

Metsä Group  
Remuneration report 2023



# Review by the Chair of the HR Committee



## ■ Dear reader,

Metsä Group's remuneration policy defines, among other things, the principles on which remuneration at Metsä Group is based. These principles apply to the entire personnel, and compliance with them promotes the realisation of Metsä Group's strategy and long-term financial success. The policy is available on the Metsä Group website.

The Board of Directors' HR Committee actively monitors the development of remuneration, as well as new regulatory initiatives, and proposes changes to the remuneration policy and remuneration practices to the Board when necessary. Remuneration must be in line with Metsä Group's remuneration principles. In 2023, the HR Committee continued to focus attention on the prominence of sustainability targets when setting targets for remuneration. The annual targets of every Metsä Group employee now include ESG indicators or targets. Setting sustainability targets as part of the annual targets promotes the continuous assessment and improvement of sustainability in our operations.

This remuneration report is based on the recommendations of the Corporate Governance Code 2020 published by the Finnish Securities Market Association. This report describes how the principles of the remuneration policy have been applied and complied with and how the members of the Board of Directors of the Group's parent company and the Group's President, who also serves as the CEO of the parent company, were remunerated during the 2023 financial period.

We have aimed to provide an illustrative and transparent summary of the remuneration of the company's statutory governing bodies, and the implementation of Metsä Group's remuneration policy. The remuneration report enables the company's stakeholders to evaluate the success of the company and its remuneration. Further information on the remuneration of the management and personnel is available in Metsä Group's financial statements and on its web pages.

### **Taavi Heikkilä**

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

# 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 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 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

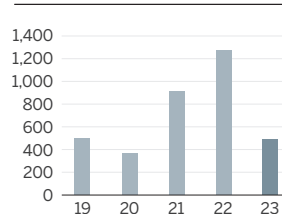
Metsä Group has a short-term incentive system with a review period of one calendar year, as well as a long-term incentive system with a performance period of three years and a restriction period of one to two years. The targets of the long-term incentive system, tied to return on capital employed, operating result and equity ratio, impact the long-term development of shareholder value. 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

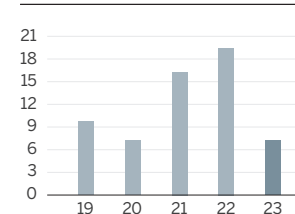
Metsä Group's remuneration policy was complied with throughout the financial year 2023, and the policy was not deviated from in any respect.

## ■ Metsä Group's financial development

**OPERATING RESULT, COMPARABLE**  
EUR million



**RETURN ON CAPITAL EMPLOYED, COMPARABLE**  
%





## ■ Development of remuneration in 2019–2023

Over the past five years, the monthly remuneration of the Chair of the Supervisory Board has increased by approximately ten per cent, and the monthly remuneration of the Deputy Chair of the Supervisory Board by approximately 11 per cent. In 2023, the monthly remuneration of the Chair was raised to EUR 4,500, and the monthly remuneration of the Deputy Chair to EUR 2,000. The meeting fee paid to the members of the Supervisory Board has increased by 25 per cent in the past five years. In 2023, the meeting fee paid to the members of the Supervisory Board was raised to EUR 1,000.

During the last five years, the monthly compensation paid to the Chair of the Board has been increased by four per cent, taking into account the fees previously paid to the Chair for the position of Vice Chair of the Board of Metsä Fibre Oy and Metsä Tissue Corporation. The monthly remuneration of the Vice Chair has been increased by 15 per cent and that of the other Board members by 33 per cent over the last five years. The monthly remuneration of the Chair of the Board of Directors was last raised in 2022, and it is EUR 12,000. The monthly remuneration of the Vice Chair of the Board of Directors was raised to EUR 6,000 in

2023. The monthly remuneration of other members of the Board of Directors was raised to EUR 5,600 in 2023. The meeting fee paid to the members of the Board of Directors has increased by 14 per cent in the past five years. The meeting fee is EUR 800. For 2024, the meeting fee was raised to EUR 1,000. The fees and remuneration for Board work correspond to general remuneration trends 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, which was raised for 2022. The monthly remuneration of the Chair of the Audit Committee was raised from EUR 1,200 to EUR 1,300 and that of the Chair of the HR Committee from EUR 1,000 to EUR 1,100. Over the past five years, no other changes were made to the separate monthly remuneration of the chairs of the committees.

The total earnings of Metsä Group's President and CEO Ilkka Härmälä have been strongly influenced by Metsä Group's success. The development of employees' average earnings has been moderate.

### DEVELOPMENT OF THE SUPERVISORY BOARD'S AND THE BOARD OF DIRECTORS' REMUNERATION, THE REMUNERATION OF THE PRESIDENT AND CEO, AND THE AVERAGE EARNINGS OF EMPLOYEES

(IN EUROS)	2023	2022	2021	2020	2019
<b>Chair of the Supervisory Board</b> Juha Paajanen as of 4 May 2017	78,100	71,600	77,600	78,300	68,850
<b>Deputy Chair of the Supervisory Board</b> Ahti Siponen as of 4 May 2017	39,300	33,200	33,600	33,600	36,950
<b>Other members of the Supervisory Board (in total)</b>	186,500	152,800	191,600	146,800	167,100
<b>Chair of the Board of Directors <sup>1)</sup></b> Jussi Linnaranta, as of 1 January 2020 Martti Asunta, until 31 December 2019	167,700	166,554	170,840	163,940	158,330
<b>Vice Chair of the Board of Directors</b> Mikko Mäkimattila, as of 1 January 2023 Timo Saukkonen, as of 1 January 2020 – 31 December 2023 Jussi Linnaranta 1 January – 31 December 2019	91,600	82,400	83,200	83,800	72,950
<b>Other members of the Board of Directors (on average)</b>	88,583	74,867	69,967	72,167	65,558
<b>President and CEO <sup>2)</sup></b> Ilkka Härmälä, as of 1 April 2018	1,649,222	2,976,557	2,695,238	2,289,521	2,540,578 <sup>3)</sup>
<b>Average earnings of employees <sup>4)</sup></b>	48,060	51,218	48,101	44,305	44,784

<sup>1)</sup> The figures for 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.

<sup>2)</sup> The President and CEO's remuneration details include the salaries and rewards paid for the year in question. For Ilkka Härmälä, 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.

<sup>3)</sup> In 2019, Ilkka Härmälä was also paid deferred long-term remuneration (EUR 825,927), which he had earned in his previous position as the CEO of Metsä Fibre.

<sup>4)</sup> 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 THE COSTS OF THE SUPERVISORY BOARD MEMBERS' PENSION ARRANGEMENTS IN 2023 (IN EUROS)

	Monthly remuneration	Meeting fees <sup>1)</sup>	Pension benefit <sup>2)</sup>	Total
<b>Juha Paajanen</b> , Chair	52,400	25,700	12,652	90,752
<b>Ahti Siponen</b> , Deputy Chair	23,200	16,100	6,367	45,667
<b>Other members</b> (in total)	-	186,500	-	186,500
<b>Total</b>	<b>75,600</b>	<b>228,300</b>	<b>19,019</b>	<b>322,919</b>

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

<sup>2)</sup> The Chair and Deputy Chair of the Supervisory Board hold voluntary TyEL pension policies (the Finnish statutory pension system).

# Remuneration of the Board of Directors

## REMUNERATION PAID TO THE BOARD OF DIRECTORS AND THE COSTS OF THE BOARD MEMBERS' PENSION ARRANGEMENTS IN 2023 (IN EUROS)

	Monthly remuneration	Meeting fees <sup>1)</sup>	Pension benefit <sup>2)</sup>	Total
<b>Jussi Linnaranta</b> , Chair <sup>3)</sup>	144,000	23,700	29,683	197,383
<b>Mikko Mäkimattila</b> , Vice chair	72,000	19,600	16,213	107,813
<b>Taavi Heikkilä</b>	80,400 <sup>4)</sup>	17,200	15,811	113,411
<b>Juha Parpala</b>	67,200	13,600	13,090	93,890
<b>Eija Pitkänen</b> , as of 1 January 2023	67,200	13,600	13,090	93,890
<b>Nina Pärssinen</b>	67,200	19,400	14,029	100,629
<b>Ilkka Salonen</b>	82,800 <sup>5)</sup>	18,200	16,362	117,362
<b>Jussi Vanhanen</b>	67,200	17,500	14,992	99,692
<b>Total</b>	<b>648,000</b>	<b>142,800</b>	<b>133,270</b>	<b>924,070</b>
Former members of the Board of Directors				
<b>Saukkonen Timo</b> until 31 December 2022	-	2,400	389	2,789

<sup>1)</sup> The meeting fees of the Board of Directors also include the meeting fees of committees and district councils.

<sup>2)</sup> The members of the Board of Directors hold voluntary TyEL pension policies.

<sup>3)</sup> The remuneration paid for board work in Metsä Board Corporation is disclosed in Metsä Board Corporation's remuneration report.

<sup>4)</sup> Includes the monthly remuneration paid to the Chair of the HR Committee.

<sup>5)</sup> Includes the monthly remuneration paid to the Chair of the Audit Committee.

# Remuneration of the President and CEO

## SALARIES AND REWARDS PAID TO THE PRESIDENT AND CEO AND THE COST OF THE SUPPLEMENTARY PENSION ARRANGEMENT IN 2023 (IN EUROS)

	2023
Base salary, including fringe benefits <sup>1)</sup>	863,798
Incentives paid by other Group companies	135,392
Short-term incentive <sup>2)</sup>	650,032
Long-term incentive <sup>3)</sup>	-
<b>Total</b>	<b>1,649,222</b>
Supplementary defined-benefit pension insurance	417,934

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

<sup>2)</sup> The short-term incentive paid concerns performance in 2022.

<sup>3)</sup> The long-term incentive was not paid in 2023 due to a change in the long-term incentive system.

The short-term incentive paid to the President and CEO was based on performance in 2022. The maximum level of remuneration available in the short-term incentive system in 2022 was, accounting for Metsä Group's EBIT multiplier, 93.75 per cent of the fixed annual salary. The incentive was based on Metsä Group's operating result (weighting 50 per cent) and the strategic targets defined by the Board of Directors (weighting 50 per cent), as well as the realisation of Metsä Group's EBIT multiplier. The President and CEO's short-term incentive for 2022, accounting for Metsä Group's EBIT multiplier, was 39 per cent of the total earnings paid in 2023. The reward was paid in March 2023. The 2023 short-term incentive system was based on the same principles as that of 2022. The reward for 2023 will be paid in March 2024.

In 2019, Metsäliitto Cooperative's Board of Directors decided on a long-term performance-based incentive system using synthetic shares for 2020–2024. The system consists of three performance periods of three years. Each performance period is followed by a restriction period of approximately one year. The reward will be paid fully in cash after the end of the restriction period. The amount of the reward has been limited. The President and CEO's maximum bonus is 250 per cent of their fixed annual salary (a cut-off level of 325 per cent of the fixed annual salary). The reward will be based on the development of Metsä Group's return on capital employed (ROCE, per cent) as determined by the Board of Directors. Minimum levels have also been set for the operating result and equity ratio.

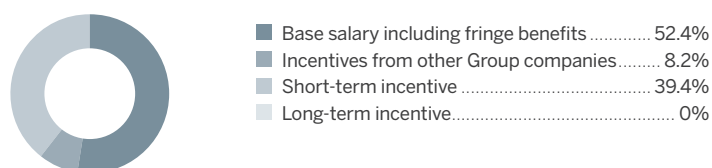
Any rewards in Metsä Group's long-term incentive system based on synthetic shares, which has been in force since 2020, will be paid after the restriction period. Therefore, no rewards

were paid from Metsä Group's long-term incentive system in 2023. The first payment from the incentive system based on synthetic shares will be made in 2024 for the 2020–2022 performance period. The potential reward for the performance period 2021–2023 will be paid in March 2025.

In 2022, Metsäliitto Cooperative's Board of Directors decided on a new long-term performance-based incentive system using synthetic shares for 2023–2027. The system consists of three performance periods of three years. Each performance period is followed by a restriction period of approximately one year. The reward will be paid fully in cash after the end of the restriction period. The amount of the reward has been limited. The President and CEO's maximum bonus is 250 per cent of their fixed annual salary (a cut-off level of 325 per cent of the fixed annual salary). The reward will be 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 variable pay (short- and long-term incentives) constitutes a significant part of the President and CEO's remuneration. The relative portions of variable pay and the fixed annual base salary are shown in the graph below.

## BREAKDOWN OF THE PRESIDENT AND CEO'S REMUNERATION INTO FIXED BASE SALARY, INCENTIVES PAID BY OTHER GROUP COMPANIES, SHORT-TERM INCENTIVE AND LONG-TERM INCENTIVE IN 2023



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, where he has already reached the retirement age of 62 years in 2023, as defined in the supplementary pension scheme. Therefore, insurance premiums contributing to the supplementary pension are no longer paid to the supplementary pension arrangement. After the retirement age, the supplementary pension arrangement may incur index increase fees. In 2023, the index increase fee was EUR 417,934. No other financial benefits were paid to the President and CEO in 2023.



**Your partner in  
sustainable growth**

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