

METSÄ BOARD

SALARY AND REMUNERATION REPORT 2018



MetsäBoard

SALARY AND REMUNERATION REPORT

This salary and remuneration report of Metsä Board Corporation (Metsä Board or the Company) has been issued pursuant to recommendations concerning reporting of the Finnish Corporate Governance Code 2015. The description on remuneration principles and decision-making is updated on a regular basis, once every calendar year as a starting point, in connection with the annual Corporate Governance Statement. A report specifying the fees paid out during the previous financial year is also published concurrently.

DECISION-MAKING ORDER AND PRINCIPLES OF REMUNERATION

GENERAL

The purpose of management's compensation system is to compensate management in a fair and competitive way for a successful and profitable implementation of the Company's strategy. The objective of remuneration is also to encourage management in the development of the Company's strategy and business to thereby act for the benefit the Company in the long run. The Board approves the forms and basis of compensation and incentive systems as well as the measures and targets applied. The Board's Nomination and Compensation Committee assists the Board in matters relating to management remuneration, conditions of employment and engagement of management members as well as prepares Board decisions relating to management remuneration.

The Company currently uses a short-term bonus scheme for management and personnel as well as a long-term share based compensation scheme for management and key employees.

BOARD OF DIRECTORS

The Annual General Meeting of the Company decides on the remuneration of the Board of Directors. The Nomination and Compensation Committee presents to the General Meeting proposals for the remuneration of the Board of Directors, taking into account the Company's financial standing at a given time and, among other things, remuneration guidelines in other comparable companies. The Committee consults, if necessary, the

majority shareholder, who has the decisive vote at the General Meeting as regards Board remuneration.

CHIEF EXECUTIVE OFFICER

The Board of Directors in turn appoints and discharges the CEO and approves his salary and other forms of compensation. The Board can discharge the CEO without a specific reason. The CEO can also resign from his assignment. The mutual term of notice is six months. The Board may, however, decide to discharge the CEO without a period of notice. When the service contract of the CEO is terminated by the Board, the CEO is entitled to receive a discharge compensation equal to his 12-month salary. The CEO receives a monthly salary plus car, mobile phone and insurance benefits. The Board may, in accordance with the CEO's service contract, decide that the CEO annually receives bonus pay based on his overall performance and corresponding to a maximum of his seven (7) month salary.

The CEO is covered by the Finnish Employees' Pension Act, which provides for a pension compensation based on service years and earnings. Basic salary, rewards and fringe benefits are included in the calculation, but not stock option or share plan based income. The Company has commissioned an extra pension insurance policy for the CEO, entitling the CEO to retire at the age of 62. The policy entitles the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement (calculated in accordance with Finnish pension laws) on the basis of a five-year-period preceding the moment of retirement. In case the CEO's service with the Company terminates before his retirement, the CEO is entitled to a free policy.

CORPORATE MANAGEMENT TEAM

The CEO decides on the compensation of other Corporate Management Team members in cooperation with the Board Chairman and in accordance with the principles approved and guidelines given by the Board.

Also other Corporate Management Team members have written employment contracts.

The period of notice of Corporate Management Team members is six months. Termination of employment due to reasons not attributable to the employee entitles members of the Corporate Management Team to receive discharge compensation equal to their six (6) month salary (excluding the Vice President for HR).

Other than the CEO, Corporate Management Team members have no extraordinary pension arrangements which would deviate from applicable pension legislation. The Corporate Management Team members are covered by the Finnish Employees' Pension Act, which provides for a pension compensation based on service years and earnings. Basic salary, rewards and fringe benefits are included in the calculation, but not stock option or share plan based income.

LONG-TERM SHARE INCENTIVE SCHEMES

Share incentive scheme 2014–2018:

The Board decided in February 2014 to continue the share-based incentive scheme for management. The plan consists of three three-year earnings periods, namely calendar years 2014–2016, 2015–2017 and 2016–2018. The aim of the plan is to combine the objectives of shareholders and executives to increase the value of the Company, to commit the executives to perform the mutual strategy, and to offer them a competitive reward plan based on share ownership. At the beginning of each period, the Board of Directors decided on the earnings criteria, defined performance targets and a target group. The reward for the earnings periods 2014–2016 and 2015–2017 was based partly on Metsä Board Group's equity ratio at the end of the period as well as the development of return on capital employed (ROCE) and operating results (EBIT), and partly based on corresponding indicators for Metsä Group. The reward for the earnings period 2016–2018 was based on the development of Metsä Board Group's and Metsä Group's return on capital employed (ROCE) with certain minimum levels set for EBIT and equity ratio.

An earnings period is followed by a two-year restriction period during which a participant is not entitled to transfer or

dispose of the shares. Where a participant terminates his/her employment or service contract during the restriction period, he/she is obliged to return the shares already earned. If the Company terminates the employment/service contract (other than due to reasons attributable to the participant) during the restriction period or the contract is agreed to be terminated, the participant may keep the shares already received with no transfer restriction applicable.

The potential reward for the earnings period 2016–2018 will be paid to 14 participants in March 2019. The number of shares will be based on share price development before the time of transfer on 15 March 2019. Rewards can be restricted such that where the reward would exceed the participant's annual salary (and for the CEO his annual salary multiplied by two), any exceeding part will not be paid. On top the Company pays in money an amount covering the applicable withholding tax and related payments. Rewards earned for the earnings periods 2014–2016 and 2015–2017 have been described below under "Remuneration Report 2018".

Share incentive scheme 2017–2021:

The Board decided in January 2017 to continue the share-based incentive scheme for management. The plan consists of three three-year earnings periods, namely calendar years 2017–2019, 2018–2020 and 2019–2021. At the beginning of each period, the Board of Directors decides on the earnings criteria and defines performance targets. The potential reward from the plan for the earnings periods is based 50% on the development of Metsä Board Group's return on capital employed (ROCE) and 50% on the corresponding indicator for Metsä Group. The Board further has the right to limit rewards from the system, in whole or in part, if defined earnings or equity ratio criteria are not met.

If the reward together with the short term bonus (2017–2019) or the reward only (2018–2020, 2019–2021) would exceed the participant's annual salary (or in case of the CEO his annual salary multiplied by two), the exceeding part is not paid. An earnings period

is followed by a two-year restriction period during which a participant is not entitled to transfer or dispose of the shares. Where a participant terminates his/her employment or service contract during the restriction period, he/she is obliged to return the shares already earned. If the Company terminates the employment/service contract (other than due to reasons attributable to the participant) during the restriction period or the contract is agreed to be terminated, the participant may keep the shares already received with no transfer restriction applicable.

The potential reward is paid in Metsä Board Corporation's B-shares as follows: for the earnings period 2017–2019 in the spring of 2020 (in the beginning up to 263,750 shares), for the earnings period 2018–2020 in the spring of 2021 (in the beginning up to 276,250 shares), and for the earnings period 2019–2021 in the spring of 2022 (in the beginning up to 266,250 shares). On top the Company pays in money an amount covering the applicable withholding tax and related payments.

Corporate Management Team members as well as key individuals in sales, production and corporate administration formed the system's target group in December 2018. Changes in participants during the earnings period such as changes in Corporate management Team members in January 2015 and September 2017 have an effect on the maximum amount.

REMUNERATION REPORT 2018

BOARD OF DIRECTORS

The Annual General Meeting held in March 2018 resolved to keep the Board's remuneration unchanged such that the Chairman received an annual remuneration of EUR 95,000, the Vice Chairman EUR 80,000 and members EUR 62,500. One half of the remuneration was decided to be paid in cash while the other half was to be paid in the Company's B-series shares acquired from the stock exchange between 1 and 30 April 2018. As a result, the Chairman received 5,680, the Vice Chairman 4,783 and each Board member 3,737 B-series shares at EUR 8.36 per share. Board members are not allowed to

transfer these shares within a two-year period from the relevant General Meeting. The amount of cash consideration corresponds to estimated withholding tax. In addition, the Annual General Meeting resolved to pay to the members a remuneration of EUR 700 per each attended Board and committee meeting. Further, the Annual General Meeting decided that an additional monthly compensation of EUR 800 be paid to the Chairman of the Audit Committee. Travel expenses of the Board are compensated in accordance with the Company's travel policy.

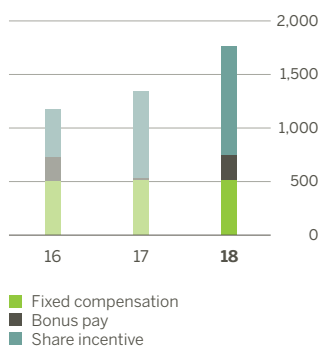
The Nomination and Compensation Committee of the Board of Directors proposes to the Annual General Meeting of 28 March 2019 that the remuneration of the members of the Board of Directors be kept unchanged. The Committee additionally proposes that one half of the annual remuneration be paid in the company's B-class shares to be acquired from public trading between 1 and 30 April 2019 and that the transfer of these shares would be restricted for a period of two years. The Committee finally proposes that an additional monthly remuneration of EUR 800 be paid to the Audit Committee Chairman also going forward. The Board's annual remuneration has been paid in shares and cash since 2009.

CHIEF EXECUTIVE OFFICER

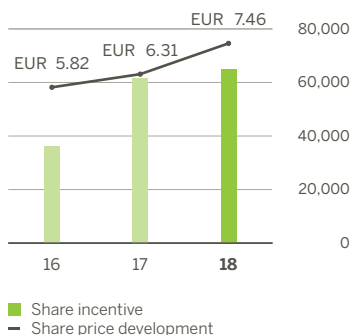
The monthly salary of CEO Mika Joukio is EUR 40,614. The salary includes car and mobile phone benefits and an extended travel and accident insurance policy. In 2018 the CEO Joukio received a total of:

- EUR 1,766,254 in salary, bonuses and other benefits, including share incentive (EUR 1,339,476 in 2017 and EUR 1,173,861 in 2016), of which
- EUR 510,397 (EUR 506,662 in 2017 and EUR 498,301 in 2016) was fixed compensation;
- EUR 232,933 (EUR 25,199 in 2017 and EUR 229,849 in 2016) was short-term bonus pay; and
- EUR 1,022,925 (EUR 807,615 in 2017 and EUR 445,711 in 2016) share incentives and related cash compensation.

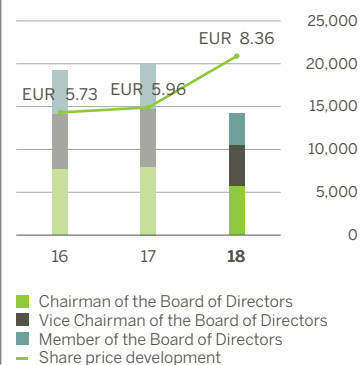
COMPENSATION OF THE CEO EUR 1,000



SHARE REMUNERATION OF THE CEO 1,000 SHARES



BOARD OF DIRECTORS' SHARE REMUNERATION 1,000 SHARES



In addition, the payment of a total of EUR 868,716 of the share reward for the earnings period 2015–2017 was postponed for later payment in accordance with the system rules.

The bonus pay is determined by the Board and was in 2016–2018 based on the Company's EBIT and cash flow, Metsä Group's corresponding indicators and on personal targets. The cost to the Company of the CEO's extra pension insurance was in 2018 EUR 374,106.

CORPORATE MANAGEMENT TEAM

In 2018, other Corporate Management Team members received a total of:

- EUR 2,305,601 (EUR 1,889,801 in 2017 and EUR 2,460,712 in 2016) in salary and bonuses of which
- EUR 1,023,773 (EUR 974,431 in 2017 and EUR 1,093,384 in 2016) were fixed salaries and benefits (insurance, car and mobile phone);
- EUR 340,878 (EUR 66,393 in 2017 and EUR 439,657 in 2016) was short-term bonus pay; and
- EUR 940,950 (EUR 848,977 in 2017 and EUR 927,671 in 2016) was share incentives and related cash compensation.

In addition, the payment of a total of EUR 727,822 of the share reward for the earnings period 2015–2017 was postponed for later payment in accordance with the system rules.

The members of the Corporate Management Team are entitled to bonus pay equal to a maximum of their respective 6-month salaries. The bonus pay is defined and decided by the Board and the CEO and was in the financial years 2016–2018 based on the Company's and its functions' revenue and other targets, and on personal targets.

LONG-TERM SHARE-BASED COMPENSATION

The Board confirms the outcomes of the long-term share based incentive system based on principles, indicators and scales approved by it. The Board confirmed:

- in February 2017 that the result for the earnings period 2014–2016 was 111.6 per cent (taking into account the EBIT multiplier), based on which a total of 259,162 B-series shares were paid to participants. Of these 82,973 were paid to CEO Joukio;
- in February 2018 that the result for the earnings period 2015–2017 was 117.1 per cent (taking into account the EBIT mul-

tiplier), based on which a total of 250,516 B-series shares were paid to participants. Of these 103,000 were paid to CEO Joukio. The payment of a part of the total reward is postponed in accordance with the system rules;

- in February 2019 that the result for the earnings period 2016–2018 was 63.6 per cent. The number of shares to be transferred will be based on the share price preceding the time of transfer on 15 March 2019. Any reward exceeding a participant's personal remuneration cap will not be paid.

In addition, the reward includes a cash portion covering taxes and other tax-related costs.