Fibre. The figures shown in the table do not include paid supplementary pension contributions.

³⁾ In 2019, Ilkka Hämälä was also paid deferred long-term incentives (EUR 825,927), which he earned in his previous position as the CEO of Metsä Fibre.

⁴⁾ Includes only salaries and rewards paid to Ilkka Hämälä between 1 January – 31 December 2018.

⁵⁾ The average earnings of employees have been calculated from the employee costs of the entire Group, by deducting social security costs from the total and dividing the remainder by the average number of employees.

Remuneration of the Supervisory Board

Remuneration paid to the Supervisory Board and pension arrangement costs in 2021 (in euros)

	Monthly remuneration	Meeting fees ¹⁾	Pension benefit ²⁾	Total
Juha Paajanen Chair	49,200	28,400	12,113	89,713
Ahti Siponen Deputy Chair	21,600	12,000	5,245	38,845
Other members (in total)	-	191,600	-	191,600
Total	70,800	232,000	17,358	320,158

¹⁾ The meeting fees also include meeting fees paid for attending meetings of the Board of Directors as well as district councils and other committees.

²⁾ The Chair and Deputy Chair of the Supervisory Board are voluntarily TyEL insured (Finnish statutory pension system).

Remuneration of the Board of Directors

Remuneration paid to the Board of Directors and pension arrangement costs in 2021 (in euros)

	Monthly remuneration	Meeting fees ¹⁾	Pension benefit ²⁾	Total
Jussi Linnaranta Chair ³⁾	138,840	32,000	29,231	200,071
Timo Saukkonen Deputy Chair ³⁾	62,400	20,800	12,988	96,188
Taavi Heikkilä as of 1 January 2021	50,400	15,200	10,240	75,840
Arto Hiltunen until 31 December 2021	62,400 ⁴⁾	20,400	14,035	96,835
Mikko Mäkimattila	50,400	22,000	12,388	84,788
Juha Parpala	50,400	16,400	10,427	77,227
Nina Pärssinen as of 24 March 2021	37,800	10,400	7,524	55,724
Ilkka Salonen	64,800 ⁵⁾	19,200	13,112	97,112
Total	517,440	156,400	109,945	783,785
Former members of the Board of Directors				
Johan Björkenheim until 31 December 2020	-	1,600	250	1,850

¹⁾ The meeting fees also include the meeting fees of committees and district councils.

²⁾ The members of the Board of Directors are voluntarily TyEL insured (Finnish statutory pension system).

³⁾ The remuneration paid for board work in Metsä Board Corporation is disclosed in Metsä Board Corporation's Remuneration Report.

⁴⁾ Includes the monthly remuneration paid to the Chair of the HR Committee.

⁵⁾ Includes the monthly remuneration paid to the Chair of the Audit Committee.

Remuneration of the President and CEO

Remuneration paid to the President and CEO and the cost of the supplementary pension arrangement in 2021 (in euros)

	2021
Base salary, including fringe benefits ¹⁾	860,671
Remuneration paid by other Group companies	132,160
Short-term incentive ²⁾	208,627
Long-term incentive ³⁾	1,493,780
Total	2,695,238
Supplementary defined-benefit pension insurance	2,683,020

¹⁾ The base salary paid by Metsäliitto Cooperative, which includes a company housing, car and phone benefit, extended healthcare, travel and accident insurance coverage, as well as other minor fringe benefits.

²⁾ The paid short-term incentive concerns performance in 2020.

³⁾ The paid long-term incentive concerns the performance period 2018–2020.

The short-term incentive paid to the President and 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, 93.75% of the annual base salary. The reward was based on Metsä Group'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 President and CEO's short-term incentive for 2020, accounting for Metsä Group's EBIT multiplier, was 24.2% of the base salary paid in 2021. The reward was paid in March 2021.

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

Performance period	2018–2020
Performance criteria	ROCE ¹⁾
Realisation of performance period, %	54.0
Year of payment of the reward	2021
Restriction period	2 years
Share price on the date of transfer, EUR	9.43
Number of shares delivered	75,600

¹⁾ The three-year average ROCE of Metsä Group. Minimum values had also been set for the equity ratio and operating result.

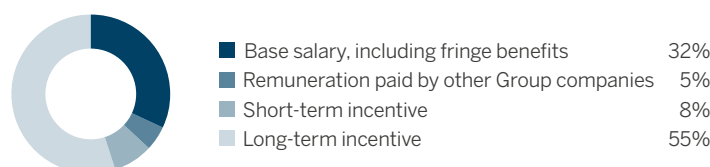
The reward paid from the long-term incentive system concerns the performance period 2018–2020 of the performance share plan 2017–2021. The paid long-term incentive was based on the development of Metsä Group's return on capital employed (ROCE, %) as determined by the Board of Directors. Minimum levels had also been set for the operating result and equity ratio. The realisation of the performance period 2018–2020 was 54.0%. The amount of the reward is limited, and the President and CEO's reward (including both shares and cash) can be

250% of the annual base salary at the maximum. The long-term incentive paid in March 2021 is followed by a restriction period of approximately two years, during which the President and CEO may not transfer or dispose of the shares. The realisation of the long-term incentive was 173.6% of the base salary paid in 2021.

The variable pay (short- and long-term incentives) constitutes a significant part of the President and CEO's remuneration. The relative proportions of the variable pay and the fixed annual base salary are shown in the graph below.

The President and CEO's retirement age is determined in accordance with the Employees Pensions Act. The President and CEO is also covered by a supplementary defined-benefit pension insurance. In 2021, the contribution to the supplementary defined-benefit pension insurance was EUR 2,683,020. No other financial benefits were paid to the President and CEO in 2021.

Breakdown of the President and CEO's remuneration into fixed base salary, remuneration paid by other group companies, short-term incentive 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, 93.75% of the annual base salary. The reward is based on Metsä Group'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 performance period 2019–2021 of the performance share plan 2017–2021 is based on the development of Metsä Group's 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 President and CEO's reward (including both shares and cash) can be 250% of the annual base salary at the maximum. The potential reward will be paid in March 2022. The payment of the reward is followed by a restriction period of approximately two years, during which the President and CEO may not transfer or dispose of the shares.



**Your partner in
sustainable growth**

METSÄ GROUP

P.O. Box 10
FI-02020 Metsä, Finland
Visiting address: Revontulenpuisto 2 A
02100 Espoo, Finland
Tel. +358 10 4601
www.metsagroup.com

