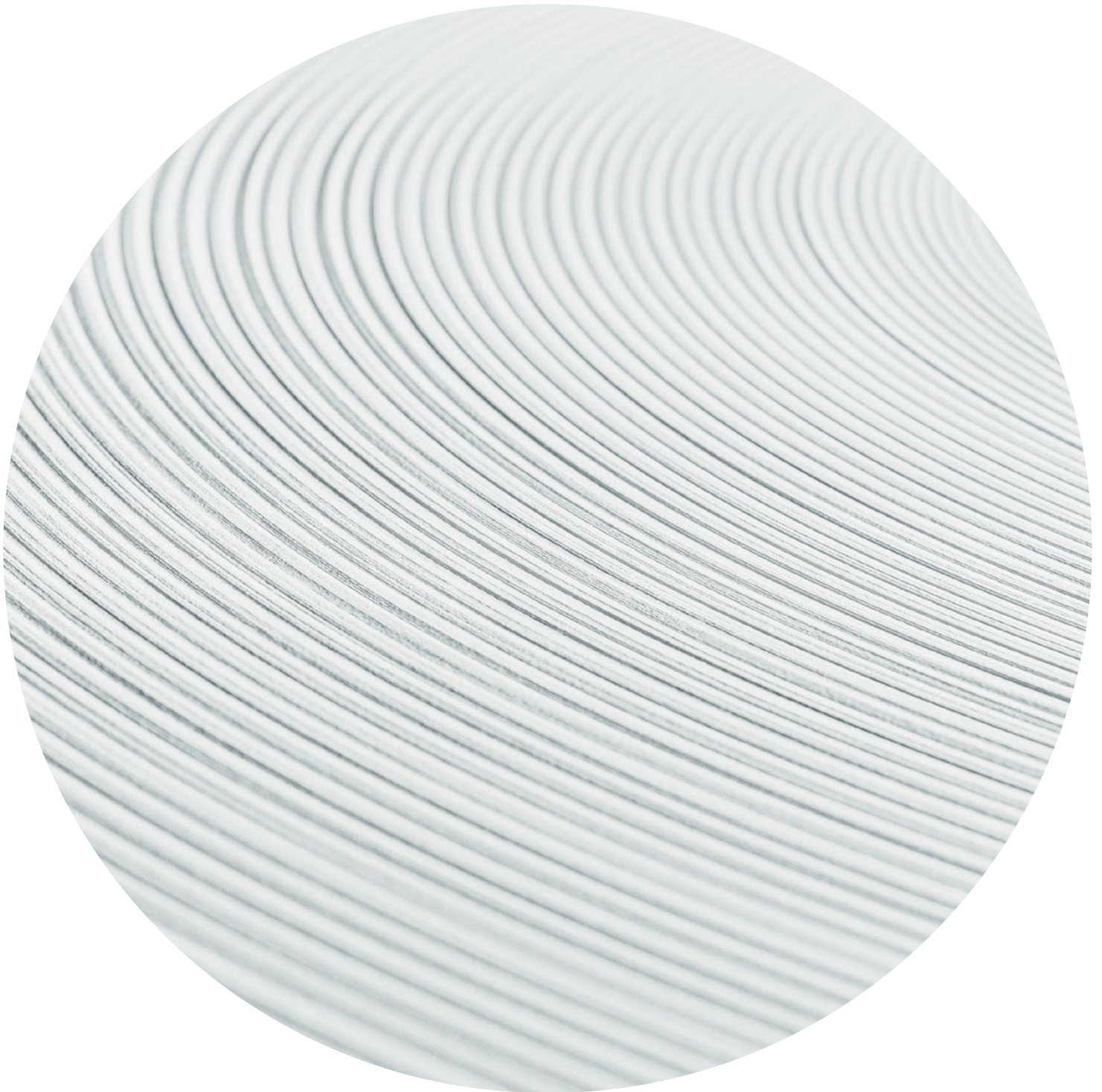


METSÄ BOARD

Salary and remuneration report **2019**



Metsä

Salary and remuneration report

This salary and remuneration report of Metsä Board Corporation (Metsä Board or the Company) has been issued for a last time pursuant to recommendations concerning reporting of the Finnish Corporate Governance Code 2016. 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. Any fees paid out during 2020 will be reported in accordance with the Finnish Corporate Governance Code 2020 by means of a renewed Remuneration Report.

DECISION-MAKING ORDER AND PRINCIPLES OF REMUNERATION

GENERAL

The purpose of Metsä Board's management 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 the compensation 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 incentive system for management and personnel as well as a long-term incentive system for management and key employees.

BOARD OF DIRECTORS

The General Meeting decides on the remuneration of the Board of Directors. The Nomination and Compensation Committee presents to the Annual 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 appoints and discharges the CEO and decides on the CEO's compensation and other terms of service. 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 severance pay equal to the CEO's 12-month salary. The CEO receives a monthly salary including a car, mobile phone and insurance benefits. The Board may, in accordance with the CEO's service contract, decide that the CEO receives an annual short-term incentive. In 2019 the maximum amount available from the short-term incentive system amounted to 75 per cent of the CEO's annual base salary. From 2018 on the other hand the maximum level of a short-term incentive amounted to 58.33 per cent of the CEO's annual base salary.

The CEO is covered by the Finnish Employees' Pensions Act, which provides for a pension compensation based on service years and earnings. The CEO is entitled to the supplementary defined benefit pension insurance, with a retirement age of 62. According to the supplementary pension insurance the maximum level of pension is 60 per cent of the CEO's total salary under the Employees' Pensions Act, calculated 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 executive entitles members of the Corporate Management Team to receive, as a rule, severance pay equal to their six-month salary.

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' Pensions Act, which provides for a pension compensation based on service years and earnings.

LONG-TERM REMUNERATION

Performance share plan 2014–2018: The Board decided in February 2014 to continue the share ownership plan for management. The plan consisted of three three-year performance 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 in order 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 performance period, the Board of Directors decided on the earnings criteria, defined performance targets and a target group. The plan's reward from the performance 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 performance 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.

A performance period is followed by a two-year restriction period during which an executive is not entitled to transfer or dispose the shares received. If an executive terminates their employment or service contract during the restriction period, the executive is obliged to return the shares already earned. If the Company terminates the employment or service contract (other than due to reasons attributable to the executive) during the restriction period or the contract is agreed to be terminated, the executive may keep the shares subject to the transfer restriction and the said restriction discontinues.

The amounts of rewards were limited. Where the reward exceeded the executive's annual salary (and for the CEO, the CEO's annual salary multiplied by two), the exceeding part was not paid. On top the Company paid in money an amount covering the applicable withholding tax and related payments resulting from the reward to an executive. Rewards earned for the performance periods 2014–2016, 2015–2017 and 2016–2018 have been described below under "Remuneration Report 2019".

Performance share plan 2017–2021: The Board decided in January 2017 to continue the performance share plan for management. The plan consists of three three-year performance periods, namely calendar years 2017–2019, 2018–2020 and 2019–2021. At the beginning of each performance period, the Board of Directors decides on the earnings criteria and defines performance targets. The potential reward from the plan for the performance 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 plan, in whole or in part, if defined earnings or equity ratio criteria are not met.

If the reward would exceed the executive's annual salary (or in case of the CEO, the CEO's annual salary multiplied by two), the exceeding part is not paid. A performance period is followed by an approximately two-year restriction period during which an executive is not entitled to transfer or dispose the shares received. If an executive terminates their employment or service contract during the restriction period, the executive is obliged to return the shares already earned. If the Company terminates the employment or service contract (other than due to reasons attributable to the executive) during the restriction period or the contract is agreed to be terminated, the executive may keep the shares subject to the transfer restriction and the said restriction discontinues.

The potential reward is paid in Metsä Board Corporation's series B shares as follows: for the performance period 2017–2019 in the spring of 2020 (allocation as at the end of 2019 up to 230,105 shares), for the performance period 2018–2020 in the spring of 2021 (allocation as at the end of 2019 up to 248,855 shares), and for the performance period 2019–2021 in the spring of 2022 (allocation as at the end of 2019 up to 279,132 shares). On top the Company pays in money an amount covering the applicable withholding tax and related payments resulting from the reward to an executive.

Corporate Management Team members as well as other key employees of Metsä Board formed the target group in December 2019. Changes in participants during the performance period such as changes in Corporate management Team members in September 2017 and May 2019 have an effect on the maximum amount.

Performance share plan 2020–2024: The Board of Directors of Metsä Board has resolved in January 2020 to continue the performance share plan directed to group executives. The purpose of the plan is to align the objectives of the shareholders and executives in order to increase the value of Metsä Board, to commit the executives to perform the mutual strategy and to offer them a competitive reward plan based on share ownership. The plan 2020–2024 consists of three performance periods, namely calendar

years 2020–2022, 2021–2023 and 2022–2024. The Board of Directors determines the performance criteria and related target levels at the beginning of each performance period. Reaching the targets set for the performance criteria shall determine the proportion of the maximum reward payable to the executives. The potential reward for the performance period 2020–2022 is based on the development of Metsä Board's (50%) and Metsä Group's (50%) return on capital employed (ROCE, %), as determined by the Board of Directors. The Board of Directors is entitled to reduce the rewards fully or partly if defined earnings or equity ratio criteria are not met, or if the reward should exceed the maximum reward limit defined for each executive individually. The reward of the CEO is 270 per cent of the CEO's annual base salary at the maximum and the reward of other Corporate Management Team members is 130 per cent of their annual base salary at the maximum.

The reward consists of a proportion to be paid in Metsä Board Corporation's series B shares and a cash proportion. The cash proportion refers to an amount used to cover the taxes to be withheld from the reward. The proportion paid in shares refers to the net reward after the withholding of taxes and other expenses payable for the reward. The potential reward shall be mainly paid in the spring following the end of the performance period. The performance period is followed by a two-year restriction period, during which executives are not allowed to sell or otherwise transfer the shares received. Should executive's employment end during the performance or restriction period, executive shall principally lose the right to reward.

At the beginning of the performance period 2020–2022, the plan covers 25 participants, including the members of the Executive Management Team as well as other key employees of Metsä Board. The rewards to be paid on the basis of the plan for the performance period 2020–2022 will amount to 590,788 shares (gross). The final amount of the reward consists of Metsä Board Corporation's series B shares as well as the taxes and other expenses payable for the reward. The estimated market value of the plan's first performance period, including taxes and other expenses, is approximately EUR 3.6 million.

REMUNERATION REPORT 2019

BOARD OF DIRECTORS

The Annual General Meeting held in March 2019 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 2019. As a result, the Chair-

man received 7,920, the Vice Chairman 6,670 and each Board member 5,211 B-series shares at EUR 5,9968 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. Board remuneration is taken into account when determining pension.

The Nomination and Compensation Committee of the Board of Directors proposes to the Annual General Meeting of 26 March 2020 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 2020 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.

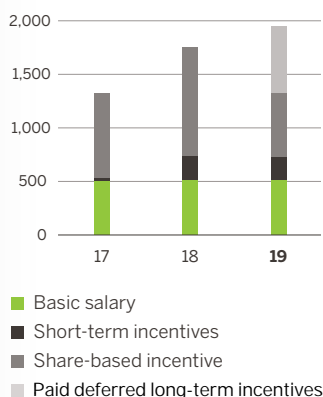
CHIEF EXECUTIVE OFFICER

The monthly salary of CEO Mika Joukio is EUR 40,609 (December 2019). The salary includes car and mobile phone benefits and an extended health, travel and accident insurance benefits. In 2019 the CEO Joukio received a total of:

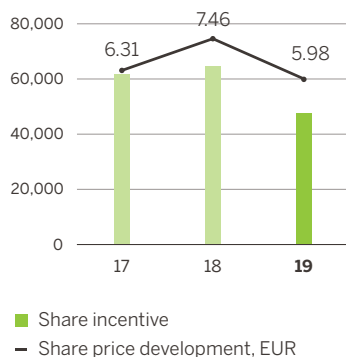
- EUR 1,959,527 in salary, incentives and other benefits, including long-term incentives (EUR 1,766,254 in 2018 and EUR 1,339,476 in 2017), of which
- EUR 511,552 (EUR 510,397 in 2018 and EUR 506,662 in 2017) was fixed compensation;
- EUR 218,168 (EUR 232,933 in 2018 and EUR 25,199 in 2017) was short-term incentives; and
- EUR 604,104 (EUR 1,022,925 in 2018 and EUR 807,615 in 2017) was long-term incentives from the performance period 2016–2018. In addition, a total of EUR 625,703 of deferred long-term incentives from the previous performance periods were paid.

The short-term incentive is determined by the Board and was 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 supplementary defined benefit pension insurance was in 2019 EUR 538,995.

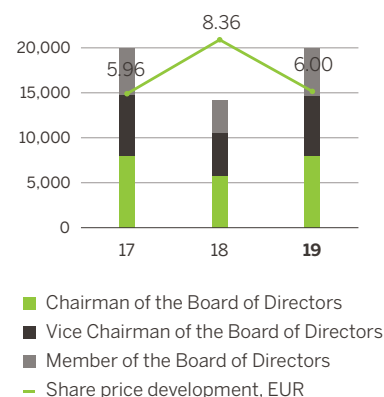
COMPENSATION OF THE CEO EUR 1,000



SHARE REMUNERATION OF THE CEO SHARES



BOARD OF DIRECTORS' SHARE REMUNERATION SHARES



CORPORATE MANAGEMENT TEAM

In 2019, other Corporate Management Team members received a total of:

- EUR 2,647,410 (EUR 2,305,601 in 2018 and EUR 1,889,801 in 2017) in salary and incentives of which
- EUR 1,116,592 (EUR 1,023,773 in 2018 and EUR 974,431 in 2017) were fixed salaries and benefits (insurance, car and mobile phone);
- EUR 361,728 (EUR 340,878 in 2018 and EUR 66,393 in 2017) was short-term incentives; and
- EUR 641,564 was long-term incentives from the performance period 2016–2018 (EUR 940,950 in 2018 and EUR 848,977 in 2017). In addition, a total of EUR 527,526 of deferred long-term incentives from previous performance periods were paid.

The members of the Corporate Management Team were in 2019 entitled to short-term incentive equal to a maximum of 50 per cent of their respective annual base salaries. The short-term incentive is defined and decided by the Board and the CEO and was based on the Company's and its functions' revenue and other targets, and on personal targets.

LONG-TERM REMUNERATION

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 2018 that the result for the performance period 2015–2017 was 117.1 per cent (taking into account the EBIT multiplier), 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 was deferred in accordance with the system terms;
- in February 2019 that the result for the performance period 2016–2018 was 63.6 per cent, based on which a total of 131,792 B-series shares were paid to participants. Of these 47,700 were paid to CEO Joukio.

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