METSÄ BOARD

CORPORATE GOVERNANCE STATEMENT
SALARY AND REMUNERATION REPORT
2016

MetsäBoard

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

This statement describing the corporate governance of Metsä Board Corporation (Metsä Board or Company) has been issued as a separate statement pursuant to the Securities Markets Act and the Finnish Corporate Governance Code and is published concurrently with the Company's financial statements and report of the Board of Directors. The Finnish Corporate Governance Code from 2015 is available at the website of the Finnish Securities Markets Association at www.cgifinland.fi.

Metsä Board is a Finnish public limited company whose A and B series shares are subject to public trading on the official list of NASDAQ OMX Helsinki Ltd. (Helsinki Stock Exchange). In its administration and governance Metsä Board applies Finnish laws, especially the Companies Act, the Company's Articles of Association and rules and regulations issued pursuant to laws, including those issued by the Financial Supervisory Authority and applying to listed companies. Metsä Board also complies with the rules and recommendations of the Helsinki Stock Exchange as applicable to listed companies.

Metsä Board prepares its financial statements and interim reports according to the International Financial Reporting Standards (IFRS). The financial statement documents are prepared and published in Finnish and English.

Metsä Board's headquarters are located in Espoo, Finland. The Company's registered domicile is Helsinki.

APPLICATION OF THE FINNISH CORPORATE GOVERNANCE CODE

As a Finnish listed company, Metsä Board applies the Finnish Corporate Governance Code of 2015. Currently Metsä Board does not deviate from any single recommendation of the Code. The new Corporate Governance Code entered into force on 1 January 2016. This statement has been issued in compliance with the regulations concerning reporting content set out in the Corporate Governance Code of 2015.

METSÄ BOARD'S GOVERNANCE STRUCTURE

The Company's statutory bodies include the General Meeting of Shareholders, the Board of Directors and the CEO. In addition, a

CORPORATE GOVERNANCE IN METSÄ BOARD

Corporate Management Team assists the CEO in the operative management of the Company and in coordinating its operations. Members of the management team are not members of the Board of Directors. The tasks and responsibilities of the different corporate bodies are specified in the Finnish Companies Act.

Metsä Board has a function based organisation, including marketing and sales, production and technology, finance, business development and human resources. Functions are supported by centralized support functions, most of which are common with other Metsä Group companies. Support functions are based on specific service agreements, the terms of which are at arm's length.

GENERAL MEETING

The General Meeting of Shareholders is the Company's highest decision-making body where shareholders use their decision-making power. Each shareholder is entitled to participate in a General Meeting by following the procedure described in the notice to the General Meeting. According to the Companies Act, the General Meeting decides on the following matters, among others:

- amending the Articles of Association
- approving the financial statements
- profit distribution
- mergers and demergers
- acquisition and transfer of own shares
- appointing the members of the Board and specifying their and Board committee members' compensation
- appointing the auditor and specifying his compensation.

Shareholders are entitled to put forward a matter pertaining to the General Meeting to be addressed when the shareholder delivers a written request to this effect so well in advance that the matter can be included in the notice to the meeting. The Company has specified January 15th as the relevant deadline. In addition, a shareholder has a right to present questions on the items on the agenda of the General Meeting. A shareholder is entitled to participate in a General Meeting when he/she is included in the register of shareholders eight (8) working days before the General Meeting. An Annual General Meeting takes place each year in June at the latest. Notice to a General Meeting is served at the earliest three months and at the latest three weeks before the meeting by publishing it on the Company's website and by publishing the notice or a summary thereof in at least one Finnish newspaper of general circulation.

An Extraordinary General Meeting will convene if the Board finds it necessary, or if the auditor or shareholders representing at least 10 per cent of all shares deliver a written request to this effect in order to process a specified matter.

BOARD OF DIRECTORS

The Board of Directors is responsible for the Company's administration and arranging the Company's operations properly according to applicable laws, the Articles of Association and good corporate governance. The general authority of the Board cover matters that are far-reaching, strategically significant or unusual and which therefore do not belong to the Company's day-to-day business operations. The Board supervises Metsä Board's operations and management and decides on strategy, major investments, the Company's organisation structure and significant financing matters. The Board supervises the proper arrangement of the Company's operations, and ensures that accounting and asset management control, financial reporting and risk management have been organised in an appropriate manner.

For its operation, the Board has a written working order. In accordance with the working order, the Board's tasks include:

- appointing the CEO and discharging him and ensuring that the CEO takes care of the Company's day-to-day administration in accordance with the regulations and guidelines given by the Board
- establishing necessary committees, appointing their members and approving their working orders
- addressing and approving the long range plan and corporate strategy
- accepting the annual operational plan and budget
- monitoring how the Company's accounting, asset management, risk control and financial reporting are arranged
- deciding on significant investments, business acquisitions, divestments and closures of operations
- deciding on considerable investments and financing arrangements
- deciding on the transfer and pledging of the Company's significant real property
- deciding on management authorizations and granting rights to represent the Company
- monitoring that the Company's Articles of Association are complied with; convening the General Meeting and monitoring that the decisions taken by the General Meeting are implemented
- signing and presenting the financial statements to the Annual General Meeting for approval, and preparing a proposal for the use of profits
- approving key policies and guidelines, including the insider guidelines
- publishing the financial statements bulleting as well as interim and semi-annual reports
- publishing or authorizing the CEO to publish all inside information likely to have a significant effect on the value of the Company's shares, or which otherwise have to be made public according to the Finnish Securities Markets Act or the Rules of the Helsinki Stock Exchange.

The working order of the Board of Directors is presented in full on the Company's website (www.metsaboard.com > Investors > Corporate Governance). The Board can delegate matters in its general authority to the CEO and correspondingly take charge of decision-making in a task that belongs to the CEO's general authority.

On an annual basis, the Board assesses its own operation and the Company's governance and decides on any necessary changes.

The Board convenes on a regular basis. In the financial year 2016, the Board held a total of 17 meetings, five of which were phone meetings. The Board members participated in the meetings as follows: Asunta, Jordan, Komi, Korhonen, Niemelä, Sundbäck and

Varis took part in all meetings, while Leino took part in 16 and Aminoff in 15 meetings. (The attendance rate of the members was 99 per cent in 2015 and 100 per cent in 2014).

COMPOSITION, DIVERSITY AND INDEPENDENCE OF THE BOARD OF DIRECTORS

The composition and number of members of the Board of Directors must facilitate effective fulfilment of the Board's tasks. The composition of the Board of Directors takes into account the development phase of the Company, ownership structure, the special requirements of the industry and the needs of the Company's operations. Both sexes are represented on the Board of Directors. A member of the Board must possess the competence required by the task and the opportunity to allocate sufficient time for the task.

The Board recognizes the benefits to the Company and its shareholders of a diverse and broad Board composition. Diversity supports the Board's open work atmosphere and decision-making. The Board is responsible for the Company's administration and the proper arrangement of its operations. A key task of the Board is also to support and challenge operative management from various perspectives in a consistent and predictable manner. The successful working by the Board and its Committees requires a diverse composition, knowledge and experience base as well as taking into account the personal qualities of individual members. Metsä Board has identified that key diversity factors for the Company include industry knowledge, experience from different fields of business and international business scene. In addition, varying educational backgrounds, management experience from different business sectors and a varying age and gender structure have been identified as items promoting diversity. Metsä Board's continuous target is to have both genders represented at the Board. Further, diversity shall correspond to and support the Company's then current development stage and respond to the Company's and its business' future development needs.

According to the Articles of Association, a minimum of five and a maximum of ten ordinary members shall be appointed to the Board of Directors by the shareholders at the Annual General Meeting for a one-year period at a time. The number of consecutive terms is not limited. At present, the Board has nine members. The Board appoints a Chairman and a Vice Chairman from among its members. The Annual General Meeting of 2016 appointed the following persons as members of the Board of Directors:

- Mr Kari Jordan, born 1956, Chairman, M.Sc. (Econ.), 800,000 B shares
- Mr Martti Asunta, born 1955, Vice Chairman, M.Sc. (For.), 53,744 B shares
- Mr Mikael Aminoff, born 1951, M.Sc. (For.), 63,020 B shares
- Ms Kirsi Komi, born 1963, independent member, L.L.M., 58,825 B shares
- Mr Kai Korhonen, born 1951, independent member, M.Sc. (Eng.), eMBA, 195,595 B shares
- Ms Liisa Leino, born 1960, independent member, M.Sc. (Nutrition), 157,470 B shares
- Mr Juha Niemelä, born 1946, independent member, M.Sc. (Econ.), 157,470 B shares
- Mr Veli Sundbäck, born 1946, independent member, L.L.M., 48,490 B shares
- Mr Erkki Varis, born 1948, independent member, M.Sc. (Eng.), 112,062 B shares

These ownerships include shares possibly owned by controlled entities. A majority of the members of the Board of Directors are independent of both the Company and its significant shareholders. As President and CEO of Metsä Group and as Managing Director of Metsäliitto Cooperative, Chairman Jordan is dependent on both the Company and its majority shareholder. Martti Asunta and Mikael Aminoff are members of the Board of Metsäliitto Cooperative and consequently not independent of a significant shareholder. Juha Niemelä has served on the Board for more than 10 consecutive years but is considered as independent based on the Board's general evaluation.

The Board's Nomination and Compensation committee proposes to the Annual General Meeting convened for March 23, 2017 that all current Board members except Aminoff be re-elected for a new term and that Mr Jussi Linnaranta be elected as a new member. Mr Linnaranta holds a M.Sc (Agriculture) degree and works as an agriculture and power entrepreneur. He is a member of the Board of Metsäliitto Cooperative and hence not independent of the Company's significant shareholder. Further information on existing and proposed Board members is available on the Company's website at (www.metsaboard.com > Investors > Corporate Governance).

BOARD COMMITTEES

Board committees provide, as necessary, assistance to the Board of Directors, preparing matters for which the Board is responsible. The Board of Directors has appointed an Audit Committee and a Nomination and Compensation Committee from among its members. Every year after the Annual General Meeting, the Board of Directors appoints each committee's chairman and members. The Board of Directors and its committees can also seek assistance from external advisors.

Final decisions concerning matters related to the tasks of the committees are made by the Board of Directors on the basis of committee proposals, excluding proposals made directly to the General Meeting by the Nomination and Compensation Committee on board compensation and remuneration.

AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board of Directors in ensuring that the company's financial reporting, calculation methods, annual financial statements and other financial information made public by the Company are correct, balanced, transparent and clear. On a regular basis, the Audit Committee reviews the internal control and management systems and monitors the progress of financial risk reporting and the auditing of the accounts. The Audit Committee assesses the efficiency and scope of internal auditing, the company's risk management, key risk areas and compliance with applicable laws and regulations. The committee gives a recommendation to the Board concerning the appointment of auditors to the Company. The Audit Committee also processes the annual plan for internal auditing and the reports prepared on significant auditing.

The Audit Committee consists of four Board members who are independent of the Company and its significant shareholders. Since the Annual General Meeting of 2016, Kai Korhonen has been chairman of the Audit Committee with Kirsi Komi, Veli Sundbäck and Erkki Varis as members.

The committee members must have adequate expertise in accounting and financial statement policies. The Audit Committee convenes on a regular basis, at least four times a year, including meeting with the company's auditor. The committee chairman provides the Board with a report on every meeting of the Audit Committee. The tasks and responsibility areas have been specified in the committee's working order which the Board has approved (www.metsaboard.com > Investors > Corporate Governance).

When necessary, the following persons are also represented in the Audit Committee meetings as summoned by the Committee: the auditor, Chief Executive Officer and Chief Financial Officer as well as other management representatives and external advisors.

The Audit Committee convened four times during 2016 and the attendance rate of the members was 100 per cent (100 per cent also in 2015 and 2014).

NOMINATION AND COMPENSATION COMMITTEE

The task of the Nomination and Compensation Committee is to assist the Board of Directors in matters related to the appointment and compensation of the company's CEO, a possible Deputy CEO and the senior management and prepare matters related to the reward schemes for management and employees. In addition, the Committee prepares for the Annual General Meeting a proposal on the number of Board members, Board composition and Board member compensation. The Committee also recommends, prepares and proposes to the Board the CEO's (and a Deputy CEO's) nomination, salary and compensation, and further evaluates and provides the Board and the CEO with recommendations concerning management rewards and compensation systems.

The Committee consists of five Board members. It convenes on a regular basis at least four times a year. The Committee chairman presents the proposals issued by the Committee to the Board. The tasks and responsibilities of the Nomination and Compensation committee have been specified in the committee's working order, which the Board approves (www.metsaboard.com > Investors > Corporate Governance).

Since the Annual General Meeting of 2016, Kari Jordan has been chairman of the Nomination and Compensation Committee with Mikael Aminoff, Martti Asunta, Liisa Leino and Juha Niemelä as members.

The Nomination and Compensation Committee convened six times during 2016 and members Jordan, Asunta, Leino and Niemelä participated in all meetings while Aminoff participated in five meetings (the attendance rate of all members was 100 per cent in 2015 and 2014).

CHIEF EXECUTIVE OFFICER

Chief Executive Officer Mika Joukio, M.Sc. (Eng.), born 1964, is responsible for the daily management of the Company's administration according to the guidelines and instructions given by the Board. In addition, the CEO is responsible for ensuring that the Company's accounting has been carried out according to applicable laws and that asset management has been organised in a reliable manner. The CEO manages the Company's daily business and is responsible for controlling and steering the business areas.

The CEO has a written CEO contract approved by the Board. The Board monitors the CEO's performance and provides a performance evaluation once a year. The contractual retirement age of the CEO is 62 years. The Company has commissioned an additional pension insurance policy for the CEO, covering the period between the contractual retirement and the statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his total salary calculated on the basis of the past five years' salary preceding retirement. According to Finnish pension legislation, a person has the option to retire between the ages of 63 to 68.

The Board appoints and discharges the CEO. 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 discharge compensation equal to his 12-month salary.

DEPUTY TO THE CEO

The Board can at its discretion appoint a Deputy to the CEO. The Deputy to the CEO is responsible for carrying out the CEO's tasks when the CEO is unable to perform his duties. For the time being no Deputy to the CEO has been appointed.

CORPORATE MANAGEMENT TEAM

In the operative management of Metsä Board, the CEO is assisted by the Corporate Management Team, which consists of Mika Joukio, CEO, together with function heads Ari Kiviranta (Production and Technology), Seppo Puotinen (Marketing and Sales), Jussi Noponen (Finance and Control), Sari Pajari (Business Development) and Susanna Tainio, (Human Resources), who are all reporting to the CEO.

Each Corporate Management Team member has a written employment or service contract. With the exception of the CEO members of the Corporate Management Team have no extraordinary pension arrangements which would deviate from applicable pension legislation. The term of notice of Corporate Management team members is six months.

The Corporate Management Team's tasks and responsibilities include planning investments, specifying and preparing the Company's strategic guidelines, allocating resources, controlling routine functions as well as preparing several matters to be reviewed by the Board. The Corporate Management Team convenes at the Chairman's invitation once a month, as a rule, and also otherwise when necessary.

The Corporate Management Team members' owned the Company's shares at the end of the financial year 2016 were as follows:

- Mika Joukio 186,348 B shares
- Jussi Noponen 41,420 B shares
- Ari Kiviranta 0 shares
- Sari Pajari 31,826 B shares
- Seppo Puotinen 84,000 B shares and 2,000 A shares
- Susanna Tainio 11,495 B shares

Possible controlled entities of management team members do not hold shares in the Company.

INTERNAL CONTROL, INTERNAL AUDITING AND RISK MANAGEMENT

Profitable business requires that operations are monitored continuously and with adequate efficiency. Metsä Board's internal management and control procedure is based on the Finnish Companies Act, regulations and recommendations for listed companies, the Articles of Association and the company's own approved principles and policies. The functionality of the company's internal control is evaluated by the company's internal auditing. Internal control is carried out throughout the organisation. Internal control methods include internal guidelines and reporting systems. The following describes the principles, objectives and responsibilities of Metsä Board's internal control, risk management and internal auditing.

INTERNAL CONTROL

Being a listed company, Metsä Board's internal control is steered by the Finnish Companies Act and the Securities Market Act, other laws and regulations applicable to the operations and the rules and recommendations of the Helsinki Stock Exchange, including the Corporate Governance Code. External control is carried out by Metsä Board's auditor and the authorities.

In Metsä Board, internal control covers financial reporting and other monitoring. Internal control is implemented by the Board and operative management as well as the entire personnel. Internal control aims to ensure achieving the goals and objectives set for the company; economical, appropriate and efficient use of resources; correct and reliable financial information and other management information; adherence to external regulations and internal policies; security of operations, information and property in an adequate manner; and the arrangement of adequate and suitable manual and IT systems to support operations.

Internal control is divided into (i) proactive control, such as the specification of corporate values, general operational and business principles; (ii) daily control, such as operational systems and work instructions related to operational steering and monitoring; and (iii) subsequent control, such as management evaluations and inspections, comparisons and verifications with the aim of ensuring that the goals are met and that the agreed operational and control principles are followed. The corporate culture, governance and the approach to control together create the basis for the entire process of internal control.

MONITORING OF THE FINANCIAL REPORTING PROCESS, CREDIT CONTROL AND AUTHORISATION RIGHTS

The financial organisations of the functions and the central administration are responsible for financial reporting. The units and functions report the financial figures each month. The functions' control functions check their units' monthly performance and report them further to central administration. Functions' profitability development and business risks and opportunities are discussed in monthly meetings attended by senior management of the Company and of the function in question. The result will be reported to the Board and the Corporate Management Team each month. The Board presents the Financial Statements to the Annual General Meeting for approval, approves the financial statement bulletin and quarterly reports and decides on their publication. The Company's internal guidelines provide detailed descriptions on the reporting and control rules and the reporting procedure.

Credit control in Metsä Board has been centralised under a Credit Committee, which convenes at least each quarter. The development of trade receivables is monitored in each sales company by credit controllers under the supervision of the Group VP of Credits. Counterparty-specific credit limits are set within the boundaries of the credit policy confirmed by the Board in cooperation with centralised credit control and business area management. The development of credit risks is reported to the Board on a regular basis.

Authorisation rights concerning expenses, significant contracts and investments have been specified continuously for different organisation levels according to the decision-making authority policy confirmed by the Board and the authority separately granted by the CEO and other management personnel. Investment follow-up is carried out by the Group's financial administration according to the investment policy confirmed by the Board. After pre-approval, investments are taken to the management teams of the business areas and the Corporate Management Team within the framework of the annual investment plan. Most significant investments are separately submitted for Board approval. Investment follow-up reports are compiled each quarter.

INTERNAL AUDITING

Internal auditing assists the Board and CEO with their control tasks by evaluating the quality of internal control maintained in order to achieve the Company's objectives. In addition, internal auditing supports the organisation by evaluating and ensuring the functionality of business processes, risk management and the management and administration systems.

The key task of internal auditing is to assess the efficiency and suitability of internal control concerning the company's functions and units. In its assignment, internal auditing evaluates how well the operational principles, guidelines and reporting systems are adhered to, how property is protected and how efficiently resources are used. Internal auditing also acts as an expert in development projects related to its task area and prepares special reports at the request of the Audit Committee or operative management.

Internal auditing operates under the supervision of the Audit Committee and the CEO. Audit observations, recommendations and the progress of measures are reported to the management of the target audited, the company management and the auditor. Every six months, internal auditing reports its auditing measures, plans and operations to the Audit Committee. Internal auditing applies in its tasks a working order approved by the Board of Directors.

The action plan of internal auditing is prepared for one calendar year at a time. The aim is to allocate the auditing to all functions and units at certain intervals. Auditing is annually allocated to areas that are in a key position regarding the evaluated risk and the company's objectives at the time. The topicality and appropriateness of the action plan are processed with the Company's management every six months.

The scope and coordination of the auditing operations are ensured through regular communication and information exchange with other internal assurance functions and the auditor. When necessary, internal auditing uses external service providers for temporary additional resourcing or special expertise for carrying out demanding evaluation tasks.

RISK MANAGEMENT

Risk management is an essential part of Metsä Board's standard business planning and leadership. Risk management belongs to daily decision-making, operations follow-up and internal control, and it promotes and ensures that the objectives set by the Company are met.

Linking business management efficiently with risk management is based on the operational principles confirmed by the Board; the aim of the principles is to maintain risk management as a process that is well defined, understandable and sufficiently practical. Risks and their development are reported on a regular basis to the Board's Audit Committee. Centralised risk management also takes care of the coordination and competitive bidding of Metsä Board's insurance coverage.

The most crucial objective of risk management is to identify and evaluate those risks, threats and opportunities which may have an impact on the implementation of the strategy and on how short-term and long-term objectives are met. A separate risk review is also included in the most significant investment proposals. The businesses regularly evaluate and monitor the risk environment and related changes as part of their normal operational planning. The risks identified and their control is reported to the company's management, Audit Committee and the Board at least twice a year. Business risks also involve opportunities, and they can be utilised within the boundaries of the agreed risk limits. Conscious risk-taking decisions must always be based on an adequate evaluation of the risk-bearing capacity and the profit/loss potential, among other things.

Risk management responsibilities in Metsä Board are divided among different functions. The Board is responsible for the Company's risk management and approves the Company's risk management policy; the Audit Committee evaluates the levels and procedures of the Company's risk management and the essential risk areas and provides the Board with related proposals. The CEO and the Management Team are responsible for the specification and adoption of the risk management principles. They are also responsible for ensuring that the risks are taken into account in the company's planning processes and that risk reporting is adequate and appropriate. The Vice President of Risk Management reports to the CFO and is responsible for the Company's risk management process development, coordination, the implementation of risk evaluation and the essential insurance decisions. Businesses and support functions identify and evaluate the essential risks related to their own areas of responsibility in their planning processes, prepare for them, take necessary preventive action and report on the risks as agreed.

Metsä Board's essential risk management elements include implementing a comprehensive corporate risk management process that supports the entire business, protecting property and ensuring business continuity, corporate security and its continuous development, as well as crisis management and continuity and recovery plans. According to the risk management policy and principles, adequate risk management forms a necessary part of the preliminary review and implementation stages of projects which are financially or otherwise significant.

The tasks of Metsä Board's risk management are to:

- ensure that all identified risks with an impact on personnel, customers, products, property, information assets, corporate image, corporate responsibility and operational capacity are controlled according to applicable laws and on the basis of best available information and financial aspects
- ensure that the company's objectives are met
- fulfil the expectations of stakeholders
- protect property and ensure disruption-free business continuity
- optimise the profit/loss possibility ratio
- ensure the management of the company's overall risk exposure and minimise the overall risks.

The most significant risks and uncertainties that the company is aware of are described in the Report of the Board of Directors.

AUDITING

According to Metsä Board's Articles of Association, the Company has one auditor who shall be an auditing firm authorised by the Central Chamber of Commerce of Finland. The General Meeting appoints the auditor each year. The Audit Committee together with the Audit Committee of the parent entity Metsäliitto Cooperative arranged in 2011 a tender for the auditing services. As a result of the tendering, the Company's long-term auditor Pricewaterhouse Coopers Oy was changed to KPMG Oy Ab. Pursuant to the decision of the Annual General Meeting of 2016, KPMG Oy Ab acts as the Company's auditor and has appointed Raija-Leena Hankonen, APA, as the auditor with main responsibility. The Audit committee controls the appointment procedure of the auditors and provides the Board and the General Meeting with a recommendation for the appointment of the auditor.

In 2016, KPMG Oy Ab received EUR 227,242 (229,742 in 2015 and 222,690 in 2014) in auditing compensation, KPMG internationally received altogether EUR 425,333 (EUR 407,883 in 2015 and 447,954 in 2014) and other auditing firms outside Finland were paid EUR 15,150 (EUR 42,321 in 2015 and EUR 50,344 in 2014). In addition, KPMG has received EUR 3,864 (EUR 10,554 in 2016 and EUR 9,113 in 2014) for services not related to the actual auditing of the accounts.

INSIDER ADMINISTRATION

Metsä Board group complies in insider matters with Finnish laws, namely the Securities Markets Act, the Regulation N:o 596/2014 by the European Parliament and the Commission on market abuse (MAR) and supporting orders and regulations as well as the insider guidelines of NASDAQ OMX Helsinki Ltd. (Helsinki Stock Exchange) (http://business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-helsinki). The Board has based on the above rules approved the Company's own insider guidelines.

Pursuant to MAR Article 14 and Chapter 51 of the Penal Code, a person who possesses inside information shall not (i) engage or attempt to engage in insider dealing by acquiring or transferring financial instruments in his own name or on behalf of a third party, (ii) recommend that another person engage in insider dealing or induce another person to engage in insider dealing, (iii) unlawfully disclose inside information to another person, unless such disclosure is made as part of carrying out normal work duties. The purpose of insider management is to enable a transparent ownership of the Company's securities by the Company's insiders, while simultaneously maintaining public trust in the trading with the Company's securities and their price formation. The Company only recommends long-term investments. Insiders are being trained and guided on a regular basis.

Following the MAR becoming effective on 3 July 2017, the Company no longer has a register of public insiders and the Company no longer maintains a permanent company-specific insider register. The Company shall, when required and by decision of the Chairman of the Board of Directors, set up a project-specific insider register to cover all persons who are involved in the preparation of a specific project containing insider information.

The Company's managers with a duty to notify include members of the Board of Directors and the CEO. The holdings of such managers and their related parties is public. Each of them have an individual duty vis-à-vis the Company and the competent supervisory authority to notify all transactions executed with the shares and other financial instruments of Metsä Board. Metsä Board will publish all such notifications by means of a stock exchange release.

Trading in the Company's shares and other financial instruments is prohibited during a period starting at the end of each reporting period and lasting until the results release has been published (always at minimum 30 days; "closed window"). This prohibition applies not only to managers with a duty to notify but also to such other persons specified by the Company who participate in the preparation of financial reports.

RELATED PARTY TRANSACTIONS

The Company's business activities include contractual relationships with the parent entity Metsäliitto Cooperative and affiliated companies Metsä Fibre Oy and Metsä Tissue Oyj. In situations where the Board of Directors addresses a business relationship or other contractual relationship or connection to Metsäliitto Cooperative or the Company's affiliated companies, the Board of Directors shall, if necessary, act without those of its members who are dependent on Metsäliitto Cooperative or the relevant affiliated company.

To assess the independence and impartiality of the members of the Board of Directors, the members shall notify the Company of circumstances that may have an impact on the member's ability to act without conflict of interest.

On 31 December 2016, neither the Board members, nor the Company's CEO or the Corporate Management Team members had monetary loans from the Company or its subsidiaries. No security arrangements or significant business relations existed between these persons (including their related parties as defined in IFRS) and the Company during 2016.

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 of 2015. The description on remuneration principles and decision-making is updated on a regular basis, two times every calendar year as a starting point, however, always in connection with the annual Corporate Governance Statement. A report regarding the fees paid out during the previous financial year is also published concurrently.

DECISION-MAKING ORDER AND PRINCIPLES OF REMUNERATION

GENERAL

The purpose of the 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 the General Meeting with proposals for 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 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 discharge compensation equal to his 12-month salary. 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 contractual retirement age of the CEO is 62 years. The Company has commissioned an extra pension insurance policy for the CEO, covering the period between the contractual and statutory retirement age of 63 years. 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. Pursuant to Finnish pension laws a person has the option to retire at a desired point-in-time between the ages of 63 and 68. The cost of the policy in 2016 was 279,858 euros (207,794 euros in 2015).

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 without cause entitles members of the Corporate Management Team to receive discharge compensation equal to their 0 to 12-month salary.

Excluding the CEO, Corporate Management Team members have no extraordinary pension arrangements which would deviate from applicable pension legislation. Pursuant to Finnish pension laws a person has the option to retire at a desired point-in-time between the ages of 63 and 68. The Finnish TyEL pension system provides for a retirement benefit based on years of service and earnings according to the prescribed statutory system. For purposes of the Finnish pension system earnings include salary, bonuses and fringe benefits but exclude share or stock option based income.

LONG-TERM SHARE INCENTIVE SCHEME

In December 2010, the Board of Directors approved a share-based incentive plan. 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. The plan consists of three consecutive three-year earnings periods, namely calendar years 2011–2013, 2012–2014 and 2013–2015. At the beginning of each period, the Board of Directors decided on the earnings criteria and defined performance targets. The potential reward from the plan for each of the earnings periods was based 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 earnings before interest and taxes (EBIT) during each earnings period. Each earnings period is followed by a two-year restriction period during which a participant is not entitled to transfer or dispose of the shares. In addition, a cash proportion is included in the reward to cover taxes and tax-related costs arising from the reward. At the start of the first earnings period the system covered nine persons, including all management team members.

The Board decided in December 2013 to continue the share-based incentive scheme for management. The plan consists of three new three-year earnings periods, namely calendar years 2014–2016, 2015–2017 and 2016–2018. At the beginning of each period, the Board of Directors decided on the earnings criteria and defined performance targets. The potential reward from the plan for each of the earnings periods is 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, as determined by the Board for each earnings period. 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. In case the Company or a participant terminates the employment or service contract during the restriction period, the Board may require the participant to return the share reward already earned.

The potential reward for the earnings period 2015–2017 will be paid in 2018 and is at the start of the period a maximum of 265,000 B-shares. On top the Company pays in money an amount covering the applicable withholding tax and related payments. Respectively, the reward for the earnings period 2016–2018 will be paid in 2019 and is at the start of the period a maximum of 243,750 B-shares. The amount of the annually payable reward may be limited or postponed. Changes in participants such as the appointment of a new CEO in the fall of 2014 and changes to Corporate Management Team members in January 2015 have an effect on the maximum number of shares available.

The Board decided in January 2017 to further continue the share-based incentive scheme for management. The plan consists of three additional 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 period 2017–2019 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, as determined by the Board. 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 or if the reward together with the short term bonus would exceed the participant's annual salary (or in the case of the CEO his annual salary multiplied by two). 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. In case the Company or a participant terminates the employment or service contract during the restriction period, the Board may require the participant to return the share reward already earned. The potential reward for the earnings period 2017–2019 is paid in the spring of 2020 in Metsä Board Corporation's B-shares.

The target group of the plan for the performance period 2017–2019 consists of 20 participants, including the members of the Corporate Management Team as well as key individuals in sales, production and corporate administration. The rewards to be paid on the basis of the plan for the performance period 2017–2019 will amount to a maximum of 263,750 B shares. In addition, a cash proportion is included in the reward to cover taxes and tax-related costs arising from the reward.

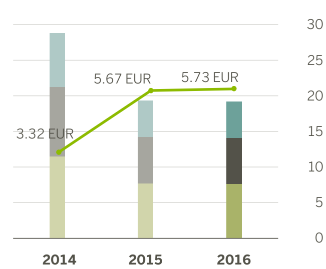
REMUNERATION REPORT 2016

BOARD OF DIRECTORS

The Annual General Meeting held in March 2016 resolved to maintain the Board's annual remuneration unchanged. Thus, the Chairman received an annual remuneration of EUR 88,000, the Vice Chairman EUR 74,200 and members EUR 58,000. 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 to be acquired from the stock exchange between 1 and 30 April 2016. As a result, the Chairman received 7,677, the Vice Chairman 6,473 and each Board member 5,059 B-series shares at EUR 5.73 per share. The Board members are not allowed to transfer these shares within a period of two years from the grant date. The amount of the cash consideration corresponds to the estimated withholding tax. In addition, the Annual General Meeting resolved to pay to the members a remuneration of EUR 600 per each attended Board and committee meeting. Travel expenses of the Board are compensated according to the Company's travel policy. Further, the Annual General Meeting decided that an additional monthly compensation of EUR 800 be paid to the Chairman of the Audit Committee.

The Nomination and Compensation Committee of the Board of Directors proposes to the Annual General Meeting that the annual remuneration for the members of the Board of Directors be increased by approximately 8 per cent such that the Chairman be paid EUR 95,000, the Vice Chairman EUR 80,000 and ordinary members EUR 62,500 per year. In addition, a fee of EUR 700 would be paid for each attended meeting of the Board of Directors and its Committees. 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 2017. 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 remained unchanged between 2006 and 2015 and has been paid in shares and cash since 2009.

BOARD OF DIRECTORS' SHARE REMUNERATION
1,000 SHARES



- Chairman of the Board of Directors
- Vice Chairman of the Board of Directors
- Member of the Board of Directors
- Share price development

Board of Directors' share remuneration was kept unchanged in 2006–2014.

CHIEF EXECUTIVE OFFICER

The monthly salary of CEO Mika Joukio is EUR 40,277. The salary includes car and mobile phone benefits and an extended travel and accident insurance policy. In 2016 the CEO Joukio received a total of EUR 1,173,860 in salary, bonuses and other benefits, including share incentive (EUR 693,140 in 2015 and for CEO Helander EUR 894,616 in 2014), of which EUR 498,301 (EUR 469,711 in 2015 and Helander EUR 444,183 in 2014) was fixed compensation and EUR 229,849 (EUR 165,319 and Helander EUR 130,383 in 2014) was short-term bonus pay and EUR 445,711 (EUR 58,109 and Helander EUR 320,050 in 2014) share incentives. CEO Joukio received EUR 116,262 in fixed compensation in the period between October 1 and December 31, 2014.

CORPORATE MANAGEMENT TEAM

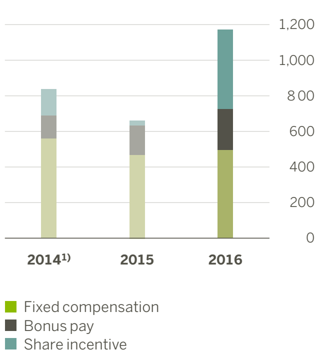
In 2016, other Corporate Management Team members (in total five) received a total of EUR 2,460,712 (EUR 1,889,873 in 2015 and EUR 1,578,817 in 2014) in salary and bonuses of which EUR 1,093,384 (EUR 1,154,996 in 2015 and EUR 1,156,109 in 2014) were fixed salaries and benefits (car and mobile phone) and EUR 439,657 (EUR 454,030 in 2015 and EUR 180,484 in 2014) short-term bonus pay and EUR 927,671 (EUR 280,846 in 2015 and EUR 242,224 in 2014) share incentives. The members of the Corporate Management Team are entitled to bonus pay corresponding 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 2014–2016 based on the Company's and its functions' (business area heads) revenue and other targets, and on personal targets.

LONG-TERM SHARE-BASED COMPENSATION

The Board confirmed in January 2014 that the result for the earnings period 2011–2013 was 45 per cent, based on which 125,750 B-series shares were paid to participants in the spring of 2014 at the rate of EUR 3.26. Similarly the Board confirmed in February 2015 that the result for the earnings period 2011–2013 was 33.5 per cent, based on which 62,533 B-series shares were paid to participants in February 2015 at the rate of EUR 5.90. CEO Helander was not entitled to any shares since his service relationship with the Company ended during the earnings period. Mr Joukio was entitled to 4,653 shares for the time period August 1 through December 31, 2014. The Board of Directors confirmed in February 2016 that the result for the earnings period 2013–2015 was 74.4 per cent, based on which a total of 160,074 B-series shares were paid to participants in spring 2016. Of these 36,187 were paid to CEO Joukio.

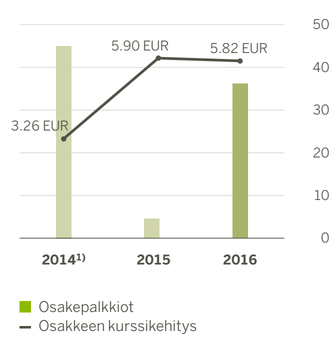
The Board confirmed in February 2017 that the result for the earnings period 2015–2016 was 111.6 per cent (taking into account the revenue multiplier, which increased the result outcome), pursuant to which participants earned in total 259,162 shares, of which 92,598 were earned by CEO Joukio. In addition, there is a cash proportion covering taxes and other tax-related costs.

COMPENSATION OF THE CEO
1,000 EUR



1) Change of CEO in 2014

SHARE REMUNERATION OF THE CEO
1,000 SHARES



1) Change of CEO in 2014