

Metsä Board
Annual review 2023



Metsä Board is a leading producer of high-quality and recyclable fresh fibre paperboards in Europe and a forerunner in sustainability.



Contents

Business operations and value creation

This is Metsä Board	2
CEO's review	4
Strategy and financial targets	6
Value creation	8

Financial development

Key figures	10
Report of the Board of Directors	12
• Sustainability statement	20
• Sustainability statement assurance report	72
Consolidated financial statements	74
Notes to the consolidated financial statements	78
Parent company financial statements	126
Notes to the parent company financial statements	129
The Board's proposal to the Annual General Meeting for the distribution of funds	142
Auditor's Report	143
Shares and shareholders	147
Ten years in figures	151
Taxes	152
Production capacities	153
Calculation of key ratios and comparable performance measures	155

Corporate governance

Corporate governance statement	157
• Board of Directors of Metsä Board	165
• Corporate Management Team of Metsä Board	168
Remuneration report	170
Investor relations and investor information	174



Metsä Board Sustainability review presents Metsä Board's key sustainability objectives and achievements in 2023. The review will be available in spring 2024

This is Metsä Board

Focus on sustainable fresh fibre paperboards

We focus on premium and recyclable fresh fibre paperboards, that help our customers reduce their plastic use. Our paperboards made from renewable wood fibre are mainly used in consumer packaging and retail packaging solutions.

A forerunner in sustainability

Our products support the circular economy and they have a smaller carbon footprint compared to many other packaging materials. Our future growth is based on more efficient use of resources and raw materials. Our target is fossil free production and products by the end of 2030.

Strong position in a growing market

We are a leading producer of folding boxboard and white kraftliners in Europe, and globally the biggest producer of coated white kraftliners. In the USA, we are the largest supplier of folding boxboard. The global demand for paperboards is expected to grow faster than all packaging materials on average, at an annual rate of slightly over 4%. (Source: Smithers Information Ltd.).

Investing in sustainable growth

Population growth, urbanisation and the replacement of plastic will increase the demand for fibre-based packaging material in the long term. We respond to this demand with sustainable investments and innovative packaging solutions. We have ambitious, science-based sustainability targets and mill-specific investment plans to achieve the targets.

We are part of Metsä Group

All our wood supply is handled by Metsä Group. The wood we use is sourced from sustainably managed forests, mainly from Finland and Sweden where renewal of forests and the biodiversity of nature is secured. Our ownership (24.9%) in Metsä Fibre secures self-sufficiency in pulp and enables the growth of paperboard business.

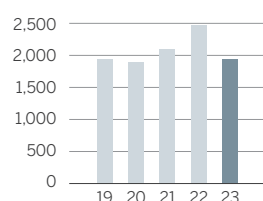
METSÄ GROUP	The parent company Metsäliitto Cooperative is composed of over 90,000 Finnish forest owners.	Sales EUR 6.1 billion	Comparable operating result EUR 488 million	Personnel 9,500
Wood Supply and Forest Services	Wood Products	Pulp and sawn timber	Paperboard	Tissue and greaseproof papers
	METSÄ WOOD	METSÄ FIBRE	METSÄ BOARD	METSÄ TISSUE
OWNERSHIP Metsäliitto Cooperative 100%	Metsäliitto Cooperative 100%	Metsäliitto Cooperative 50.1% Metsä Board 24.9% Itochu Corporation 25.0%	Metsäliitto Cooperative 52% (69% of votes) The company is listed on Nasdaq Helsinki	Metsäliitto Cooperative 100%
METSÄ SPRING Innovation company				

Financial development in 2023

Our profitability was affected by weakened paperboard and pulp market. We completed our investments as planned and secured cash flow from operations through efficient management of working capital. Our balance sheet remained strong.

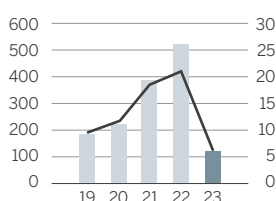
SALES

EUR million



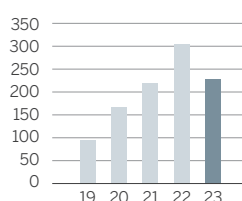
COMPARABLE OPERATING RESULT

EUR million
% of sales



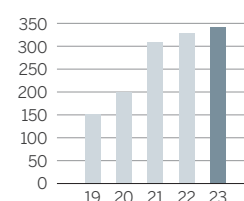
TOTAL INVESTMENTS

EUR million



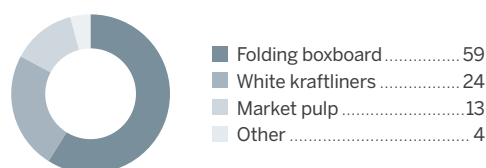
CASH FLOW FROM OPERATIONS

EUR million



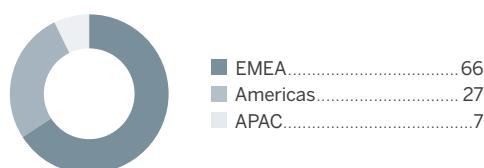
SALES SPLIT BY PRODUCT

% of sales



SALES SPLIT BY REGION

% of sales



Interest-bearing net debt/
comparable EBITDA

0.7
Target <2.5

We are
2,300
Metsä Board employees in
17
countries

We have
8 production units
in Finland and Sweden.
Our main market areas are
Europe and North America

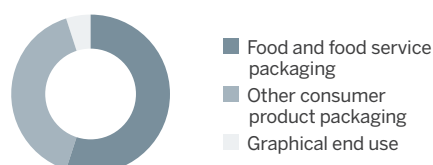
Our customers include
international brand owners,
packaging converters,
manufacturers of corrugated
products and merchants

Paperboard capacity
2.3 million tonnes/year

Pulp and BCTMP capacity
1.7 million tonnes/year

We are committed to the ambitious and science-based 2030 sustainability targets that enable fossil free production and products and help our customers to contribute to their own goals. Read more about *sustainable development and our goals*.

END USE OF FOLDING BOXBOARD



END USE OF WHITE KRAFTLINERS



Ready for sustainable growth

The year 2023 was challenging for Metsä Board. Our business was affected by the weaker pulp and paperboard market and high cost level. Over the year, we systematically implemented our strategic programmes and helped our customers reduce their use of plastics and the carbon footprint of packaging. The Kemi and Husum investment projects, completed in the second half of the year, and our strong financial position offer us excellent conditions for future sustainable growth. I am proud of every Metsä Board employee's work and commitment to our company's future.

The world around us has changed rapidly, and the changes have also had a strong impact on the paperboard market. The pandemic led to exceptionally steep growth in the demand for packaging materials, with restrictions on mobility shifting consumption from services to products. Since then, rising inflation and interest rates have affected consumers' purchasing power and behaviour: prices of consumer products have increased, and people now consider their purchases more carefully. Weaker consumer demand has led to major inventory adjustments in the value chain. In addition, the overall market balance for paperboards, especially in Europe, has been affected by the discontinuation of sales to Russia and increased paperboard supply from Asia to the Middle East and South America.

Notable year-over-year change in profitability

Our sales were EUR 1.9 billion, and our comparable operating result was EUR 122 million. Our comparable return on capital employed was 5.1%, compared to a record high of over 20% the previous year. Paperboard and market pulp delivery volumes were well below capacity levels, and we adjusted our production to match the low demand level. Our performance was also impacted by high cost level and a significantly lower result from our associated company Metsä Fibre compared to the previous year. However, the average sales price of our paperboards improved from 2022.

To safeguard profitability, we focused our paperboard sales on customers in our main market areas, who most benefit from sustainably produced premium fresh fibre paperboards. In the second half of the year, we temporarily laid off some of our personnel at our mills in Finland. Through efficient management of working capital, we managed to support our cash flow from operating activities, which amounted to EUR 343 million. Our balance sheet remained strong in the challenging market situation.

Competitiveness from energy and fibre self-sufficiency

The energy crisis in Europe highlighted the importance of energy self-sufficiency. Metsä Board's energy self-sufficiency is already 90%, increased by the new recovery boiler in Husum and the additional production from the Olkiluoto 3 nuclear power plant. In addition to own production, our self-sufficiency in pulp is supported by 24.9% holding in Metsä Fibre.

Wood, our main raw material, accounts for more than a quarter of our total costs. The discontinuation of wood supply from Russia led to a tighter wood market in the Baltic Sea region, and pulpwood prices increased in Finland and Sweden in 2023. Our wood supply is handled by Metsä Group, which is Finland's largest buyer of wood. Wood is only procured from sustainably managed forests, where growth exceeds use. In the spring of 2023, Metsä Group adopted regenerative forestry principles which improve forests' carbon storage, biodiversity and ability to adapt to climate change. In accordance with the principles, the state of forest nature is not only improved, but the improvement is also demonstrated with measurements.

A year of significant investments

Over the year, several significant investments were completed. At the Kemi kraftliner mill, we completed a development programme to increase the production capacity of the white kraftliner and improve the mill's energy and water efficiency. Similarly, the modernisation of the folding boxboard production line in Husum will increase our annual folding boxboard capacity and improve the mill's production efficiency. Moreover, Metsä Fibre's new bio-product mill started up in Kemi. It is the largest investment in the history of the Finnish forest industry. The mill produces softwood and hardwood pulp more cost-effectively and offers world-class production, environmental and energy efficiency.

”

In our operations and development efforts, we have systematically done the right things, which will have a positive impact on our business in the future.



Concrete actions to ensure sustainability

In the circular economy of fibre-based packaging materials, our task is to provide the market with fresh fibre paperboards as resource efficiently as possible, contribute to the replacement of fossil-based materials and reduce the carbon footprint of packaging. Lighter-weight paperboards and resource efficiency are the key areas in our product development, and they also form the basis for future investments. We aim to reduce wood, energy and water use per tonne of paperboard produced compared to our current production units. In 2023, we implemented measures and investments at our mills in line with our strategic programmes, which aim to make our production entirely fossil free by the end of 2030. These measures will continue as planned in the coming years.

Ready for future growth

Our goal is to continue to grow in fibre-based packaging materials and to renew our industrial operations. Population growth, urbanisation and plastic replacement remain strong trends that will increase demand for fibre-based packaging in the long term.

Consumer preferences favour fossil free packaging materials, and several brand owners are committed to ambitious targets to reduce plastic use in their packaging. Our competitiveness is boosted by high quality of our paperboards, reliable deliveries, and a service concept, which helps our customers improve their material efficiency and reduce the environmental impact of their packaging.

Although our business environment still involves uncertainties, I am confident about Metsä Board's future. In our operations and development efforts, we have systematically done the right things, which will have a positive impact on our business in the future. Our strong financial position will support us in this growth. The Board of Directors proposes a dividend of EUR 0.25 per share for 2023.

I would like to thank Metsä Board's employees for their great work and all our customers, shareholders and other partners for their trust and good cooperation.

Mika Joukio
CEO

Our strategy highlights solutions that promote the circular economy

We are a leading European producer of premium fresh fibre paperboards and a forerunner in sustainability. Our decision making is guided by our financial and sustainability targets and the ambition to increase shareholder value. Our goal is to maintain a strong financial position and distribute a competitive dividend to our owners.

Purpose

Advancing the bioeconomy and circular economy by efficiently processing northern wood into first-class products.

Vision

Preferred supplier of innovative and sustainable fibre-based packaging solutions, creating value for customers globally.

Strategy

We grow in fibre-based packaging materials and renew our industrial operations.

Megatrends

Population growth
Climate change
Digitalisation
Urbanisation
Biodiversity loss

Values

Reliability
Cooperation
Responsible profitability
Renewal

Operating environment supports growing demand for fresh fibre paperboards

- Population growth, urbanisation and rising living standards drive packaging
- Regulation and consumer preferences favour fossil free packaging materials
- The requirements of the circular economy become more specific and drive the development of the industry
- Availability and quality of recycled fibre is declining
- Global e-commerce continues to grow

Our strategic programmes

We implement our strategy through five strategic programmes that drive sustainable growth in fibre-based packaging materials and industrial efficiency.

Premium supplier

Effective innovation

Safe and efficient operations and organic growth

Leader in sustainability

Motivated people

We invest in sustainable and profitable growth

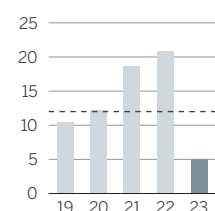
With the investments, we implement our strategy to grow in fibre-based packaging materials, improve the production and resource efficiency of our mills and reduce the carbon footprint of our products. We have set ambitious, science-based sustainability targets and mill-specific investment plans to achieve our goals by the end of 2030. Some of the investments required by these plans have already been implemented. These measures will also help our customers to reduce their emissions and further increase our competitiveness.

In 2023, we completed a development programme at our Kemi paperboard mill that will increase the annual production capacity of white kraftliner by 40,000 tonnes and improve the mill's energy and water efficiency. As part of the development programme, we will purchase a modernised unbleached pulp production line from our associated company Metsä Fibre for use in paperboard production. At the same time, Metsä Fibre completed its new bioproduct mill in Kemi, which will increase our surplus in pulp by an amount corresponding our share of ownership in Metsä Fibre. In Husum, an investment related to the modernisation of the production line for folding boxboard was completed, which will increase annual production capacity by 200,000 tonnes and improve the production efficiency of the mill. The increase in production capacity is expected to be fully available on the market in 2026.

During the 2020s, we will make an investment decision to renew the fibre line at the Husum pulp mill. In addition, we have pre-engineering ongoing for a new folding boxboard mill in Kaskinen. The pre-engineering work is still ongoing and an investment decision can be made in 2024 at the earliest.

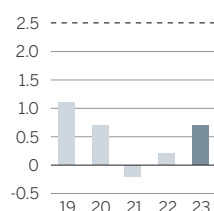
Our financial targets

COMPARABLE RETURN ON CAPITAL EMPLOYED
%



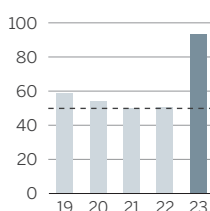
---- Target > 12%

INTEREST-BEARING NET DEBT / COMPARABLE EBITDA



---- Target < 2.5

DIVIDEND / NET RESULT



---- Target > 50%

We create value and well-being for several stakeholders

We are continuously looking for opportunities to grow profitably and sustainably, and to generate value for our stakeholders with our operations. We help our customers achieve their sustainability targets with our paperboards and our expert services that support the circular economy.

Resources

People and partnerships

- 2,300 employees in 17 countries
- 36 apprentices
- Active cooperation with local communities and educational institutions

Production and supply chain

- More than 3,400 suppliers
- 8 production units in Finland and Sweden
- Deliveries to approximately 100 countries

Natural resources

- 6,3 million m³ of sourced wood of which 91% is certified
- Total energy consumption 7.6 TWh of which 90% is fossil free
- Water intake 102 million m³
- 254,000 dry tonnes of purchased pigments, adhesives and other raw materials

Intangible assets

- R&D expenditure EUR 7.3 million
- An Excellence Centre in Äänekoski, Finland, and a satellite centre in Norwalk, the United States
- Recognition for premium quality paperboards

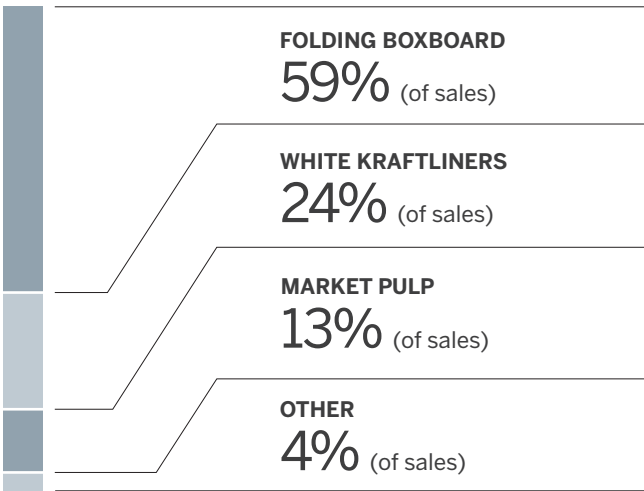
Economic capital

- Capital invested EUR 2.5 billion
- Approximately 62,000 shareholders in B series and 10,000 in A series

Business model

We produce resource-efficient fresh fibre paperboards from renewable raw materials, which support the principles of the circular economy and offer an alternative to fossil-based packaging materials. We are part of Metsä Group, and benefit from its unique value chain, from pure northern fibre to premium end products. We have high energy self-sufficiency, and our holding in our associated company Metsä Fibre ensures our over self-sufficiency in pulp. Our production is located in Finland and Sweden, and we have sales around the world. Our main markets are Europe and North America.

OUR SALES IN 2023
EUR **1,942** million



Outputs

Sustainable products and services

- 1.3 million tonnes of premium fresh fibre paperboards
- 1.0 million tonnes of pulp and BCTMP
- 5 service entities that generate benefits throughout the packaging value chain (360 Services)
- Common stock service improves availability and enables fast delivery to the customer

Emissions and side streams

- 184,713 tonnes of fossil-based carbon dioxide emissions (Scope 1 + Scope 2 market-based)
- 96% of the used water is returned to the waterbodies after treatment
- 149,000 tonnes of by-products and waste most of which used as materials or energy

Impacts

Customers

- Recyclable and sustainably produced products with a smaller carbon footprint ¹⁾
- Innovative and material-efficient packaging solutions that help reduce the use of plastic
- Customer satisfaction NPS (Net Promoter Score) 40

Suppliers

- EUR 1.6 billion purchases from suppliers
- 99% of suppliers are committed to the Supplier Code of Conduct
- 19% of target group suppliers have set their own SBTi targets

Personnel

- EUR 200 million paid to employees as wages and benefits
- 98% of the personnel have completed the Code of Conduct training

Shareholders

- A sustainable investment; several recognitions from ESG evaluations conducted by third parties
- EUR 89 million distributed to shareholders of the parent company as dividends
- 5.1% comparable return on capital employed

Common value creation

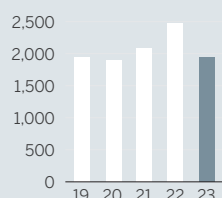
- Taxes paid EUR 65 million
- Total investments EUR 229 million
- Aiming for 100% fossil free products and production, with science-based targets

¹⁾ based on third-party verified EPD reports, life cycle database values for alternative packaging materials and a series of life cycle and carbon footprint calculations carried out for customers in 2023

Key figures

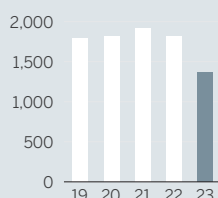
SALES

EUR million



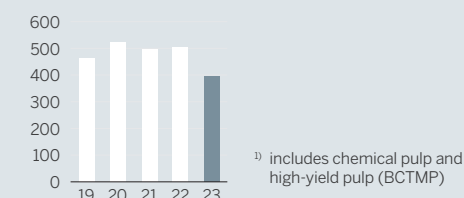
PAPERBOARD DELIVERIES

1,000 tonnes



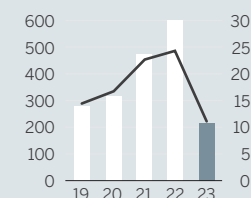
METSÄ BOARD'S MARKET PULP DELIVERIES ¹⁾

1,000 tonnes



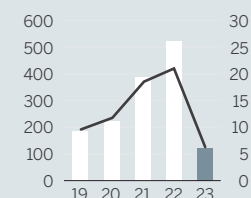
COMPARABLE EBITDA

EUR million,
% of sales

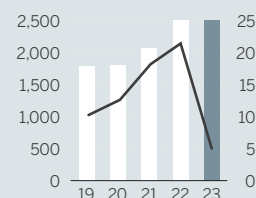


COMPARABLE OPERATING RESULT

EUR million,
% of sales

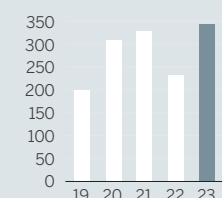


CAPITAL EMPLOYED, EUR million RETURN ON CAPITAL EMPLOYED, %



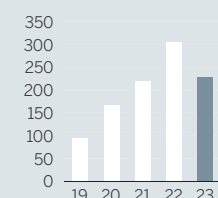
CASH FLOW FROM OPERATIONS

EUR million

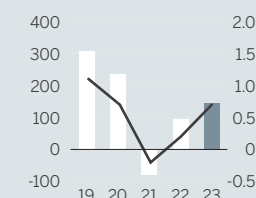


TOTAL INVESTMENTS

EUR million

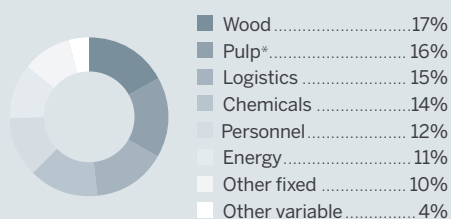


INTEREST-BEARING NET DEBT, EUR million INTEREST-BEARING NET DEBT / EBITDA, COMPARABLE

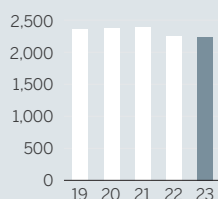


TOTAL COSTS 2023

EUR 1.7 billion

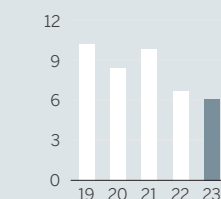


PERSONNEL AT THE END OF PERIOD



TOTAL RECORDABLE INJURY FREQUENCY (TRIF)

per million hours worked



*) Pulp: Metsä Board purchases all external pulp from its associated company Metsä Fibre, of which Metsä Board owns 24.9%. Metsä Fibre's pulp cost structure in 2023: Wood 56%, Chemicals 13%, Logistics 9%, Personnel 6%, Other 16%.

Development of key figures per share can be found on page 150.

Report of the Board of the Directors and financial statements

Contents

■ Report of the Board of Directors	12	■ Parent company financial statements	126
Sustainability statement	20	Parent company income statement	126
Annexes to the Sustainability statement	70	Parent company balance sheet	127
Sustainability statement assurance report	72	Parent company cash flow statement	128
■ Consolidated financial statements	74	Notes to the parent company financial statements	129
Consolidated statement of comprehensive income	74	1 Accounting policies	129
Consolidated balance sheet	75	2 Sales	130
Statement of changes in shareholders' equity	76	3 Exceptional items	130
Consolidated cash flow statement	77	4 Other operating income	130
Notes to the consolidated financial statements	78	5 Operating expenses	130
1 Accounting policies	78	6 Depreciation and impairment charges	131
2 Profitability	80	7 Financial income and expenses	131
2.1 Segment information	80	8 Income taxes	131
2.2 Sales	81	9 Intangible and tangible assets	132
2.3 Other operating income	82	10 Investments	134
2.4 Operating expenses	82	11 Receivables	135
3 Remuneration	83	12 Shareholders' equity	136
3.1 Employee costs	83	13 Mandatory provisions	137
3.2 The management's salaries, remuneration and pension expenses	83	14 Deferred tax assets and liabilities	137
3.3 Share-based payment	85	15 Non-current liabilities	137
3.4 Retirement benefit obligations	89	16 Current liabilities	138
4 Capital employed	92	17 Financial instruments	139
4.1 Intangible assets	92	18 Disputes, legal proceedings and commitments	140
4.2 Property, plant and equipment	95	19 Shares and holdings	140
4.3 Other investments	98		
4.4 Inventories	99	The Board's proposal to the Annual General Meeting for the distribution of funds	142
4.5 Trade receivables and other receivables	99	Auditor's report	143
4.6 Other liabilities	100		
4.7 Trade payables and other liabilities	100	Shares and shareholders *	147
4.8 Provisions	101	Ten years in figures	151
5 Capital structure and financial risks	102	Taxes	152
5.1 Shareholders' equity	102	Production capacities	153
5.2 Financial income and expenses	105	Calculation of key ratios *	155
5.3 Other financial assets	105	Comparable performance measures *	156
5.4 Cash and cash equivalents	106		
5.5 Borrowings and net debt	106	■ Corporate governance	157
5.6 Management of financial risks	108	Corporate governance statement	157
5.7 Classification and fair values of financial assets and liabilities	114	• Board of Directors of Metsä Board	165
6 Income taxes	119	• Corporate Management Team of Metsä Board	168
7 Group structure	121	Remuneration report	170
7.1 Group companies	121	Investor relations and investor information	174
7.2 Acquisitions and operations disposed of	124		
7.3 Related party transactions	124		
8 Other notes	125		
8.1 Contingent liabilities, assets and commitments	125		
8.2 Events after the financial period	125		

* part of the Report of the Board of Directors

Report of the Board of Directors 2023

Metsä Board's business

Metsä Board produces recyclable premium fresh fibre paperboards and is Europe's largest producer of folding boxboard and white kraftliners. The company's folding boxboard is mainly used to package consumer products such as food and pharmaceuticals, while its white kraftliners are mainly used for various packaging needs in the retail sector. The total annual paperboard capacity is approximately 2.3 million tonnes. Metsä Board's main market areas are Europe and North America.

In addition to paperboard, the company produces chemical pulp and bleached high-yield pulp (BCTMP), which are used in its own paperboard production, with some sold as market pulp. The annual capacity for pulp and BCTMP is roughly 1.7 million tonnes. Metsä Board owns 24.9% of its associated company Metsä Fibre, a global leader in the production of softwood market pulp.

Metsä Board covers its energy consumption with its own production and supplementary purchases from the market. Most of the electricity consumption is covered by the company's own production and by electricity purchased from Pohjolan Voima and Metsä Fibre. Metsä Board has a 2.6% holding in Pohjolan Voima, from which it purchases electricity at cost price.

Strategy and financial targets

According to its strategy, Metsä Board aims to grow in fibre-based packaging materials and renew its industrial operations. The company implements its strategic programmes, including growth and development investments, to improve the mills' production and resource efficiency and reduce the carbon footprint of products. The company's production is located near the most important raw material, high-quality northern fibre. Metsä Board aims to maintain high self-sufficiency in pulp and energy.

Its decision-making is steered by profitability and sustainability targets and by the long-term increase of shareholder value. The company focuses on the continuous improvement of cost-effectiveness and on customer accounts which benefit from the high performance of the company's products and services. The objective is to distribute a competitive dividend and retain a strong balance sheet.

Financial targets, dividend policy and actual figures for 2023:

The comparable return on capital employed is at least 12%.

- In 2023: 5.1%

The ratio of interest-bearing net liabilities to comparable EBITDA is at most 2.5.

- In 2023: 0.7.

According to the dividend policy, at least 50% of the result for the financial period is distributed as dividends.

- In 2023: 95% (dividend: EUR 0.25 per share)

Market environment

■ Paperboards

Population growth, urbanisation and replacing plastics are global trends that will increase demand for fibre-based packaging in the long term. Consumer preferences favour fossil free packaging materials, and several brand owners are committed to ambitious targets to reduce plastic use in their packaging. Lightweight fresh fibre paperboards produced from renewable raw materials are material-efficient and have a smaller environmental impact than many corresponding packaging materials.

Rising inflation and a higher price level have eroded consumers' purchasing power and affected general demand for consumer products. In 2023, the demand for fresh fibre paperboards decreased rapidly, leading to considerable inventory adjustments in the value chain. In addition, the overall market balance for paperboards, especially in Europe, was affected by the discontinuation of sales to Russia and increased paperboard supply from Asia to Turkey, the Middle East and South America.

In 2023, the deliveries of European folding boxboard and white kraftliners to Europe decreased significantly from the previous year. Folding boxboard market prices remained stable, while those of white kraftliners declined.

Metsä Board accounted for 32% (33) of the overall deliveries of European folding boxboard producers and for 50% (57) of exports from Europe.

At the end of 2023, Metsä Board accounted for 39% of folding boxboard production capacity and for 33% of white kraftliner production capacity in Europe

(Sources: Fastmarkets FOEX, Fastmarkets RISI, CEPI Cartonboard, CEPI Containerboard, websites of benchmark companies).

■ Market pulp

Metsä Board and its associated company Metsä Fibre sell mainly long-fibre pulp to Europe and Asia. Global demand for market pulp is supported by the global growth in demand for packaging and hygiene products made from renewable materials.

In 2023, global demand for market pulp decreased, and the price level (PIX) declined from the previous year. In Europe, demand was constrained by production shutdowns by paperboard and paper producers due to the weak market situation. In China, demand picked up in the second half of the year.

The global supply of long-fibre pulp was restricted by several production capacity closures, the limited availability of raw material in North America, and global production curtailments.

Key figures

	2023	2022	2021
Sales, EUR million	1,941.9	2,479.6	2,084.1
EBITDA, EUR million	214.6	614.6	466.0
comparable, EUR million	216.0	602.8	472.2
EBITDA, % of sales	11.1	24.8	22.4
comparable, % of sales	11.1	24.3	22.7
Operating result, EUR million	120.8	531.5	375.9
comparable, EUR million	122.2	520.7	386.6
Operating result, % of sales	6.2	21.4	18.0
comparable, % of sales	6.3	21.0	18.6
Result before taxes, EUR million	120.9	524.9	365.8
comparable, EUR million	122.6	514.6	376.6
Result for the period, EUR million	101.6	461.3	314.0
comparable, EUR million	103.8	451.4	326.6
Earnings per share, EUR	0.27	1.15	0.82
comparable, EUR	0.27	1.13	0.85
Return on equity, %	4.7	22.5	19.4
comparable, %	4.8	22.0	20.2
Return on capital employed, %	5.0	21.4	18.2
comparable, %	5.1	20.9	18.7
Equity ratio ¹⁾ , %	67	66	63
Net gearing ¹⁾ , %	7	4	-4
Interest-bearing net liabilities/comparable EBITDA	0.7	0.2	-0.2
Shareholders' equity per share ¹⁾ , EUR	5.35	5.86	4.78
Interest-bearing net liabilities ¹⁾ , EUR million	144.0	94.5	-78.4
Total investment, EUR million	228.7	304.1	220.2
Net cash flow from operations, EUR million	342.8	232.0	329.6
Personnel ¹⁾	2,240	2,248	2,389

¹⁾ at the end of the period

Delivery and production volumes

1,000 tonnes	2023	2022	2021
Delivery volumes			
Folding boxboard	906	1,208	1,296
White kraftliner	467	609	627
Metsä Board's market pulp ¹⁾	394	503	496
Metsä Fibre's market pulp ²⁾	684	717	762
Production volumes			
Folding boxboard	859	1,272	1,272
White kraftliner	450	605	634
Metsä Board's pulp ¹⁾	996	1,409	1,362
Metsä Fibre's pulp ²⁾	685	731	747

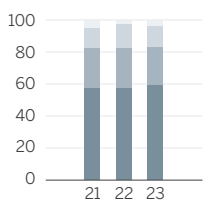
¹⁾ Includes chemical pulp and high-yield pulp (BCTMP).

²⁾ Equal to Metsä Board's 24.9% holding in Metsä Fibre.

Sales and result

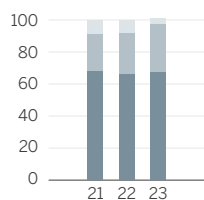
Metsä Board's sales were EUR 1,941.9 million (2,479.6).

SALES SPLIT BY PRODUCT
%



■ Folding boxboard
■ White kraftliner
■ Market pulp
■ Others

SALES SPLIT BY REGION
%



■ EMEA
■ Americas
■ APAC

The comparable operating result was EUR 122.2 million (520.7), and the operating result was EUR 120.8 million (531.5). Items affecting comparability totalled EUR -1.4 million in the review period. They comprised Metsä Board's capital gains of EUR 2.7 million from the sale of a land area unrelated to business operations, and items related to the business of the associated company Metsä Fibre: A write-down related to the closure of the old Kemi pulp mill; translation differences from discontinued operations in Russia; the loss on sale of fixed asset items, and other items, totalling EUR -4.1 million.

Total deliveries of paperboards were 1,373,000 (1,817,000) tonnes, of which 67% was delivered to the EMEA region, 30% to the Americas, and 4% to the APAC region. Metsä Board's deliveries of market pulp were 394,000 (503,000) tonnes, of which 67% was delivered to the EMEA region and 33% to the APAC region.

The comparable operating result was weakened by the lower price level of market pulp and lower delivery volumes. The delivery volumes of paperboard also fell significantly. Metsä Board adjusted its paperboard, pulp and BCTMP production to match the low level of demand, and production volumes remained well below capacity levels.

Profitability was supported by improved average prices for paperboards, especially folding boxboard.

Exchange rate fluctuations, including hedges, had a positive impact of approximately EUR 95 million on the operating result compared to the previous year.

The cost level was higher than in the previous year. The greatest increase during the year was in wood costs, due to higher stumpage prices in Finland and Sweden. The change in the costs of chemicals and energy was less significant. In the second half of the year, the result was affected by major annual maintenance and investment shutdowns at the Kemi

and Husum paperboard mills. The completion of investments increased depreciation by around EUR 12 million from the previous year.

Unused emissions allowances were sold for approximately EUR 55 million (EUR 29 million).

The associated company Metsä Fibre's share of Metsä Board's comparable result in January–December was EUR 28.2 million (174.7). Metsä Fibre's result was weakened by the lower sales prices of end products, especially pulp. Pulp delivery volumes fell by around 5% from the previous year. The performance of the sawn timber business was also clearly weaker than in the previous year. Profitability was also impacted by higher wood costs and increased depreciation resulting from the completion of the Kemi bioproduct mill.

Financial income and expenses totalled EUR 0.1 million (-6.6), including foreign exchange rate differences from accounts receivable, accounts payable, financial items and the valuation of currency hedging instruments, totalling EUR 2.6 million (-5.0).

The result before taxes was EUR 120.9 million (524.9). The comparable result before taxes was EUR 122.6 million (514.6). Income taxes amounted to EUR 19.3 million (63.5).

Earnings per share were EUR 0.27 (1.15), and comparable earnings per share were EUR 0.27 (1.13). The return on equity was 4.7% (22.5), and the comparable return on equity was 4.8% (22.0). The return on capital employed was 5.0% (21.4), and the comparable return on capital employed was 5.1% (20.9).

Cash flow

Net cash flow from operations in January–December 2023 was EUR 342.8 million (1–12/2022: 232.0). Working capital decreased by EUR 105.8 million (an increase of 151.4). Cash flow was supported by efficient use of working capital. Due to the weakened demand situation, the company adjusted its production to prevent an increase in inventories. In the corresponding period, working capital was increased by higher inventory levels of paperboard and higher inventory values due to cost inflation.

Balance sheet and financing

Metsä Board's equity ratio at the end of the financial period was 67% (31 December 2022: 66), and the net gearing ratio was 7% (4). The ratio of interest-bearing net liabilities to comparable EBITDA in the previous 12 months was 0.7 (0.2).

Interest-bearing liabilities totalled EUR 438.1 million (31 December 2022: 453.0). Non-euro-denominated loans accounted for 2.0% of loans, and floating-rate loans for 15.3%, the rest being fixed-rate loans. The average interest rate on liabilities was 2.6% (2.2), and the average maturity of non-current liabilities was 3.1 years (4.0). The interest rate maturity of loans was 30.6 months (36.1).

Interest-bearing net debt totalled EUR 144.0 million (31 December 2022: 94.5).

Metsä Board's liquidity is good. At the end of the financial period, the available liquidity was EUR 491.6 million (31 December 2022: 556.2).

consisting of the following items: liquid assets and investments of EUR 291.6 million and a syndicated credit facility (revolving credit facility) of EUR 200.0 million. Of the liquid assets, EUR 278.4 million consisted of short-term deposits with Metsä Group Treasury, and EUR 13.2 million was cash funds and investments. Other interest-bearing receivables amounted to EUR 2.5 million. In addition to items reported as liquidity, the liquidity reserve is complemented by the EUR 200 million commercial paper programme signed in December, Metsä Group's internal undrawn short-term credit facility of EUR 150.0 million and undrawn pension premium (TyEL) funds of EUR 229.7 million.

The fair value of other non-current investments was EUR 254.4 million (31 December 2022: 345.4). The change in value was related to the change in the fair value of Pohjolan Voima Oyj's shares.

At the end of the financial period, an average of 8.6 months of the net foreign currency exposure was hedged, including the hedging of the balance sheet position of trade receivables and trade payables.

Metsä Board has investment grade credit ratings from S&P Global and Moody's Investor Service. Metsä Board's rating by S&P Global is BBB-, with a stable outlook. The company's rating by Moody's is Baa2, with a stable outlook.

Investments

Investments during the financial period totalled EUR 228.7 million (1-12/2022: 304.1), with growth and development investments accounting for 74%, and maintenance investments for 26%. Of total investments, the company's own property, plant and equipment amounted to EUR 223.0 million (278.1), and leased property, plant and equipment to EUR 5.7 (26.1). In the latter, the most significant item in the previous year was the machinery and equipment for the boiler plant from the acquisition of Hämeenkyrön Voima Oy, totalling EUR 18.0 million.

Metsä Board group companies are parties to legal proceedings concerning disputes related to obligations and liabilities under delivery contracts for major investment projects. In addition, these investment projects involve outstanding disputes, which may also lead to the initiation of new arbitration or litigation.

■ Development programme of Kemi paperboard mill

In September, the Kemi paperboard mill completed a development programme launched in 2021, which will increase the mill's annual production capacity of the white kraftliner by around 40,000 tonnes. After the programme, the mill's annual production capacity will be around 465,000 tonnes, which is expected to be fully available on the market in 2025.

The programme also included a series of modernisation and bottleneck investments in the paperboard machine, which will reduce the mill's water use by 40% and energy use by 5% per tonne of paperboard produced. As part of the programme, Metsä Board will purchase a modernised unbleached pulp production line used in kraftliner production from Metsä Fibre. The production line's annual capacity is roughly 180,000 tonnes.

The total investment value is approximately EUR 110 million.

■ Capacity expansion of folding boxboard in Husum

In November, the investment was completed at the Husum paperboard mill that will increase the annual production capacity of folding boxboard by 200,000 tonnes. After the investment, the folding boxboard production capacity of the BM 1 will be 600,000 tonnes per year, and it is expected to be fully available on the market in 2026. The total value of the investment is approximately EUR 230 million.

The investment is expected to increase Metsä Board's annual sales by approximately EUR 200 million and improve annual comparable EBITDA by approximately EUR 50 million. The company expects to achieve the growth and improved result in full in 2026.

Due to the growing logistics volumes of the Husum integrated mill, the port concept will also be renewed. The value of the investments is approximately EUR 20 million and will mainly include new warehouse capacity, with completion expected in 2024.

■ ERP project

As part of Metsä Group, Metsä Board is modernising its information (ERP) systems. The project will gradually improve Metsä Group's operational efficiency and ability to create new data-driven functions, primarily for business management and customer support. For Metsä Board, the design phase started in 2021, and the system is expected to be implemented by the end of 2025. In 2023, Metsä Group's common financial system was implemented. Metsä Board's share of the total project value is at least EUR 80 million, most of which will be booked as investments during 2024 and 2025.

■ Pre-engineering for folding boxboard mill in Kaskinen

Metsä Board has started pre-engineering for a new folding boxboard mill with an annual capacity of approximately 800,000 tonnes in Kaskinen, Finland. The pre-engineering includes technical design, infrastructure and logistics solutions, and tendering for the main equipment. The environmental impact assessment (EIA) for the project was completed in September. The environmental permit process is ongoing. A potential investment decision could be made in 2024 at the earliest.

■ Associated company Metsä Fibre's Kemi bioproduct mill

Associated company Metsä Fibre's new bioproduct mill in Kemi, Finland, started up in September. The new mill will produce some 1.5 million tonnes of softwood and hardwood pulp annually, as well as other bioproducts. The pulp production capacity of 1.5 million tonnes includes the existing unbleached pulp production line for white kraftliners, which will be transferred to Metsä Board, with an annual capacity of approximately 180,000 tonnes. The new bioproduct mill replaced the old pulp mill in Kemi, with an annual capacity of 610,000 tonnes.

The bioproduct mill will not use any fossil fuels, and its electricity self-sufficiency is 250%.

The investment value of the bioproduct mill is approximately EUR 2.02 billion, composed of internal financing and debt. Metsä Board has not invested equity in Metsä Fibre to finance the project.

R&D and innovation

In the circular economy for fibre-based packaging material, Metsä Board's task is to provide markets with premium fresh fibre paperboards as resource efficiently as possible, help replace fossil-based materials and reduce the carbon footprint of packaging. Ensuring and developing the recyclability and compostability of paperboards is of key importance.

Reducing the weight of paperboard is one of the focal areas of Metsä Board's product development. Apart from the use of fossil free energy in production, the light weight of paperboard plays a significant role in reducing the carbon footprint. In 2023, tailored life-cycle and carbon footprint calculations and comparisons were carried out as part of the 360 sustainability services. The calculations demonstrated that Metsä Board's folding boxboard had a clearly smaller carbon footprint than many other packaging materials on the market. The company will continue to verify life-cycle analyses according to the environmental product declaration (EPD) jointly with its partner.

Lighter-weight packaging and resource efficiency also play a key role in the pre-engineering of the Kaskinen folding boxboard mill, which aims for significantly lower wood, energy and water use per tonne of folding boxboard produced than in current production units.

The development of bio-based barrier coating for end-uses in food packaging is another focal area in product development. In the biobarrier programme launched in 2021, the company continued to study new alternative products for reducing plastic. Production testing has been carried out on various product alternatives, and the company is currently exploring the most promising products for commercialisation.

Metsä Board's Excellence Centre in Äänekoski offers an active collaboration environment for the research, innovation and testing of packaging materials and solutions. In 2023, the Excellence Centre hosted 46 development workshops, organised jointly with customers, focusing on topics such as reducing the environmental impacts of packaging. Some of the workshops were organised virtually.

In 2023, Metsä Board's research and development expenses totalled EUR 7.3 million (6.1), or 0.4% (0.2) of sales. The costs include direct expenses, excluding depreciations and operational investments.

Most significant risks and uncertainties

Metsä Board's risk management is systematic and proactive, and it assesses and manages business-related risks, threats and opportunities. The company's Board of Directors is responsible for the company's risk management and approves its risk management policy. Metsä Board systematically assesses its strategic, operational and financial risks. Key risks are accounted for in the planning processes and they are prepared for

with management measures. In addition, the Corporate Management Team reviews the most significant risks as part of its management-team work.

Risks that exceed the Metsä Board's risk-bearing capacity have been transferred with insurance, derivatives and other contracts to insurance companies, banks and other counterparties. Significant damage risks are covered with the Group's property and interruption, liability, transport damage and credit insurance policies.

Identified risks and the means by which they are managed are reported to the company's Board of Directors and the Board of Directors' Audit Committee at least twice a year. The following risks and uncertainties with a potential impact on Metsä Board's business operations and profitability were identified in the risk assessments carried out in 2023.

■ Strategic risks

Development of the world economy

The uncertainty surrounding global development and growth continues. The higher cost level and the resulting rise in interest rates have slowed down economic growth worldwide and especially in Europe. Consumers' low confidence in the economy and weaker purchasing power have reduced the demand for consumer products. Consumers are becoming increasingly price-sensitive and are choosing less expensive products. If prolonged, the situation may further reduce the demand for fresh fibre paperboards and market pulp and negatively affect Metsä Board's profitability.

Central banks sought to curb inflation with several interest rate increases in 2023. While expectations of interest rate cuts have picked up, interest rates may also remain at the current level or even increase. This could have negative impacts on the economy, the most significant of which are a continued weak growth outlook and a prolonged risk of recession, a lower real income due to high inflation, and a further decrease in consumers' purchasing power. All of these factors may have an unfavourable impact on the demand for Metsä Board's products, business continuity or the company's profitability.

Changes in the competitive and operating environment

Metsä Board operates in an industry where the balance between supply and demand, and any changes to it, impact the demand for and prices of end products. New operators entering the market, alternative products or changes in consumer behaviour may have a negative impact on the demand for Metsä Board's paperboards. An increase in competitors' capacity or the expansion of product ranges may reduce the price of end products and negatively affect Metsä Board's profitability.

Paperboard imports from Asia to the Middle East, Turkey and South America have rapidly increased. This has also affected the market balance elsewhere in Europe. If paperboard imports increase faster than demand, they could also cause an imbalance in the company's other market areas and affect the prices of end products and the company's profitability. Any significant changes in exchange rates may influence products' market balance and companies' competitiveness.

Changes in regulation, such as the EU's climate and environmental policy and tighter new requirements to limit carbon dioxide, sulphur or other emissions, may weaken Metsä Board's profitability or hamper business

continuity. The acceptability of single-use food and food service packaging involves regulatory risks.

Impact of the Chinese economy

China is an important market area especially for Metsä Board's associated company Metsä Fibre, as nearly half its market pulp is sold to China. Chinese economic growth has slowed down due to challenges in the country's real estate market and tight corporate regulation. Domestic consumer demand has also weakened. In addition, demographic factors and increasing geopolitical tension may affect China's future economic development. Should relations between the EU and China deteriorate, or the Chinese economy and domestic consumer demand slow down further, these may have a negative impact on the demand for market pulp or paperboards on the Chinese market and consequently on Metsä Board's profitability. Problems in China's industrial sector may increase the problems and costs of global delivery chains.

Pulp market situation

Structural changes in customers' pulp use, increasing competition and new production capacity in the global pulp market may have a negative impact on pulp demand and market prices and thereby on Metsä Board's profitability. The market price of pulp strengthening (weakening) by 10% would have a positive (negative) impact of roughly EUR 50 million on the company's operating result. This sensitivity includes the impact on the associated company Metsä Fibre, in which Metsä Board has a 24.9% holding.

Geopolitical risks

Russia's continued military aggression in Ukraine has maintained global geopolitical tension and has had a negative impact on the economy. The impact of Russian sanctions and countersanctions, as well as the risks caused by the crisis, affect areas such as the costs and availability of production inputs, energy infrastructure and cybersecurity. The ultimate effects of Russia's attack on the world economy and the Group's business will only become clear over a longer period.

Potential changes in the industrial and trade policies of leading industrialised countries, the materialisation of geopolitical risks or an escalation of geopolitical risks may lead to more extensive measures restricting trade or the use of international sanctions. The possible consequences of these include a further slowdown in the recovery and growth of the global economy and even a curtailment of global trade flows. Any sanctions and restrictions on international trade may affect the demand for Metsä Board's products and the company's profitability.

Sustainability

Sustainability-related risks and their impacts on the company are separately discussed in this report's Sustainability statement.

■ Operational risks

Cost and availability risks of production inputs

Significant or unforeseen changes in the prices of Metsä Board's most important production inputs – wood, energy and chemicals – and any problems with their availability, may reduce profitability, threaten business

continuity and put the implementation and profitability of planned development investments at risk.

The discontinuation of wood supply from Russia has made the pulpwood market situation in the Baltic Sea area tighter. Challenges in the availability of wood could impact production continuity and thus the sales of the company's products and its profitability. Should the conflict in the Middle East spread, it may affect the price of oil and natural gas. Changes in the prices of electricity, natural gas or chemicals, or challenges in their availability, as well as changes in the prices of emission allowances, may have a negative impact on Metsä Board's profitability.

In addition, the availability of transport capacity and a steep increase in market prices may negatively affect the company's profitability. Attacks on ships in the Red Sea are hampering sea transports between Europe and Asia, causing additional costs and delays in deliveries. Prolonged instability in the region's safety situation may have a negative impact on the product deliveries of Metsä Board and its associated company Metsä Fibre and therefore on Metsä Board's profitability.

Changes in exchange rates may have an effect on the costs of some production inputs. The Group aims to hedge against these risks by making long-term supply agreements and related derivatives contracts.

Concentration of operations in a limited geographical area

Seven of Metsä Board's eight production units are located in Finland, and one of them is located in Sweden. Finland has a history of labour disputes in both the forest industry and the distribution chain of forest industry products. These may have a negative impact on production volumes and customer deliveries and weaken the company's competitiveness and profitability. Labour disputes in Sweden may also interfere with Metsä Board's production and customer deliveries and have a negative impact on the company's business operations.

Continuity risks

The continuity of mills' production may be impacted by, for instance, large-scale fires, significant equipment malfunctions, serious accidents, extreme weather phenomena and environmental damage. In addition, labour disputes, cyberattacks and malware, and the ensuing long-term malfunctions in IT systems, employees falling ill due to infectious diseases, availability issues concerning the most important raw materials and disruptions in the logistics chain may suspend the entire business or parts of it.

Interruptions in production or the supply chain may influence the continuity of customer service and delivery reliability. If such interruptions continue for a long period of time, the resulting financial losses may be very substantial and result in the permanent loss of customers. The company has prepared contingency plans for these risks.

Business development

The development and growth of Metsä Board's business requires strategic choices that involve risks. The uncertainties in question involve the selection and timing of growth investments, for example, as well as the development of sales and the customer portfolio. The growth of the paperboard business and the introduction of new production to the market are dependent on successful sales. The commercialisation of new products involves uncertainties that, should they be realised, could have a negative

impact on the demand for Metsä Board's products and the company's profitability. Increasing sales on a global scale also involves cost and exchange rate risks.

The business is also developed by modernising the production technology, efficiency programmes, product development and harmonising business processes. If development projects and investments significantly exceed their costs, or if their completion is delayed or their production or commercial objectives are not met, this could negatively affect the company's profitability.

Corporate and security risks

Risks to corporate security include shortcomings and neglect in personal safety and security and safety at work and in the management of financial misconduct, any negative information manipulation and cyber threats, threats affecting the supply chains, and the adequacy of internal control. A cyberattack on information systems could lead to a leak of sensitive information and damage the company's reputation. Operating processes related to corporate security and the guidelines, training and internal control related to the management of threat factors are developed continuously, and exercises on the management of crisis situations are organised on a regular basis.

Personnel availability and retention

Metsä Board pays attention to ensuring the availability and retention of competent personnel by means of various personnel development programmes and successor plans, and by investing in its employer image. Metsä Board also prepares for retirements and other personnel risks through the promotion of multiple skills and work ability as well as through job rotation.

Liability risks

Metsä Board's business involves liability risks, such as contractual, environmental and product liability risks. Liability risks are managed by way of efficient business processes, contract training, management practices, quality control and transparent operations. Some of the operational liability risks have been hedged with insurance policies.

Business ethics

Risks related to business ethics are discussed in this report's Sustainability statement.

■ Financial risks

Financial and exchange rate risks

As a result of increasing regulation in the financial market, the operations of credit and bond markets may become more difficult, which may impact the company's ability to acquire long-term debt financing at a competitive price. The financial risks are managed in accordance with the treasury policy approved by Metsä Board's Board of Directors. The purpose is to hedge against considerable financial risks, balance cash flow and give the business enough time to adjust to changing conditions.

Metsä Board sells its products in several countries and is therefore susceptible to fluctuations in exchange rates. The US dollar strengthening by 10% against the euro would have a positive impact of approximately EUR 70 million on Metsä Board's annual operating result. Correspondingly, the Swedish krona strengthening by 10% would have a negative impact of

approximately EUR 45 million. The British pound strengthening by 10% would have a positive impact of approximately EUR 10 million. The impact of weakened exchange rates would be the opposite. The sensitivities do not include the impact of hedging.

Credit risks

The management of credit risks related to commercial operations is the responsibility of Metsä Board's executive management and Metsä Group's centralised credit control. Metsä Board's management determines the limits on credit extended to customers and the applicable terms of payment in cooperation with the centralised credit control. Nearly all credit risks are transferred by means of credit insurance contracts. Metsä Board's customer credit risk was at a normal level in 2023. The main principles of credit control are defined in the credit guidelines of the risk management policy approved by the company's Board of Directors.

Metsä Board's financial risks and their management are described in more detail in Note 5.6 (Management of financial risks) to the consolidated financial statements in the 2023 Annual Review.

Shares and trading

Metsä Board has two series of shares. Each series A share entitles its holder to twenty (20) votes at a General Meeting of Shareholders, and each series B share entitles the holder to one (1) vote. All shares carry the same right to receive a dividend. Metsä Board's shares are listed on the Nasdaq Helsinki.

At the end of 2023, the closing price of Metsä Board's B share on the Nasdaq Helsinki was EUR 7.19. The share's highest and lowest prices were EUR 8.96 and EUR 6.26 respectively. Correspondingly, the closing price of the A share was EUR 7.80; the share's highest and lowest prices were EUR 13.05 and EUR 7.48 respectively.

In January–December, the average daily trading volumes of the B and A shares on the Nasdaq Helsinki were around 466,200 shares and around 2,100 shares respectively. The total trading volume of the B share was EUR 874 million, and the total trading volume of the A share was EUR 5 million.

At the end of 2023, the market value of all Metsä Board shares was EUR 2.6 billion, of which the market value of the B shares and the A shares accounted for EUR 2.3 billion and EUR 0.3 billion respectively.

Metsä Board's major shareholder Metsäliitto Cooperative holds approximately 52% of Metsä Board's shares and approximately 69% of votes. As Metsä Board is an entity controlled by Metsäliitto Cooperative, Metsäliitto Cooperative's ownership also includes 701,215 of the company's own shares held by Metsä Board.

International and nominee-registered investors held approximately 9% (15) of all shares. (Source: Euroland)

Governance

Metsä Board's statutory administrative bodies are the Annual General Meeting, the Board of Directors and the CEO. The Board of Directors has general authority and, accounting for the scope and quality of the company's operations, it is responsible for matters that are strategic, far-reaching and unusual in nature, and therefore not part of the company's day-to-day business operations. The company's operational management is handled

by the CEO, supported by the Corporate Management Team, the members of which are not members of the Board of Directors. The tasks and responsibilities of the different corporate bodies are determined in accordance with the Finnish Limited Liability Companies Act.

Metsä Board's Board of Directors has nine members, three of whom are women. A majority of Board members (six of nine) are independent of both the company and its biggest shareholders. Three members of the Board of Directors are not independent of Metsäliitto Cooperative. During 2023, the Board of Directors held 14 meetings, at which the attendance of Board members was 97% (97 in 2022).

Resolutions of Annual General Meeting and issue authorisations

The Annual General Meeting (AGM) of Metsä Board Corporation was held on 23 March 2023. All the proposals made by the Board of Directors to the AGM were supported.

The AGM resolved that a dividend of EUR 0.58 per share would be distributed for financial period 2022. The dividend was paid on 5 April 2023.

The AGM resolved to amend the Articles of Association to include the Board of Directors' possibility to arrange, at its discretion, a General Meeting of Shareholders as a hybrid meeting. In addition, the amendment enables arranging a General Meeting of Shareholders as a virtual meeting without a meeting venue.

The AGM resolved to keep the remuneration of the members of the Board of Directors unchanged, so that the Chair would be paid EUR 99,000, the Vice Chair EUR 85,000, and ordinary members EUR 67,000 per year. In addition, it was resolved to keep the meeting fees unchanged at EUR 800 for each attended meeting of the Board of Directors and its Committees. The AGM resolved that half the annual remuneration would be paid in the company's Series B shares to be acquired from public trading. The transfer of such shares is restricted for a two-year period. Furthermore, the Chair of the Audit Committee will be paid an additional monthly remuneration of EUR 900.

The AGM confirmed the number of members of the Board of Directors as nine (9) and elected the following persons as members of the Board of Directors: Hannu Anttila MSc (Economics), Raija-Leena Hankonen-Nybom MSc (Economics), Erja Hyrsky MSc (Economics), Ilkka Hämälä MSc (Technology), Mari Kiviniemi MSocSc (Economics), Jussi Linnaranta, MSc (Agriculture and Forestry), Jukka Moisio MSc (Economics), Mikko Mäkimattila, MSc (Agriculture and Forestry), and Juha Vanhainen, MSc (Process Technology). The term of office of the members of the Board of Directors expires at the end of the next AGM.

The AGM resolved to authorise the Board of Directors to decide on the issuance of shares, the transfer of treasury shares and the issuance of special rights referred to in chapter 10, section 1 of the Finnish Companies Act. The authorisation applies to Series B shares. By virtue of the authorisation the Board of Directors may issue new shares or transfer treasury shares up to a maximum of 35,000,000 shares, including shares that may be issued by virtue of special rights referred to in chapter 10, section 1 of the Finnish Companies Act. The number of shares corresponds to approximately 10%

of all shares in the company. The authorisation is effective until 30 June 2024.

The AGM resolved to authorise the Board of Directors to decide on the repurchase of the company's own Series B shares. The number of the company's own shares to be repurchased under the authorisation will not exceed 1,000,000 Series B shares, which corresponds to approximately 0.3% of all shares in the company. The authorisation is effective until 30 June 2024.

Near-term outlook

The global market environment will remain uncertain, and visibility for the near-term development of paperboard sales continues to be weak. Higher costs of living affect consumers' purchasing behaviour and may reduce the general demand for consumer products. The value chain is expected to follow the market situation in its inventory adjustment efforts.

Metsä Board's paperboard delivery volumes are expected to increase in the first quarter of 2024 compared with the previous quarter (10–12/2023: 299,000 tonnes). The sales prices of folding boxboard in local currencies are expected to decrease slightly, and the sales prices of white kraftliners to remain stable.

The company will continue production adjustment measures if necessary, as well as temporary layoffs at its mills in Finland, in 2024.

In the first quarter of the year, total costs excluding pulp costs are expected to remain stable. The unstable security situation in the Red Sea may hamper the sea transport of Metsä Board and Metsä Fibre to Asia and increase logistics costs.

Demand for market pulp in China may be affected by several paper and paperboard production shutdowns during the Chinese New Year. In January–March, market prices for pulp (PIX) are expected to improve compared to the previous quarter, especially in Europe. The global supply of long-fibre market pulp is constrained by announced production capacity closures and wood raw material availability problems, especially in North America. The demand and price situation for sawn timber is expected to improve seasonally in the second quarter of 2024.

Board of Directors proposal for dividend

The distributable funds of the parent company on 31 December 2023 were EUR 518.9 million, of which the retained earnings for the financial period are EUR 308.2 million.

The Board of Directors proposes to the Annual General Meeting to be held on 26 March 2024 that a dividend of EUR 0.25 per share be distributed for the 2023 financial period.

The proposed dividend corresponds to 94% of the earnings per share for 2023. The amount of dividend totals approximately EUR 88.7 million.

The dividend will be paid to shareholders who are registered in the company's shareholders register held by Euroclear Finland Oy on the dividend payment record date of 28 March 2024. The Board of Directors proposes 9 April 2024 as the dividend payment date.

Sustainability statement

General information

Reporting principles

■ Sustainability statement reporting principles

Basic information

Metsä Board Corporation and its subsidiaries form a forest industry group ("Metsä Board" or "group"). Metsä Board's business operations comprise folding boxboards, white kraftliners and market pulp. Reporting covers the entire group and all the companies in which the group directly or indirectly holds more than 50% of the votes unless otherwise stated in connection with the disclosed information. Metsä Board owns 24.9% of its associated company Metsä Fibre Oy ("Metsä Fibre"), and financial reporting includes the share of Metsä Fibre's results and balance sheet corresponding to this holding. The accounting principles are discussed in more detail in the consolidated financial statements, under *7. Group structure*. In sustainability reporting, the corresponding share of Metsä Fibre's sustainability information is not included in Metsä Board's own sustainability information. Instead, Metsä Fibre is accounted for as part of the value chain. For example, Metsä Fibre's Scope 1 and Scope 2 emissions are accounted for in the emissions from Metsä Board's value chain (Scope 3). Metsä Board is part of Metsä Group, which publishes a Sustainability statement encompassing all of Metsä Group.

In Metsä Board's Sustainability statement, reporting mainly focuses on the Metsä Board Group. As Metsä Board follows Metsä Group's policies and processes and uses Metsä Group's shared services, reference is made to Metsä Group in some cases. Production unit-specific key figures related to the environment and employees are disclosed on *page 71*.

The Sustainability statement is published annually as part of the Report of the Board of Directors. The reporting period coincides with that of financial reporting, that is, the financial period from 1 January 2023 to 31 December 2023.

The reporting principles for metrics related to each topic are described at the end of each section.

Basis for preparation

This Sustainability statement complies with the requirements of the Global Reporting Initiative (GRI) 2021 standard and the SASB Pulp & Paper Products industry standard. It also meets the reporting requirements of the Accounting Act for the reporting of non-financial information, in accordance with the EU's Non-Financial Reporting Directive (NFRD). The progress made in Metsä Board's strategic 2030 sustainability targets is also reported in this Sustainability statement. As of 2024, Metsä Board is bound by the EU's Corporate Sustainability Reporting Directive (CSRD) and its reporting requirements, which have guided the content and structure of this 2023 report.

The disclosed sustainability matters and key figures are based on a double materiality assessment, conducted in two stages in 2022–2023. The GRI reporting requirements that are material to the company's operations, products and stakeholders were chosen based on the materiality assessment. The material topics and sustainability targets

based on the materiality assessment were approved in early 2023, and reporting based on them was initiated in 2023. The materiality assessment was supplemented in 2023, with attention paid to the requirements of the European Sustainability Reporting Standards. Further information about the materiality assessment and its results is provided on *pages 26–28*.

Selected sustainability information and related claims have been assured (limited assurance) by KPMG Oy Ab, an independent third party. Assurance was conducted in accordance with the international assurance standards ISAE 3000 (Revised) and ISAE 3410.

The reported *GRI* and *SASB* information, Metsä Board's own metrics and their location in the Sustainability statement are indicated in separately published indices. The indices present any deviations and omissions from the GRI and SASB requirements along with the relevant explanations. The indices also contain further details about the indicator-specific information that has been assured. In a separate annex, Metsä Board also presents a table on climate-related risks and opportunities in accordance with the *TCFD* requirements.

■ Risk management and internal controls over sustainability reporting

Metsä Board's sustainability reporting complies with Metsä Group's common principles and processes for statutory reporting, risk management and internal control.

In sustainability reporting, internal control is based on risk identification, analysis and a focus on the most material risks identified, as well as the best practices of internal control. Metsä Group's internal control unit and internal control processes, as well as its risk management process, comply with the principles of the COSO (ERM) framework. The sustainability reporting control environment emphasises the company's values, management's commitment to sustainable operations, a corporate culture emphasising ethics and sustainability, policies promoting sustainable operations, centralised business processes, professional employees, and transparent operations.

Metsä Board's Chief Financial Officer, supported by the sustainability function, is in charge of the implementation of sustainability reporting. In its sustainability reporting, the company uses Metsä Group head office functions, especially financial services.

The risks identified in sustainability reporting include the accuracy of information and the timing of reporting. To ensure that the disclosed information is accurate and appropriately timed, Metsä Group has defined and adopted a governance model that specifies the roles and responsibilities in sustainability reporting. Metsä Group has included the capacities required to produce the disclosed information in the common business processes that Metsä Board and Metsä Group's other business areas and head office functions follow in their operations.

The owners of business processes ensure that the process environment can transparently produce the required information for disclosure. The responsibility for the accuracy of content, as well as compliance with reporting schedules and the provision of material to Group Accounting, is assigned to the roles in Metsä Group's business areas and head office functions specified in the governance model.

To ensure the accuracy and timeliness of disclosed information, internal controls have been adopted in Metsä Group as part of the common business processes. Their systematic monitoring is part of the internal control unit's reporting.

The internal control unit reports on the efficiency of the sustainability reporting controls according to the specified schedule monthly, quarterly, twice a year or once a year in compliance with the common governance model and process of internal control. The results of internal control are monitored, and control is supervised by Metsä Board's and Metsä Group's Audit Committee and Corporate and Executive Management Team, respectively, as well as by Metsä Group's shared services and the management team for process development. Internal audit inspects sustainability reporting controls and internal control practices as part of its audit work.

Sustainability governance and strategy

■ The role of, information provided to and sustainability matters addressed by the administrative, management and supervisory bodies

This sustainability statement provides details about sustainability governance. Further information about the general duties, composition, diversity and experience of the administrative and supervisory bodies, as well as

the processes of internal control, internal audit and risk management is available in the *Corporate Governance Statement*.

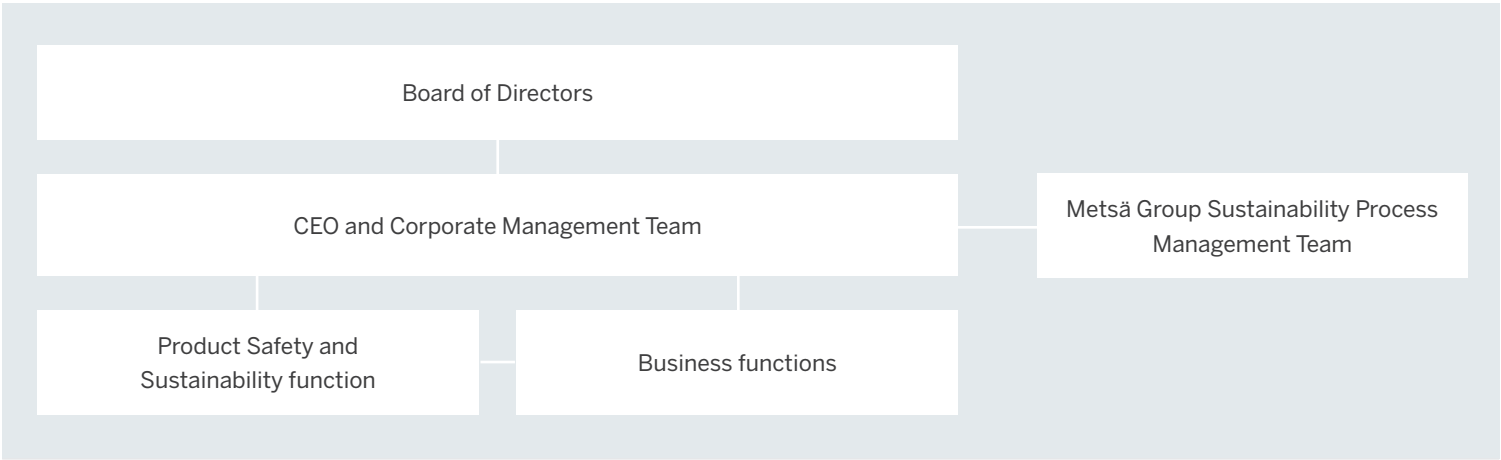
Sustainability governance at Metsä Board

Sustainable and ethical operations, as well as compliance with the law, are the foundation of Metsä Board's business operations. The Board of Directors, CEO and Corporate Management Team are responsible for sustainability matters. Metsä Board's operating methods are based on Metsä Group's Code of Conduct and policies adopted by Metsä Board's Board of Directors. The company's sustainability targets are based on Metsä Board's strategy, the materiality assessment of sustainability matters and Metsä Group's sustainability targets.

The seven themes guiding sustainability work, the 2030 sustainability targets, as well as the summary and process of the materiality assessment, are described under *Material sustainability-related impacts, risks and opportunities*.

The impacts, risks and opportunities related to sustainability, as well as their management methods, are described in the Sustainability statement's sections on the environment, social responsibility and governance and in the Report of the Board of Directors, under *Most significant risks and uncertainties*.

Sustainability governance at Metsä Board



Board of Directors

Metsä Board's Board of Directors is the company's highest body overseeing sustainability. It approves the Metsä Group Code of Conduct and policies, including policies related to the procurement, HR, antitrust, quality, risk management, contracts, legal, data protection, information security, taxation, communication, equality, environmental and corporate security, as well as more detailed guidelines issued based on them, which guide the company's operations and internal control. The company's Board of Directors approves Metsä Board's sustainability targets as part of the company's strategy and supervises their achievement. The policies and targets are updated should any changes that must be addressed take place in the operating environment.

Sustainability is incorporated into the company's strategy, long-term business and investment plans, risk assessments and annual action

plans approved by the Board of Directors. In accordance with the annual cycle, the Board of Directors handles the environmental review and the sustainability review once a year. The Board also discusses other sustainability-related matters if required and consults with the company's and Metsä Group's internal sustainability specialists.

In the 2023 financial period, the Board of Directors convened 14 (2022: 13) times and discussed the following sustainability topics at its meetings:

- Adopting the 2030 sustainability targets
- The CEO made quarterly presentations of the company's 2030 sustainability targets and the key sustainability figures, as well as the most significant risks and uncertainties related to the environmental, employee and social matters.

- The CEO presented one environmental review, including matters such as the most significant observed environmental risks and adverse events.
- The SVP, Development and Metsä Group's sustainability specialist presented one sustainability review, discussing matters such as the company's plan for transitioning to fossil free production and the actual progress made in the 2030 sustainability targets.
- The SVP, Development presented two R&D reviews, including a plan for innovations to support the achievement of the 2030 sustainability targets, create new products and improve the company's competitiveness.
- The CEO reported on occupational accidents monthly and presented one review of accidents and one follow-up review of the development of the company's occupational safety.
- The Board of Directors discussed Metsä Group's new service related to wood supply, which aims to improve biodiversity, once.
- The Board of Directors discussed a legal affairs review once, including topical information about regulatory reforms concerning the Board of Directors' and the company's operations.
- The Board of Directors decided on updates to several of the company's policies and guidelines.
- In the 2023 financial period, the Board members, CEO and Corporate Management Team completed an e-learning course on the company's insider guidelines.

Board Committees

To ensure the efficient management of the Board's duties, the Board of Directors has appointed an Audit Committee and a Nomination and HR Committee from among its members. They prepare the decisions made by the Board and support the Board in its supervisory role.

The Audit Committee's tasks are determined by the Limited Liability Companies Act and the Committee's written Rules of Procedure approved by the Board. Among other things, the Audit Committee assesses the efficiency and scope of internal control, internal audit and risk management systems, key risk areas, and compliance with the law and regulations. It also approves the annual plan for internal audit and reviews the audit reports. In addition, the Audit Committee discusses the information security review twice a year and the compliance review once a year. The results of the company's risk assessment are presented to the Audit Committee twice a year. The risk assessment results also include any sustainability-related risks, to the extent that these are assessed to be of key importance to achieving the company's operational targets.

The tasks of the Nomination and HR Committee are defined in the Committee's written Rules of Procedure approved by the Board of Directors. Among other things, the Committee assesses the effectiveness of human resource management processes, including occupational health and safety and the wellbeing and development of employees. The Committee reviews the results of employee surveys, assesses the results of studies measuring the ethics of activities, prepares the forms of remuneration and incentive schemes, and approves their key principles and criteria. It also supervises the implementation of social responsibility in remuneration and appointment matters and the company's other operations, including the realisation of human rights and the employees' workplace wellbeing. The Committee also prepares a proposal on the Board's composition to the Annual General Meeting, and in connection with preparing the proposal, it annually reviews and assesses the Board's independence, experience and competence, for example.

In the 2023 financial period, the Board's Audit Committee convened five (2022: 4) times and discussed the following sustainability topics at its meetings:

- The CEO made quarterly presentations of the company's key sustainability figures, the strategic sustainability targets up to 2030, and the most significant risks and uncertainties related to the environmental, employee and social matters.
- Metsä Group's VP, Compliance and Ethics presented one compliance review to the Audit Committee, including a report of misconduct cases examined in the company, completed e-learning courses, the results of the employees' ethics barometer, and a plan for the development of diversity and equality.
- The Audit Committee twice discussed an information security review concerning the company's information security risks and measures.
- Metsä Group's internal auditor presented the company's internal audit report and action plan twice.
- The Audit Committee once discussed the annual internal control monitoring report, which includes key sustainability controls and their results.
- The Audit Committee discussed regulatory development related to sustainability reporting three times.

CEO and Corporate Management Team

Metsä Board's CEO is in charge of the implementation of sustainability measures in accordance with the Board's instructions. Once a year, the CEO reports to the Board on material impacts, risks and opportunities related to sustainability and on the progress made in sustainability targets by presenting a sustainability review and a separate environmental review to the Board, either alone or jointly with the company's sustainability specialists. In addition, the CEO presents to the Board of Directors an occupational safety review and, jointly with the SVP, Development, an R&D review once a year. The CEO reports to the Board without delay on all sustainability-related risks with a significant impact on the company.

The company's Corporate Management Team prepares sustainability-related matters before the CEO presents them to the Board of Directors and for its part, supervises the implementation of the approved sustainability measures and sustainability-related impacts, risks and opportunities regularly at its meetings.

Of the Corporate Management Team's members, the SVP, Development is responsible for research and product development, business development and sustainability. The SVP, Development reports monthly to the Corporate Management Team on topical sustainability-related matters that affect the company. Metsä Board's and Metsä Group's sustainability specialists present a review of sustainability matters to the Corporate Management Team twice a year. The SVP, Development participates in the management team of Metsä Group's sustainability process and reports the results of sustainability measures to the team quarterly.

The SVP, Development manages Metsä Board's product safety and sustainability function, which includes the company's Product Safety and Sustainability Director and several specialists. The team works in close cooperation with production, wood supply, procurement and logistics, HR, marketing and sales, communications, investor relations, finance, and legal affairs. Wood supply and procurement are centrally handled in Metsä Group. The SVP, Development ensures that the sustainability principles and targets defined by the company are integrated into the daily work

of employees, and that the company's suppliers, customers and other partners are also required to operate sustainably.

In addition, the company's CFO heads Metsä Board's Risk Committee, which handles sustainability risks as part of the company's general risk assessment.

The Corporate Management Team regularly discusses reviews related to occupational safety, the environment, energy, information security and compliance. In addition, the Corporate Management Team discusses the internal control monitoring report, including sustainability controls and their results, twice a year

The expertise and skills of Board members regarding sustainability

The sustainability-related expertise and skills of Metsä Board's Board members are ensured with regular sustainability, environmental and compliance reviews in accordance with the annual cycle, which provide the Board members with information about material impacts, risks and opportunities related to the company's sustainability, and the progress made in the company's sustainability targets. The reviews are presented by the company's and Metsä Group's internal specialists in various fields. If required, the Board of Directors and its committees can also acquire third-party expertise in sustainability matters. Several Board members have many years of experience of sustainability-related impacts risks and opportunities concerning the company's branch of industry and its products, which they have acquired from operative duties or positions of trust.

Good governance

In its governance, Metsä Board complies with Finnish laws, especially the Limited Liability Companies Act, the company's Articles of Association, and rules and regulations issued under the law, as well as the rules and recommendations of Nasdaq Helsinki as applicable to listed companies. As a Finnish listed company, Metsä Board complies with the Corporate Governance Code for Finnish listed companies, effective as of 1 January 2020, which was issued by the Securities Market Association and contains recommendations on good governance. The Code is available at www.cgfinland.fi/en. Metsä Board does not currently depart from the Code's recommendations.

The Board of Directors and the CEO are in charge of Metsä Board's administration. At Metsä Board, good governance is ensured with clear management and leadership, internal control, and internal auditing. External auditing is handled by the company's auditor.

The goal of internal control is to ensure the achievement of the company's goals and targets; the economical, appropriate and efficient use of resources; the reliability and correctness of financial and other management information; compliance with external regulations and internal policies; sufficient security of operations, information and property; and adequate and appropriately arranged manual and IT systems to support operations.

The company's internal audit assists the Board in its supervisory role and supports Metsä Board and its management in achieving the company's targets by providing a systematic approach to assessing and improving the effectiveness of risk management, control, governance and management processes. The processes and tasks of Metsä Board's internal control and audit are described in more detail in Metsä Board's Corporate Governance Statement.

The Board of Directors' tasks include approving the key business policies and orders aimed at ensuring Metsä Board's compliance with the law and the company's internal business principles.

All the Board members have gained significant experience of good governance from their previous duties in operative management and/or as Board members in a listed company or another large corporation. The Board members annually complete training in the company's insider guidelines.

Integration of sustainability-related performance in incentive schemes

At Metsä Board, remuneration is based on the following principles:

- Ensuring sustainable and responsible business operations
- Ensuring performance and profitable growth
- Supporting competence development and renewal
- Consistency, competitiveness and transparency

To ensure the sustainability and responsibility of its business, Metsä Board uses remuneration to support the achievement of its strategic, operational and sustainability targets. The company encourages activities in line with its values and interests – responsible profitability, reliability, renewal and cooperation.

The principles of Metsä Board's remuneration and the overall remuneration of the administrative, management and supervisory bodies are described in more detail in the *Remuneration Report* and *Remuneration policy*.

The Board of Directors approves the CEO's salary and remuneration, as well as the principles applied to the remuneration of other members of the Corporate Management Team. The Board of Directors also approves the structure, target group, principles and indicators of the company's remuneration schemes and the relevant target values for the indicators. The Board of Directors' Nomination and HR Committee assists the Board in handling matters related to the remuneration, terms of employment and rewarding of management and prepares the Board's decisions concerning management remuneration. The CEO decides on the compensation of other Corporate Management Team members in cooperation with the Chair of the Board of Directors and in accordance with the principles approved and guidelines issued by the Board. The remuneration of the Board of Directors is not linked to Metsä Board's performance.

In 2023, sustainability was included in the annual personal goals of every Metsä Group employee. The target-setting model will continue to encourage the continuous assessment and improvement of sustainability matters. In 2023, the maximum level of remuneration available in the CEO's short-term incentive system was, accounting for Metsä Group's EBIT multiplier, 75% of the fixed annual salary. The reward is based on Metsä Board's operating result (50% weighting) and the strategic targets defined by the Board of Directors (50% weighting), as well as the realisation of Metsä Group's EBIT multiplier. In 2023, the CEO's sustainability targets were related to Metsä Board's 2030 sustainability targets, including occupational safety and strategic projects, the aim of which is to reduce fossil-based CO₂ emissions, promote the use of fossil free raw materials and reduce process water use in production.

In 2023, the maximum level of remuneration available in the short-term incentive system for other Corporate Management Team members was,

accounting for Metsä Group's EBIT multiplier, at most 50% or 62.5% of the fixed annual salary. The reward is based on Metsä Board's operating result (50% weighting) and the targets of the own responsibility area, including sustainability targets (50% weighting), as well as the realisation of Metsä Group's EBIT multiplier. In 2023, the Corporate Management Team members' individual sustainability targets were related to Metsä Board's 2030 sustainability targets such as occupational safety, the promoting of an ethical corporate culture, water use, the development of fossil free products and the reduction of fossil-based CO₂ emissions.

■ Business model, value chain and strategy

Business model and value chain

Metsä Board uses renewable raw materials to produce premium resource-efficient fresh fibre paperboards that support the principles of the circular economy and offer an alternative to fossil-based packaging materials. The company is Europe's leading producer of folding boxboard and white kraftliners, and the world's largest producer of coated white kraftliners. In 2023, folding boxboard accounted for 59% of sales, while 24% of sales came from white kraftliner, 13% from market pulp, and 4% from other operations.

Metsä Board's folding boxboard is mainly used in consumer product packaging like food and pharmaceutical packaging. The end uses of white kraftliners are related to various packaging needs in the retail sector. The company also produces chemical pulp and bleached high-yield pulp (BCTMP), which are used in its own paperboard production, with some sold as market pulp.

Metsä Board sells paperboard and market pulp worldwide. The company's main market areas are Europe and North America. Key customer groups include international brand owners, paperboard converters, manufacturers of corrugated products and the retail sector. The company's competitiveness is supported by its delivery reliability and service concept, which helps customers deal with various packaging challenges, such as reducing the carbon footprint of packaging, reducing plastic use and improving production efficiency.

Metsä Board employs approximately 2,300 people in 17 countries. Metsä Board's eight production units are located in Finland and Sweden, close to its main raw material, high-quality northern wood fibre.

Metsä Board is part of Metsä Group, the parent company of which is Metsäliitto Cooperative, owned by approximately 90,000 Finnish forest owners. Metsä Board benefits from Metsä Group's value chain, which extends from the wood fibre of northern forests to the end products. Metsä Board does not own forests. The procurement of wood raw material is handled centrally through Metsä Group from forests that are regenerated after harvesting, and where attention is paid to biodiversity. Further information about biodiversity is disclosed in section *E4 – Biodiversity and ecosystems*. In Finland, most of the wood is procured from Metsäliitto Cooperative's owner-members, who together own around half of Finnish private forests. This accounts for 31 per cent of all the forests in Finland. In Sweden, wood is mainly procured from Norra Skog's owner-members, who own around 17 per cent of all the forests in Sweden. Norra Skog has a 30 per cent holding in Husum Pulp AB, Metsä Board's subsidiary, which owns the Husum pulp mill.

Metsä Board's competitiveness is strengthened by its high pulp and energy self-sufficiency. The company's own pulp production and a 24.9 per cent holding in Metsä Fibre secure its self-sufficiency in pulp and ensure the high and consistent quality of its end products. The company covers its energy consumption especially with its own production, electricity purchased from its associated company Metsä Fibre and electricity purchased at cost price from Pohjolan Voima, in which Metsä Board has a 2.6 per cent holding. Metsä Board's energy self-sufficiency is approximately 90 per cent.

The procurement of other raw materials and services is centrally handled by Metsä Group's procurement and logistics unit, which strives, through its procurement process, to ensure that partners operate sustainably. Relationships with goods and service suppliers are discussed under section *G1 – Business conduct*. The resources used by Metsä Board and the company's output are discussed under section *E5 – Resource use and circular economy* and in the Annual Review, under *Value creation*.

Strategy

According to its strategy, Metsä Board aims to grow in fibre-based packaging materials and renew its industrial operations. The company is implementing its strategic programmes, including investments in growth and development, which improve the mills' production and resource efficiency and reduce the carbon footprint of products.

The company's decision-making is guided by financial and sustainability targets and long-term shareholder value growth. Metsä Board focuses on the continuous improvement of cost-effectiveness and on customers who benefit from the high performance of the company's products and services. The company's long-term goal is to achieve at least a 12 per cent comparable return on capital employed (ROCE) and keep the ratio of interest-bearing net liabilities and comparable EBITDA below 2.5.

■ Interests and views of stakeholders

Metsä Board interacts with its key stakeholders and develops its operations based on stakeholder feedback. In 2023, Metsä Group developed its operating model for stakeholder engagement by defining management processes for it. The processes will be implemented during 2024. They will enable an increasingly systematic identification and active engagement of key stakeholders and the collection and processing of stakeholder feedback. The processes will also ensure that the feedback is taken into account in the company's operational development and decision-making. According to the processes, stakeholders' main messages and key feedback are regularly reported to Metsä Board's Board of Directors and Corporate Management Team.

The views of stakeholders were used in the double materiality assessment carried out in 2022, based on which Metsä Board determined the sustainability themes material to the company's operations. These themes serve as the focal areas for the company's sustainability development. The materiality assessment is discussed in more detail under *Material sustainability-related impacts, risks and opportunities*.

Stakeholder feedback is used in risk management and as a basis for new cooperation projects, examples of which are included in section *S3 – Affected communities*.

Interests and views of stakeholders

This table includes a summary of Metsä Board's key stakeholders and of how themes important to them are considered in the company's strategy and business model.

Stakeholder	Stakeholder engagement	Themes important to stakeholders	Impact on operations, business model and strategy
Own workforce	- Employee survey and Pulse survey - Ethics barometer - Cooperation with employee representatives - Safety and health at work and related observations	- Health and safety - Diversity, equality and inclusion (DEI) - Competence development and good leadership - Working conditions and other work-related rights	- Certified safety management systems - Metsä for all vision - Anonymous recruitment - Metsä Group's academies and other training - Development of leadership and key capabilities - Measures determined based on the ethics barometer
Customers, consumers and end-users	- Customer experience surveys - Customer feedback forms - Bilateral meetings - Events and training - Materiality assessment - Sustainability assessments - Contact forms on web pages	- Sustainable products - Product safety and quality - Product information - Sustainable forest management and biodiversity	- Recyclable products with a small carbon footprint that replace fossil-based materials - Resource-efficient production - Product safety and quality - Wider use of product information - Forest certification and regenerative forestry
Investors, analysts and other capital market representatives	- Investor meetings and events coordinated by the company and/or brokerage firms, including mill visits - Annual General Meeting - Regular dialogue - Materiality assessment	- Climate change mitigation and emissions reduction across the value chain - Biodiversity and availability of wood raw material - Human rights and diversity - Management of sustainability risks and good governance	- Investments in fossil free production and products and the improvement of the mill's production and resource efficiency - Forest certification and regenerative forestry - Metsä for all vision - Sustainability targets in management remuneration - Definition and management of sustainability risks
Suppliers and workers in the supply chain	- Supplier days - Cooperation forums for occupational safety (Anonymous) cooperation survey for suppliers - Materiality assessment - Compliance and Ethics Channel - Sustainability working group activities with partner suppliers - Bilateral meetings	- Safety and health - Working conditions and other work-related rights - Climate change - Biodiversity - Sustainable forest management - Circular economy - Sustainable supply chain	- Harmonised safety management system for the company's own and service providers' employees - Proactive operating model to combat the grey economy in construction projects - Joint sustainability targets with partner suppliers - Measures defined based on the cooperation survey for suppliers - Assessment of suppliers' sustainability as part of the supplier selection process and continuous supplier assessment
Policymakers	- Public hearings - Bilateral meetings - Events, seminars and panels - Surveys - Organisation of visits - Compliance and Ethics Channel - Materiality assessment	- Circular bioeconomy - Reducing environmental impacts - Climate change mitigation - Reducing fossil emissions - Safeguarding biodiversity - Logistics and public infrastructure - New products and innovation - Renewal and jobs	- New investments - Fossil free energy - Resource-efficient production - Waste-free production - Recyclable products with a small carbon footprint that replace fossil-based materials - Regenerative forestry, Metsä Group's nature programme and biodiversity plans on mill sites
Lobbying and industrial associations	- Bilateral meetings - Events, seminars and panels - Materiality assessment	- Safeguarding biodiversity - Climate change adaptation - Climate change mitigation - Advocacy cooperation	- Regenerative forestry - Biodiversity roadmap of the Finnish Forest Industries Federation - Recyclable products with a small carbon footprint that replace fossil-based materials
Researchers, educational institutions and students	- Surveys - Cooperation projects - Cooperation events - Organisation of visits - Recruitment events - Thesis assignments and traineeships - Materiality assessment	- Research and development cooperation - Education, training and competence - Investments and jobs - Learning, training and education - Working life - Diversity, equality and inclusion	- Joint research and development projects - Metsä Group's nature programme - Education and training cooperation and partnerships - Jobs and traineeships - Student guidance and induction
NGOs	- Bilateral meetings - Events, seminars and panels - Materiality assessment - Project cooperation - Organisation of visits - Compliance and Ethics Channel	- Safeguarding biodiversity - Old-growth forests - Carbon sinks and climate change - Forests as carbon sinks and stocks - Forest protection - Rehabilitation of forest nature - Forest management methods - Forestry's impact on waterbodies - Rights of indigenous peoples	- Regenerative forestry - Forest protection (incl. METSO programme) - Biodiversity roadmap of the Finnish Forest Industries Federation - Biodiversity plans on mill sites - Metsä Group's nature programme

Material sustainability-related impacts, risks and opportunities

■ The identification and assessment of material impacts, risks and opportunities

Metsä Board's sustainability-related material impacts, risks and opportunities have been identified in a double materiality assessment based on the principles of the company's risk management process. The risk management process complies with the COSO Enterprise Risk Management methodology. The key goal is to identify and assess the risks, threats and opportunities potentially significant to the implementation of the company's values and strategy and to the achievement of long-term targets, as well as to identify and assess the company's impacts on society and the environment. In addition to the company's own operations, the identification and assessment of impacts, risks and opportunities encompasses the upstream and downstream value chain and any other parties that the company's operations affect. Metsä Board's risk management process and

its responsibilities are described in more detail in the *Corporate Governance Statement*.

Metsä Board updated its materiality assessment of sustainability matters in 2022–2023 in cooperation with Metsä Group. The updating of the materiality assessment proceeded in two phases. In the first phase, in 2022, the views of external and internal stakeholders of the company's real and potential impacts, risks, and opportunities were collected through interviews and surveys. The stakeholders interviewed included the company's own employees, as well as its customers, investors, goods and service suppliers, and NGOs. Based on the material collected, the impacts, risks and opportunities were prioritised in management workshops. The prioritisation was based on double materiality, meaning that the workshop participants paid attention to the company's impacts on the environment, society, employees and other stakeholders, as well as on the qualitative and financial risks to and opportunities for the company's business related to sustainability matters. The likelihood and scope of the impact, risk or opportunity were considered in prioritisation.

Material sustainability topics

Theme	Topic	Sub-topic	Materiality	2030 target
E – ENVIRONMENT				
1. Safeguarding biodiversity and the ecological sustainability of forest use 2. Mitigating climate change and reducing emissions 3. Resource efficiency and sustainable production	E1 Climate change	Climate change mitigation	10	✓
		Climate change adaptation	10	✓
		Energy	9	✓
	E2 Pollution	Pollution of air, water and soil	7	
		Microplastics	6	
	E3 Water and marine resources	Water	6	✓
	E4 Biodiversity and ecosystems	Direct impact drivers of biodiversity loss	10	✓
		Impacts on the state of species and the extent and condition of ecosystems	11	✓
		Impacts and dependencies on ecosystem services	12	✓
	E5 Resource use and circular economy	Resources inflows, including resource use	9	✓
Resource outflows related to products and services		10		
Waste and side streams		6	✓	
S – SOCIAL RESPONSIBILITY				
4. Respecting everyone and doing the right thing 5. Promoting safety and wellbeing at work	S1 Own workforce	Equal treatment and opportunities for all	9	✓
		Health and safety	11	✓
		Other working conditions	7	✓
		Other work-related rights	5	
	S2 Workers in the value chain	Health and safety	12	✓
		Other working conditions	8	✓
		Other work-related rights	7	✓
	S3 Affected communities	Communities' economic, social and cultural rights	6	
		Rights of indigenous peoples	9	
	S4 Consumers and end-users	Personal safety of consumers and end-users	8	
Information-related impacts on consumers and end-users		6		
G – GOVERNANCE				
6. Innovation and open-minded cooperation 7. The significance of forest-based bioeconomy to society	G1 Business conduct	Corporate culture	8	✓
		Corruption and bribery	8	
		Management of relationships with suppliers including payment practices	8	✓
		Protection of whistle-blowers	6	
		Political influence and lobbying activities	6	

At the end of the first phase, seven themes guiding all Metsä Group's sustainability work were determined. They are described in the summary of the materiality assessment, on *page 26*. The themes were used as the basis for updating Metsä Group's strategic 2030 sustainability targets, which also guided Metsä Board's target setting. Metsä Board's Board of Directors adopted the themes and the updated targets in early 2023. The framework of the EU's sustainability reporting standards was not yet used in the first phase to classify sustainability themes.

The second phase of the materiality assessment was initiated in 2023, the goal being to include the classification of sustainability impacts, risks and opportunities in line with the EU's sustainability reporting standards (topics, sub-topics and sub-sub-topics) and consider the directive's guidelines on the prioritisation of impacts, risks and opportunities in the materiality assessment. As part of the work carried out in 2023, an assessment scale, found on *page 27*, was drawn up. The scale standardised

for Metsä Group's risk management process was used to assess likelihood. Impacts are assessed based on their scale, scope, duration and remediability. Risks and opportunities to Metsä Board's business were assessed based on the monetary values and reputational risks defined in the risk management process, and in the case of risks, on remediability. The assessment of impacts, risks and opportunities was expanded from the previous year to cover the sub-topics and sub-sub-topics specified in the EU's sustainability reporting standards. As a result, the impacts on workers in the value chain, affected communities, consumers and end-users could be better accounted for. Remediability was assessed on the following scale: short-term (less than one year), medium-term (1–5 years), long-term (5–10 years), very long-term (10–30 years) and irremediable.

The work carried out in 2023 did not lead to any changes to the seven sustainability themes guiding sustainability work or the 2030 sustainability targets.

Assessment scale for impacts, risks and opportunities

Likelihood	Annual	Very likely	5	5	10	15	20	25
	In the next three years	Likely	4	4	8	12	16	20
	In the next six years	Possible	3	3	6	9	12	15
	In the next ten years	Unlikely	2	2	4	6	8	10
	Unlikely in the next ten years	Very unlikely	1	1	2	3	4	5
				1	2	3	4	5
Financial impact				Very limited	Limited	Moderate	Significant	Very significant
Reputation				Local mention, quickly forgotten	Local harm to reputation, impact on local operations	Short-term national concern, long-term impact on reputation	Long-term national concern, significant change in market share, significant operations restricted	Long-term national concern, decisive change in market share
Impact on the wellbeing of society, nature and other stakeholders				Very limited impact on individuals and/or the local environment	Limited impact on a group of people and/or the regional environment	Moderate short-term impact on society and/or the environment	Significant short-term impact on society and/or the environment	Severe long-term impact on society and/or the environment
				Impact				

Based on the results of the materiality assessment, Metsä Board's key sustainability matters include climate change, biodiversity, the environmental impacts of products, and the occupational safety of the company's own workforce and value chain workers. The results of the materiality assessment are presented on *page 26*. Sub-topics classified as moderate (a value of 5–9) or high (a value of 10–25) were determined as material sub-topics. The table does not include sub-topics of low materiality.

The results of the materiality assessment and the general annual risk assessment process guide the management of sustainability risks. Metsä

Group's internal control unit monitors and reports on sustainability risks to Metsä Board's Corporate Management Team and Audit Committee in accordance with Metsä Group's general internal control governance model and the annual cycle. The control of sustainability risks is planned, described and implemented on a risk basis in business processes. Control is carried out in accordance with Metsä Group's general model for internal control. Internal controls are described in more detail in the *Corporate Governance Statement*.

Metrics and targets

TARGET	2030 TARGET	2023 ACTUAL	2023 PROGRESS	UN SDG
E – ENVIRONMENT				
1. Safeguarding biodiversity and the ecological sustainability of forest use				
MG: Retention trees on regeneration felling sites, %	100	96	●	13, 15
MG: High biodiversity stumps on harvesting sites, %	100	92	●	13, 15
MG: Spruce as the only tree species after young stand management, %	0	25	●	13, 15
MG: Measures promoting biodiversity, number	10,000	816	●	13, 15
2. Mitigating climate change and reducing emissions				
Improvement in energy efficiency from the 2018 level, %	+10	-5.8	●	7, 12, 13
Fossil-based carbon dioxide emissions (Scope 1 and Scope 2 market-based), t	0	184,713	●	12, 13
Share of target group suppliers with targets set in accordance with the SBTi by 2024 (Scope 3), %	70	19	●	13
Fossil free raw materials and packaging materials, share of dry tonnes, %	100	98.8	●	9, 12
MG: Amount of forest regeneration and young stand management from the 2018 level, %	+30	+14	●	13, 15
MG: Amount of forest fertilisation from the 2018 level, %	+50	-26	●	13, 15
MG: Share of continuous cover forestry in peatland forest regeneration, %	30	17	●	13, 15
MG: Amount of carbon stored in wood products from the 2018 level, %	+30	-21	●	12, 13
3. Resource efficiency and sustainable production				
Reduction in process water use per produced tonne from the 2018 level, %	-35	+2.0	●	6, 12
Process waste delivered to landfills, t	0	1,164	●	12
S – SOCIAL RESPONSIBILITY				
4. Respecting everyone and doing the right thing				
Anonymous recruitment for vacancies open to all, %	100	72	●	5, 8
Women in management positions, %	>30	21	●	5, 8
5. Promoting safety and wellbeing at work				
Total recordable incident frequency, own employees (TRIF)	0	6.1	●	8
Employee job satisfaction	AAA	A+	●	5, 8
G – GOVERNANCE				
6. Innovation and open-minded cooperation and 7. The significance of forest-based bioeconomy to society				
Implementation of ethics barometer measures, %	100	100	●	5, 8
Traceability of raw materials, share of total purchases, %	100	97	●	9, 12
Share of certified wood fibre, %	>90	91	●	15
Suppliers' commitment to the Supplier Code of Conduct, share of total purchases, %	100	99.0	●	8, 12
Supplier assessments and audits of core suppliers, %	100	68	●	8, 12
MG: Joint sustainability targets with partner suppliers, %	100	100	●	12, 13

MG: The target has been set at the level of Metsä Group.

Targets will be reached by the end of 2030. For example, fossil fuels will be abandoned by 31 December 2030.

Metsä Board's target of "0 accidents at work" also applies to service suppliers. In future, service suppliers will be included in the performance figure.

The targets for different topics are described in more detail in the topic-specific sections of this Sustainability statement.

Progress in 2023 compared with the previous year.

Exceeds target (significant progress) ●

On target (progress as planned) ●

Short of target (no progress or weaker progress) ●

E – Environment

The EU Taxonomy

■ General

The Taxonomy is a classification system for the financial market based on Regulation (EU) 2020/852, valid as of the beginning of 2022, listing economic activities sustainable in terms of climate and the environment. The goal of the Taxonomy is to direct money to sustainable investments so that the EU can achieve its ambitious emission reduction targets.

The Taxonomy does not currently include technical screening criteria for Metsä Board's main business operations, the paperboard and market pulp businesses.

■ Taxonomy reporting

The taxonomy defines six main environmental objectives against which the company's different economic activities are assessed. These environmental objectives are: (a) climate change mitigation, (b) climate change adaptation, (c) sustainable use and protection of water and marine resources, (d) transition to a circular economy, (e) pollution prevention and control, and (f) protection and restoration of biodiversity and ecosystems. For the 2023 financial period, Metsä Board discloses its taxonomy-eligible business activities in terms of all six environmental targets, as well as its taxonomy-aligned business activities in terms of climate change mitigation and adaptation. Business disclosures include the share of sales, capital expenditure and operating expenditure.

The taxonomy-aligned disclosures indicate how the economic activity in question supports the confirmed environmental objectives. An economic activity is considered taxonomy-aligned if it contributes substantially to one of the defined environmental objectives and causes no significant harm to the other objectives. In addition, the activity must meet minimum social safeguards.

Metsä Board has carried out its assessment of taxonomy eligibility and taxonomy alignment based on the EU Taxonomy Regulation, the Climate Delegated Act and the best interpretation of the currently available guidelines issued by the European Commission. Metsä Board's specialists in each topic have assessed whether the financial operations indicated in the Taxonomy meet the criteria of taxonomy alignment. For each financial operation, the assessment considered the criteria for 'significant contribution' and 'no significant harm' to determine taxonomy alignment. Minimum safeguards were examined at the company level. Metsä Board was also supported by external specialists in the assessment. The assessment and its results have also been externally assured.

In Metsä Board's opinion, the company meets the Taxonomy's minimum social safeguards, which cover human rights, corruption and bribery, fair competition and taxation. The company has reviewed each of these from two perspectives: the presence of relevant processes and the addressing of violations. For example, human rights due diligence is described in more detail under this Sustainability statement's sections *S – Social responsibility* and *G – Governance*.

■ Reporting principles

Turnover

In the calculation of the key figure for turnover, Metsä Board applies the same IFRS-compliant accounting principles applied in the consolidated

financial statements. The overall turnover used to calculate the key figure corresponds to the turnover disclosed in the consolidated financial statements. The accounting principles used for turnover are discussed in Note 2.2 to the consolidated financial statements.

In category 4.20 (cogeneration of heat/cool and power from bioenergy), the Group's taxonomy-aligned turnover includes the turnover of electric power produced with bioenergy at the Husum pulp mill.

Taxonomy-eligible turnover in category 4.20 includes the turnover of district heat produced at the Simpele and Kyro power plants to the nearby regions.

Capital expenditure

Metsä Board's taxonomy-eligible capital expenditure includes additions to tangible and intangible fixed assets, including any additions to right-of-use assets recognised based on long-term lease agreements. Any increase in goodwill recognised for acquisitions is not included in the capital expenditure specified in the Taxonomy. These items are handled in accordance with IAS 38 Intangible Assets, IAS 16 Property, Plant and Equipment, and IFRS 16 Leases. Additions to intangible assets are presented in Note 4.1, and additions to property, plant and equipment in Note 4.2, to the consolidated financial statements.

Taxonomy-aligned capital expenditure includes investments made in the Husum pulp mill recovery boiler and turbine under category 4.20.

Taxonomy-eligible capital expenditure also includes maintenance investments in the Simpele and Kyro power plants under category 4.20, as well as maintenance investments in the Kaskinen power plant and chemicals recovery facility under category 4.24. Category 3.2. (Renovation of existing buildings) includes renovation investments in Metsä Board's real estate.

Operating expenditure

Metsä Board's taxonomy-eligible operating expenditure includes research and development expenditure recognised as expenses and the maintenance costs of production units and property, supplemented by the costs of waste management and short-term lease agreements. The reported expenses include both external service costs and the wages, including indirect employee costs, of the company's own employees responsible for the listed activities. In the group's income statement, the operating expenditure specified in the Taxonomy is included in materials and services, employee expenses and other operating expenses. Operating expenses are disclosed in Note 2.4 to the consolidated financial statements. Operating expenses related to the recovery of chemicals and heat at the Husum pulp mill under category 4.20 make up the most significant part of the taxonomy-aligned operating expenditure.

Taxonomy-eligible operating expenditure under category 3.2 includes the repair costs for the company's real estate assets. Taxonomy-eligible operating expenditure also includes the costs of Simpele and Kyro power plants in category 4.20 and costs of Kaskinen power plant and the chemical recovery plant in category 4.24.

To avoid double counting, external sales have been included in the Taxonomy operations only once. In addition, measures have been adopted to ensure that capital expenditure and operating expenses are kept separate for each operation.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria (‘does not significantly harm’)									
	Code	Turnover	Proportion of turnover, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy- aligned (A.1) or eligible (A.2) turnover, year 2022	Category enabling activity	Category transitional activity
Economic activities		EUR million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Cogeneration of heat/cool and power from bioenergy	CCM 4.20.	0.7	0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0.7	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%		
Of which enabling		0.0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%		
Of which transitional			0%	0%													0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Cogeneration of heat/cool and power from bioenergy	CCM 4.20.	2.3	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2.3	0%	0%	0%	0%	0%	0%	0%								0%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		3.0	0%	0%	0%	0%	0%	0%	0%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of taxonomy-non-eligible activities		1,938.9	100%																
TOTAL		1,941.9	100%																

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	Year		Substantial contribution criteria							DNSH criteria ('does not significantly harm')									
Economic activities	Code	CapEx	Proportion of CapEx, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1) or eligible (A.2) CapEx, year 2022	Category enabling activity	Category transitional activity
		EUR million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Cogeneration of heat/cool and power from bioenergy	CCM 4.20.	22.2	10%	K	E/S	E/S	E/S	E/S	E/S	Y	Y	Y	Y	Y	Y	Y	39%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		22.2	10%	10%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	39%		
Of which enabling		0.0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%		
Of which transitional			0%	0%													0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Cogeneration of heat/cool and power from bioenergy	CCM 4.20.	2.3	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Production of heat/cool from bioenergy	CCM 4.24.	0.1	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Renovation of existing buildings	CE 3.2.	1.8	1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		4.2	2%	1%	0%	0%	0%	1%	0%								1%		
A. CapEx of taxonomy-eligible activities (A.1+A.2)		26.4	12%	11%	0%	0%	0%	1%	0%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of taxonomy-non-eligible activities		202.3	88%																
TOTAL		228.7	100%																

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria (‘does not significantly harm’)									
	Code	OpEx	Proportion of OpEx, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy- aligned (A.1) or eligible (A.2) OpEx, year 2022	Category enabling activity	Category transitional activity
Economic activities		EUR million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Cogeneration of heat/cool and power from bioenergy	CCM 4.20.	5.2	4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	4%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		5.2	4%	4%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	4%		
Of which enabling		0.0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%		
Of which transitional			0%	0%													0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL	EL; N/ EL										
Cogeneration of heat/cool and power from bioenergy	CCM 4.20.	4.1	3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2%		
Production of heat/cool from bioenergy	CCM 4.24.	2.7	2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2%		
Renovation of existing buildings	CE 3.2.	1.1	1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) activities (A.2)		7.9	6%	5%	0%	0%	0%	1%	0%								4%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		13.1	10%	9%	0%	0%	0%	1%	0%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		123.8	90%																
TOTAL		136.9	100%																

Form 1 for the economic activities of certain energy sectors – Nuclear energy and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to the research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to the safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to the construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

E1 – Climate change

Material impacts, risks and opportunities related to climate change mitigation and energy

Impacts	Risks and opportunities for Metsä Board		Management		
Greenhouse gas emissions in own operations					
↓	Metsä Board's production generates climate-warming greenhouse gas emissions (Scope 1 and Scope 2), p. 37.	↑	Market opportunity: By generating and consuming renewable energy, Metsä Board can replace fossil-based energy sources. Renewable energy already accounts for 74% of the energy used in Metsä Board's production (Scope 1 and Scope 2), p. 37. Most of the energy generated at Metsä Board is used in the company's own production, and the company's energy self-sufficiency is high.	- Metsä Board's strategic target is to improve energy efficiency and the transition to entirely fossil free fuels, as well as fossil free purchased electricity and heat. - During the financial year, a survey was conducted on the feasibility of technological carbon sinks in Metsä Group's operations. - Active dialogue with policymakers develops the operating environment. Political influencing is discussed in more detail in section G1 – Business conduct.	
↔	The company's biogenic carbon dioxide emissions are classified as carbon-neutral, p. 37.	↑			Market opportunity: In 2023, Metsä Group studied technical and business opportunities for recovering biogenic carbon dioxide and reusing it as a raw material for renewable bioproducts.
↑	Metsä Board produces renewable energy from bio-based fuels, which mainly comprise wood-based production side streams and logging residue.	↓			Regulatory risk: Regulation sets significant requirements for new production technology reducing emissions or affects the sustainability criteria of biogenic carbon dioxide emissions in terms of climate neutrality. This may cause changes in the pricing of energy and greenhouse gas emissions, increasing expenses in both production and transports.
Greenhouse gas emissions in the upstream and downstream value chain					
↓	Metsä Board's upstream and downstream value chain generates climate-warming greenhouse gas emissions (Scope 3), p. 37.	↑	Market opportunity: Metsä Board's main raw material, wood, is mainly procured from Finnish and Swedish forests (p. 67), keeping transport distances – and thus emissions – moderate.	- During the financial year, the calculation of Scope 3 emissions was further developed. - Suppliers are encouraged to set emissions targets, for example, in line with the SBTi. Metsä Board has a Scope 3 target approved by the SBTi for supplier commitment. - Joint emissions reduction projects are agreed with suppliers. They are related to the company's strategic target of setting a joint sustainability target with partner suppliers. - Active dialogue with policymakers develops the operating environment. - By 2030, Metsä Group aims to have reduced fossil carbon dioxide emissions from wood supply in Finland by 30 per cent from the 2022 level. One way to reduce emissions is to introduce electric and biogas lorries to wood transports.	
		↓			Regulatory and market risk: Regulation and customer requirements increase the demands to reduce greenhouse gas emissions in the value chain. A comprehensive identification, accurate measurement and reduction of climate impacts is more challenging in the value chain than in the company's own operations.
Carbon balance of forests					
↔	Metsä Group's Wood Supply and Forest Services provides owner-members with forest management services that aim for regenerative forestry, promoting carbon storage in commercial forests. Metsä Group is developing a calculation to verify the impact of wood supply and forest management on the carbon balance. In Finland, wood is mainly procured from the owner-members of the parent company, Metsäliitto Cooperative. Owner-members own 31% of Finnish forests.	↓	Regulatory risk: Regulation concerning the use of forests as carbon storage restricts harvesting volumes.	- Metsä Group's Wood Supply has a regenerative forestry strategy that aims to measurably strengthen the state of nature by 2030. - Wood Supply has strategic targets, the achievement of which increases carbon storage in commercial forests and promotes forest biodiversity. - Raw materials are used resource efficiently to avoid waste in production. The goal is to make full use of production side streams. - The calculation and reporting of the carbon balance of forests is being developed in cooperation with partners. - Active dialogue with policymakers develops the operating environment.	
		↓			Market risk: Consumers' critical view of forest use, as forests are seen as carbon storage.
		↑			Market opportunity: Wood is Finland's most significant processed natural resource, providing a good basis for the bioeconomy, circular economy and innovations based on a renewable raw material.
Products					
↑	Metsä Board uses mainly fossil free raw materials and packaging materials, p. 34.	↑	Regulatory opportunity: Regulation that acknowledges that forest industry products can replace materials made from fossil-based raw materials, or the production of which generates substantial amounts of fossil-based emissions.	- The main raw material of products is renewable wood, and the goal is for all raw materials and packaging materials to be fossil free by 2030. - The use of fossil free energy in production reduces the carbon footprint of products. - The carbon footprint calculation of products is being developed. - Active dialogue with policymakers develops the operating environment.	
		↑			Market opportunity: Consumers favour easily recyclable packaging made from a renewable, fossil free raw material.

Physical risks related to climate change adaptation and their management

Risks for Metsä Board	Management
Acute hazards	
↓ Storms, drought and floods cause disruptions in production or complicate the transport of raw materials and products.	Metsä Board prepares for the risks arising from extreme weather phenomena in both company and mill-level risk assessments. Examples of such measures include sufficient reserves of wood, the control of water levels with dam arrangements, and ensuring power distribution in exceptional situations. The supply chain is preparing for alternative transport routes or partners.
Chronic hazards	
↓ The increased frequency of droughts weakens the availability of the process and cooling water needed by mills and causes production breaks.	Metsä Board's mills are not located in areas of high overall water risk, which supports the company's competitiveness in the face of climate change (WRI Aqueduct Water Risk Atlas). Metsä Board's goal of reducing process water use and enhancing the recycling of water within the process reduces the water risk.
↓ Harvesting conditions are complicated due to a lack of snow and frost and because of increased precipitation.	Metsä Group's wood supply always considers weather conditions and related changes in harvesting. Wood is harvested only in suitable conditions. If required, wood terminals can be used to smooth out any variation caused by harvesting conditions
↓ Damage caused by snow, storms, drought, forest fires, insects and fungi are increasing in forests, and changes are occurring in the prevalence of tree species. Alien species are likewise causing problems in forests.	Metsä Group's Wood Supply and Forest Services provides sustainable forest management services which support forests' adaptation to climate change and help safeguard forest biodiversity. Metsä Group's wood supply has strategic targets for promoting forest biodiversity, and Metsä Group is committed to the principles of regenerative forestry, which aim to strengthen the state of nature and comprehensively manage ecosystem services, or the benefits obtained from nature. As a result, forests can better adapt to climate change. An example of regenerative forestry is the Metsä Group Plus service offered to owner-members.
↑ Positive impact on the environment and society or on Metsä Board's business ↓ Negative impact on the environment and society or on Metsä Board's business ↔ Neutral impact on the environment and society or on Metsä Board's business	

Metsä Board's 2030 sustainability targets

	2030 target	2023	2022	2018
Fossil-based carbon dioxide emissions (Scope 1 and Scope 2 market-based)	0 t	184,713 t	391,220 t	563,627 t
Share of target group suppliers with targets set in accordance with the SBTi by 2024 (Scope 3) ¹⁾	70%	19%	15%	4.3%
Improvement in energy efficiency from the 2018 level	+10%	-5.8%	+2.7%	2.36 MWh/t
Fossil free raw materials and packaging materials, share of dry tonnes	100%	98.8%	98.8%	99.4%
Metsä Group's 2030 sustainability targets				
MG: Amount of carbon stored in wood products from the 2018 level	+30%	-21%	-12%	1,651,505 t
MG: Amount of forest regeneration and young stand management from the 2018 level	+30%	+14%	+2.8%	33,265 ha
MG: Amount of forest fertilisation from the 2018 level	+50%	-26%	-	9,115 ha
MG: Share of continuous cover forestry in peatland forest regeneration	30%	17%	-	-

¹⁾ In contrast with the other targets, the Scope 3 target year is 2024, and the base year is 2019.

MG: The target has been set at the level of Metsä Group. The progress made in Metsä Group's targets is described in more detail in Metsä Group's Sustainability statement.

The comparative data have not been provided for all the new targets set in 2023.

Information for 2018 is not disclosed in the case of fossil free raw materials and packaging materials due to changes in calculation. Further information is provided under Reporting principles for metrics.

■ Progress in targets

- **Fossil-based carbon dioxide emissions (Scope 1 and Scope 2 market-based)** – The production curtailments caused by the market situation and investment shutdowns significantly reduced fossil-based CO₂ emissions in 2023. Completed investments and energy efficiency measures also reduced emissions. The carbon dioxide emissions of purchased energy were reduced by the notably lower total electricity consumption and the increased share of nuclear-based electricity. All in all fossil-based carbon dioxide emissions (Scope 1 and Scope 2 market-based) per produced tonne have reduced by 54 per cent from the 2018 level.
- **Share of target group suppliers with targets set in accordance with the SBTi by 2024 (Scope 3)** – Despite progress being made in 2023, Metsä Board will not reach the supplier commitment target set for 2024. The company will update its Scope 3 target in 2024.
- **Improvement in energy efficiency from the 2018 level** – The production curtailments caused by the market situation and investment shutdowns weakened energy efficiency in 2023. However, energy efficiency measures saved 30 GWh of energy.
- **Fossil free raw materials and packaging materials, share of dry tonnes** – The share of fossil free raw materials and packaging materials remained at a good level.

The company's targets for reducing greenhouse gas emissions (Scope 1 and Scope 2) have been approved by the Science Based Targets initiative, and they meet the strictest requirements of the Paris Agreement, aimed at limiting global warming to 1.5 degrees. The Scope 3 target concerning suppliers meets the strictest requirements of the SBTi and complies with best practices.

■ The identification and assessment of material impacts, risks and opportunities

The material impacts, risks and opportunities related to climate change have been identified in a double materiality assessment based on the principles of the company's risk management process. The materiality assessment is discussed on *pages 26–28*.

Ensuring undisturbed and uninterrupted operations in all conditions is key in the risk assessment of production units. The assessment process of production units' environmental risks is guided by the ISO 14001 and ISO 50001 management systems. The key identified risks are included in the company-level risk management process.

The environmental impacts of production units are assessed in connection with the environmental impact assessments of investment projects, for example. The need for environmental impact assessments is determined by the local EIA authority. Risks related to climate change have been taken into account in the environmental impact assessments of the most recent investments.

The regulatory risks associated with forest use are identified, assessed and managed in cooperation with Metsä Group's Wood Supply and the Group's Corporate Affairs unit.

■ Policies

In its Environmental policy, Metsä Board is committed to transitioning to fully fossil free fuels at its production units, developing its production methods to support this transition, replacing purchased electricity and heat with fossil free alternatives, and finding fossil free alternatives to all

the company's raw materials and packaging materials. The company is also committed to the continuous improvement of its environmental and energy efficiency. Environmental management and environmental performance are guided by the requirements of the production units' certified quality, environmental and energy management systems.

In the Leader in sustainability strategic programme, the climate focus is on reaching the strategic sustainability targets for fossil free operations at production units, fossil free products, and water and energy efficiency.

Forest use is guided by Metsä Group's principles for forest use and management, in which Metsä Group commits to increasing the amount of carbon bound in forests and to promoting forest biodiversity, among other things. Certified quality and environmental management systems are in use in Metsä Group's wood supply.

Suppliers are required to commit to Metsä Group's Supplier Code of Conduct or to their own equivalent codes. In the Supplier Code of Conduct, suppliers are encouraged to set reduction targets for greenhouse gas emissions, for example, in accordance with the principles of the Science Based Targets initiative, and to continuously improve their environmental performance and efficient energy use. Suppliers are required to adopt a certified environmental management system where applicable.

■ Actions

Climate change mitigation and energy

Metsä Board's plan for climate change mitigation includes action plans for the climate impacts from production, the supply chain and products. An action plan for the carbon balance of forests has been drawn up for Metsä Group's wood supply. The plan for climate change mitigation supports the Paris Agreement's target of limiting global warming to 1.5 °C above pre-industrial levels and promotes the company's adaptation to a low-carbon future.

Greenhouse gas emissions and energy in the company's own operations

Metsä Board's plan for climate change mitigation comprises investments and measures for replacing fossil fuels with renewable fuels and fossil free electricity at all the company's production units and power plants. The measures apply to the fuels and backup fuels used at power plants and to the process fuels used at production units. The company will also transition to fully renewable or fossil free alternatives in its purchased energy. In addition, the company will improve the efficiency of its energy and water use through continuous development and investment. Reducing water use is a way of mitigating climate change, as process water use and wastewater treatment consume energy, causing greenhouse gas emissions. Measures related to water use are discussed under *E3 – Water and marine resources*.

The company's key actions promoting climate change mitigation, carried out in 2022–2023, included the replacement of peat with renewable fuels at the power plants of the Kyro and Simpele paperboard mills and the renewal of the turbine and generator of the Husum pulp mill, which will increase bioenergy generation at the Husum integrated mill and raise the mill's electricity self-sufficiency from 50 to more than 80 per cent. These actions are expected to reduce fossil-based carbon dioxide emissions by around 136,000 tonnes annually.

The renewal and bottleneck investments, completed in 2023, related to the Kemi paperboard mill's development project will reduce the mill's water use by 40 per cent and energy use by 5 per cent per tonne of

paperboard produced. Energy efficiency actions of a smaller scope were also completed in 2023, including the optimisation of energy use in drying at the Joutseno BCTMP mill and the Äänekoski paperboard mill.

The turbine and generator investment at the Kyro paperboard mill's biopower plant is expected to be completed by the end of 2024. Thanks to the new turbine's improved efficiency, the biopower plant's electricity self-sufficiency will increase from 30 to 50 per cent.

Greenhouse gas emissions in the value chain

The commitment of Metsä Board's suppliers to science-based greenhouse gas emissions (SBTi compliant) is discussed on page 35, under *Progress in targets*.

Greenhouse gas emissions in Metsä Board's value chain are curbed by Metsä Group's wood supply target of reducing fossil-based carbon dioxide emissions from wood supply in Finland by 30 per cent from the 2022 level by 2030. Emissions are reduced by introducing electric and biogas lorries, for example.

The value chain's greenhouse gas emissions are also reduced through emissions reduction targets jointly set by Metsä Group and its suppliers. The joint 2030 target of Metsä Group and VR, a logistics group, will halve emissions from transports covered by the cooperation. For Metsä Group, these actions mean an annual emissions reduction of approximately 14,000 tonnes of carbon dioxide equivalent, corresponding to more than 25,000 average lorry transports. VR also handles Metsä Board's rail transports in Finland. The joint target with Royal Wagenborg, a Dutch maritime logistics company, is to reduce products' carbon dioxide emissions from marine transports by 30 per cent (per tonne per mile) from the 2021 level by 2030.

Logistics emissions will be reduced by planning efficient routes, minimising transport distances, optimising fill rates and favouring rail connections over road connections on selected routes. For example, in the transport of products from the Kemi paperboard mill to ports, the load size of transport units is maximised, and all fuels are fossil free. At the Tako paperboard mill, products are transported fossil free to the nearby terminal, and from there, shipping containers are delivered by low-emission lorries to the port.

Carbon balance of forests

In 2023, Metsä Group adopted regenerative forestry principles. They include measures in wood supply and forest services with which the state of nature will begin to improve verifiably in Finland. Regenerative forestry practices will increase forests' carbon sequestration, biodiversity and ability to adapt to climate change. Forest certification demonstrates that the forest has been managed sustainably.

Key practical actions related to climate change mitigation include the following:

- Forests are swiftly renewed after regeneration felling. The faster and with better quality a new forest is established, the sooner it begins to store carbon from the atmosphere. Cultured seeds and seedlings of local tree species are used in renewal whenever available. Domesticated trees grow better than naturally generated trees.
- Young stand management and thinning ensure that stands remain vital, and growth is focused on the best trees.
- Forest fertilisation improves tree growth, maintains the growth conditions of the soil and ensures the vitality of trees.

- Increasing the share of continuous cover forestry helps curb and adapt to climate change, as it minimises the GHG emissions of peatland forests. The goal of continuous cover forestry is to maintain a steady surface level of groundwater to prevent the carbon stored in peat being released into the atmosphere and to minimise impacts on waterbodies.

Metsä Group's Wood Supply and Forest Services have public sustainability targets for these measures, and they are presented in the table on *page 34*.

Products

The aspects most relevant in terms of the climate impact and carbon footprint of paperboard packaging are the energy used in its production and the light weight of the paperboard itself. As Metsä Board shifts to using fully fossil free energy in its production, the carbon footprint of the company's products will continue to decrease. Reducing the weight of paperboard is a focal area of Metsä Board's R&D operations.

Metsä Board's paperboards offer an alternative to packaging materials made of non-renewable raw materials such as plastic. According to an independent study, the carbon footprint of a cherry tomato box made of Metsä Board's paperboard is as much as 80 per cent smaller than that of a box made of recycled plastic (source: Natural Resources Institute Finland).

Metsä Board aims to replace the fossil-based raw materials and packaging materials still in use with fossil free alternatives by 2030. The transition to fully fossil free raw materials is being promoted collaboratively in Metsä Group's strategic R&D programme. Replacing fossil-based binders used in Metsä Board's paperboard coatings with bio-based alternatives was a key focus of pilot and mill trials in 2023. Investigation of bio-based alternatives for product packaging materials were conducted collaboratively in Metsä Group. All in all, cooperation with the scientific community and raw material providers is important. The progress of work is monitored by Metsä Group's procurement organisation.

The share of fossil free raw materials and packaging materials is presented in the table on *page 34*. Further information about the company's R&D operations is available under section *E5 – Resource use and circular economy* and in the Report of the Board of Directors, under *R&D and innovation*.

Climate change adaptation

Climate change adaptation calls for adaptation to both acute hazards such as extreme weather phenomena and chronic hazards, caused by the impacts of climate change on water availability, harvesting conditions, growth conditions of different tree species, or snow, storm, drought, forest fire, insect, and fungi damage in forests.

Metsä Board prepares for hazards from extreme weather phenomena at both the company and mill level. Examples of actions include controlling water levels with dam arrangements and ensuring power distribution in exceptional situations. The supply chain is preparing for alternative transport routes or partners. The company's mills are not located in areas at high water risk, which supports the company's competitiveness in the face of climate change. Metsä Board's target of reducing the use of process water and enhancing the recycling of water within the process also reduces the water risk.

Metsä Group's wood supply always considers weather conditions and related changes in harvesting. Wood is harvested only in suitable conditions. If required, wood storages can be used to smooth out variation

caused by harvesting conditions. Metsä Group's regenerative forestry principles and sustainable forest management services help forests adapt to climate change and promote forest biodiversity. Regenerative forestry is discussed in more detail under *E4 – Biodiversity and ecosystems*.

Energy consumption by energy source

%	2023	2022
Renewable, wood-based	73	67
Other renewable energy	0.5	3.2
Nuclear power	16	15
Fossil-based fuels	10	15

Energy consumption

MWh	2023	2022
FUELS		
Oil	310,423	298,274
Gas	412,864	573,967
Coal	0	0
Waste	43,825	63,317
Peat	17,829	95,619
Wood-based fuels	5,010,322	4,892,216
PURCHASED ENERGY		
Purchased electricity and heat, renewable wood-based	663,692	899,056
Purchased electricity and heat, other renewable	7,543	250,532
Purchased electricity and heat, fossil-based	22,539	239,429
Purchased electricity and heat, nuclear power	1,200,337	1,263,229
CONSUMPTION OF OTHER SELF-GENERATED RENEWABLE ENERGY		
Consumption of self-generated hydropower	29,349	25,238
ENERGY SOLD		
Energy sold, renewable wood-based	9,288	13,164
Electricity sold, fossil-based	442	434
Energy sold, renewable wood-based	52,656	51,820
Heat sold, fossil-based	7,930	2,025
TOTAL ENERGY CONSUMPTION		
Total energy consumption, renewable wood-based	5,612,070	5,726,287
Total energy consumption, other renewable	36,892	275,770
Total energy consumption, fossil-based	799,107	1,268,202
Total energy consumption, nuclear	1,200,337	1,263,229
Total energy consumption	7,648,406	8,533,488
ENERGY INTENSITY (MWh/sales)		
Energy intensity	0.004	0.004

GHG emissions

tCO ₂ e	2023	2022
Direct GHG emissions (Scope 1)	201,984	264,961
Location-based indirect GHG emissions (Scope 2)	300,726	287,640
Market-based indirect GHG emissions (Scope 2)	5,108	142,436
GHG emissions in the value chain from material categories (Scope 3)	1,792,006	2,274,825
1 Purchased goods and services	479,875	656,936
2 Capital goods	57,651	68,884
3 Fuel and energy-related activities (not included in Scope 1 or Scope 2 emissions)	57,772	111,064
4 Upstream transportation and distribution	282,264	368,052
5 Waste generated in operations	2,919	1,984
6 Business travel	813	315
7 Employee commuting	1,889	1,897
9 Downstream transportation and distribution	4,732	8,490
10 Processing of sold products	268,042	356,970
11 Use of sold products	890	3,883
12 End-of-life treatment of sold products	582,863	657,177
15 Investments	52,294	39,174
Location-based total GHG emissions	2,294,716	2,827,426
Market-based total GHG emissions	1,999,098	2,682,222

GHG intensity

	2023	2022
GHG intensity based on sales, Scopes 1, 2, 3 (market-based), tCO ₂ e / euros	0.0010	0.0011
GHG intensity based on sales, Scopes 1, 2 (market-based), tCO ₂ e / euros	0.0001	0.0002
GHG intensity based on production, Scopes 1, 2 (market-based), tCO ₂ e / t	0.09	0.12

Wood-based biogenic carbon dioxide emissions

tCO ₂	2023	2022
Wood-based biogenic carbon dioxide emissions	1,984,088	1 937,318

Reporting principles for metrics

The amount of forest regeneration and young stand management covers, in hectares, the soil preparation and young stand management, or early cleaning and thinning, carried out by Metsä Group's Wood Supply and Forest Services (Metsä Forest). The amount of forest fertilisation includes, in hectares, the growth, boron and ash fertilisation carried out by Metsä Forest. The share of continuous cover forestry in peatland forest regeneration covers Metsä Forest's standing sales, as well as the group selection cutting, selection cutting and strip felling carried out to regenerate peatlands, and it is calculated based on the amount of harvesting.

The amount of carbon stored in wood products is calculated for Metsä Group's mechanical wood products. The carbon content is calculated using tree species-specific database factors to ensure comparable results between tonnes of wood (CO₂ equivalent).

The amount of fossil free raw materials and packaging materials covers the raw materials and packaging materials of products produced by Metsä Board. The weight of raw materials is converted to dry tonnes using the factors provided by the suppliers. A raw material is considered fossil free if none of its main raw materials contains fossil-based oil. Materials that do not remain in the product, such as process chemicals, are not taken into account in calculation. In 2023, the dry tonne factor for raw wood was adjusted, and as a result, the 2022 comparison figure was retroactively calculated in accordance with the new factor.

Energy consumption encompasses all Metsä Board's production units. Metsä Board's internal heat transfer is taken into account to avoid double counting. Energy consumption is expressed as final energy consumption, which means that the efficiency factors of electricity and heat are not taken into account. Final energy consumption is obtained by summing up the fuel consumed at mills, self-generated hydropower and the amount of purchased electricity and purchased heat, and then deducting sold heat and electricity. Internal logistics and the electricity purchased for buildings outside mill areas, such as warehouses and office facilities, is excluded from the calculation, as their share of total energy consumption, and thus of Scope 1 and Scope 2 emissions, is assessed to be non-material. Local factors are used to calculate the energy contained in different fuels. Metsä Board's heat consumption is mainly based on steam.

The improvement of energy efficiency is determined as specific energy consumption, meaning the ratio of energy consumption and production volume. Specific energy consumption is calculated for individual production lines, including the consumption of electricity, heat and fuels as megawatt hours (MWh). Tonnes and cubic metres are both used as units in production volume calculations. They are considered to be of equal value. The energy efficiency of Metsä Board's power plants is not taken into account in calculations. Discontinued lines are included in the calculations for as long as they are used in production. New production units are included in the calculations from the year in which their production begins.

GHG emissions include the emissions of all Metsä Board production units. In emissions calculations, Metsä Board's internal heat transfer is taken into account to avoid double counting. GHG emissions are calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The scope of reporting is based on operational control. Reporting covers direct GHG emissions (Scope 1) from Metsä Board's own operations, indirect GHG emissions (Scope 2) from

the production of purchased energy, and indirect GHG emissions from other parts of the value chain (Scope 3), including upstream and downstream. Power plant emissions are allocated to the mills that use the energy generated by the plants.

The calculation includes all the greenhouse gases covered by the GHG Protocol (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃). Emissions have been converted into carbon dioxide equivalents. The figures for previous years have been adjusted retroactively, as Metsä Board has previously included only carbon dioxide emissions in the calculation. In addition, the Scope 1 emissions for 2022 were retroactively adjusted by 8,116 tonnes due to changes in emissions factors.

Scope 1 emissions have been calculated from the fuels used by production units. The calculation is based on supplier-specific emission factors for fuels or on national emission factors. Two different methods are used for Scope 2 carbon dioxide emissions. The market-based method uses supplier-specific emissions factors, supplemented with national residual mix emission factors for untracked purchased electricity. In the location-based method, country-specific average emission factors for electricity are used. The residual mix factors and country-specific factors have been obtained from the AIB (Association of Issuing Bodies) report on emission factors.

Metsä Board's 2030 sustainability target, "0 tonnes of fossil-based carbon dioxide emissions", concerns Scope 1 and Scope 2 emissions and only encompasses carbon dioxide emissions, excluding other greenhouse gases. In other respects, the target has been calculated in accordance with the GHG Protocol. The target does not include buildings outside the mill areas or internal logistics, as their share of emissions is assessed to be non-material.

The company's biogenic carbon dioxide emissions originate in wood-based fuels. A CO₂ emission factor of 396 tonnes of CO₂/GWh, provided by Statistics Finland, has been used in their calculation.

The materiality of each of the 15 Scope 3 categories was determined using a spend-based materiality assessment. All the categories assessed to be material were calculated. Categories in which the amount of greenhouse gases was insignificant were also included in the Scope 3 inventory. The categories included in the calculation are listed in the table on *page 37*. Only three categories were excluded from the calculation – upstream leased assets, downstream leased assets and franchising – as they were assessed to be non-material. Metsä Board does not have significant leased assets under Scope 3 that would not already be included in Scope 1 and Scope 2. Metsä Board does not engage in franchising.

The Scope 3 inventory has been calculated as tonnes of CO₂ equivalent, excluding biogenic CO₂. The operational data used in the calculation are obtained from Metsä Group's internal systems. In the absence of accurate data, assumptions have been used. The emission factors used are mainly from global databases, including ecoinvent 3.9.1, EXIOBASE 3, DEFRA's GHG conversion factors (full set 2022) and IEA's Life Cycle Upstream Emission Factors (2023). In addition, supplier-specific emission factors have been used for logistics (46 per cent of operational data) and raw materials (78 per cent of operational data excluding raw wood). Some of the supplier-specific emission factors in logistics only cover CO₂ in current calculations, but they will be updated to include other essential greenhouse gases in the next few years as the international disclosure guidelines for logistics develop. Currently, many of the supplier-specific emission factors

in logistics only cover TTW (tank-to-wheel) emissions. As a rule, WTW (well-to-wheel) emission factors are used if available from suppliers.

Metsä Board's emissions data related to investments are based on the company's share of Metsä Fibre's Scope 1 and Scope 2 emissions, corresponding to Metsä Board's holding (24.9 per cent) in Metsä Fibre, excluding the emissions associated with pulp raw materials procured from Metsä Fibre that have been assigned to the first category of the Scope 3 inventory.

A more detailed description of calculation methods is available on *Metsä Group's website*.

The 2022 Scope 3 emissions have been retroactively updated in accordance with the above model, which is why the 2022 Scope 3 emissions increased from 1,816,979 tonnes to 2,274,825 tonnes. The increase in disclosed emissions was caused especially by updated assumptions, the change in the emissions factor depicting landfill disposal, and the inclusion of pulp sold in the category End-of-life treatment of sold products. Emissions also increased because process chemicals were calculated based on weight instead of consumption in the Purchased goods and services category. The updated Scope 3 emissions for 2022 have not been externally assured.

E2 – Pollution

Pollution-related impacts, risks and opportunities

Impacts	Risks and opportunities for Metsä Board	Management
Pollution of air, water and soil		
↓ In addition to GHG emissions, Metsä Board's production generates other emissions to air. Most of the emissions to air originate in the production units' and power plants' combustion process. Production also generates wastewater discharges. Emissions to air and water, as well as environmental permit deviations at mills in the reporting year, are presented in the tables on page 40. Soil pollution may occur as a result of technical defects or human errors in Metsä Board's or its service providers' operations. The company has environmental liabilities related to former activities on industrial sites that have since been closed, sold or leased, and from decommissioned landfill sites.	↓ Risk: Deviations in emissions may cause a liability to pay compensation and costs from corrective action. In addition, Metsä Board's reputation as a sustainable operator may suffer.	• Emissions to air are reduced with a meticulous control of the combustion processes and the purification of flue gases. • Emissions to water are reduced through reduced water use, more efficient processes and efficient wastewater treatment. • The best available techniques are used in production. Environmental performance is monitored continuously. Proactive measures aimed at preventing interruptions include comprehensive preventive maintenance and observations in production. • Any deviations in emissions and related corrective actions are immediately reported to the authorities.
Microplastics		
↑ Metsä Board's products, produced mainly from renewable raw materials, are an alternative to plastic packaging and enable the reduction of microplastics.	↑ Opportunity: Demand for Metsä Board's products increases.	• Nearly all Metsä Board's raw materials are fossil free. Active research and development is being conducted to replace the remaining fossil-based raw materials.

↑ Positive impact on the environment and society or on Metsä Board's business

↓ Negative impact on the environment and society or on Metsä Board's business

■ The identification and assessment of material impacts, risks and opportunities

The material impacts, risks and opportunities related to pollution have been identified in a double materiality assessment based on the principles of the company's risk management process. The materiality assessment is discussed on *pages 26–28*.

Ensuring undisturbed and uninterrupted operations in all conditions is key in the risk assessment of production units. The assessment process of production units' environmental risks is guided by the ISO 14001 and ISO 50001 management systems. The key identified risks are included in the company-level risk management process.

The pollution-related impacts of production units are assessed in connection with the environmental impact assessments of investment

projects and during the environmental permit processes, for example. The need for environmental impact assessments is determined by the local EIA authority.

After any environmental impact assessment and environmental permit process, the production units operate in accordance with their environmental permit and the company's operational management system. The environmental permit and the related programme for monitoring emissions and impacts set the minimum requirements for the observation of environmental impacts. In addition to emissions, observations typically focus on waterbodies, fish stock, air quality and noise. Regular risk assessments and official inspections ensure the adequate scope of observations and performance of production units.

■ Policies

In its Environmental policy, Metsä Board is committed to protecting the environment, preventing environmental pollution and continuously developing production processes by employing the best available methods and techniques.

In the Leader in sustainability strategic programme, the environmental focus is on implementing the planned actions aimed at achieving the strategic sustainability targets in water and energy efficiency, for example.

Environmental management and continued environmental performance are guided by the requirements of the production units' certified quality, environmental and energy management systems. The production units' environmental management practices are described in more detail in the company's internal environmental management policies. A key goal is to actively engage in preventive environmental work, which is the most effective way of preventing leakage and disruptions. Production unit employees must continuously observe their work environment, actively make HSEQ observations and adopt immediate corrective action if required. Regular environmental walks are carried out at Metsä Board. In addition, employees are offered training and regular info sessions on environmental topics.

All Metsä Board employees have the right and responsibility to report a situation that may cause a leakage or malfunction. Any infringement of environmental permit limits and significant deviations are investigated, and corrective actions are determined. The production unit's management is always in charge of the investigations, as well as the adequacy and implementation of corrective actions.

The terms and conditions of maintenance and investment project agreements for production unit sites contain minimum requirements regarding the environment for goods and service suppliers. Suppliers are required to immediately report any observed hazards, accidents or other equivalent matters to Metsä Board's contact person. Suppliers must participate in the investigation of any environmental deviation or damage resulting from their operations, determine corrective actions and take part in compensating for the damage in accordance with the applicable law and the "polluter pays" principle.

■ Actions

Pollution of air, water and soil

All Metsä Board production units have a valid environmental permit. The company uses the best available techniques in production and continuously monitors that its mills operate in compliance with the environmental permits issued to them. Any deviations and related corrective actions are immediately reported to the authorities. Production processes are developed in line with continuous improvement and targets. Environmental impact assessments are conducted in process change projects if required.

Most of the company's emissions to air originate in the pulp mills' and power plants' combustion process. The primary emissions are carbon dioxide, sulphur dioxide, nitrogen oxides and particles. Small amounts of reduced sulphur compounds are generated at the Husum pulp mill. In addition to carbon dioxide, the combustion processes generate small amounts

of other greenhouse gases such as methane and nitrous oxide. Emissions to air are reduced with a meticulous control of the combustion processes and the purification of flue gases.

Wastewater discharges primarily consist of nutrients (phosphorus and nitrogen), organic substances measured as chemical and biological oxygen demand, as well as suspended solids. The wastewaters of pulp production also contain organic chlorine compounds, sodium and sulphates. Emissions to water are reduced through reduced water use, more efficient processes and efficient abatement technology.

Metsä Board's emissions to air and water are presented in the tables on page 40. The emissions of individual production units are presented in the table on page 71.

Metsä Board has environmental liabilities related to former activities on industrial sites that have since been closed, sold or leased, and from decommissioned landfill sites. Financial provisions for the costs of land rehabilitation work have been made in cases where it has been possible to measure the Group's liability for land contamination and any post-treatment obligations.

Metsä Board's environmental liabilities in 2023 totalled EUR 2.0 million (2.0), and its environmental expenses amounted to EUR 6.8 million (11.7). The environmental expenses consist mainly of expenses related to the use and maintenance of environmental protection equipment, expenses related to waste management and environmental insurance, and the depreciation of capitalised environmental expenses.

No significant environmental impacts, claims or compensation related to the pollution of air, water and soil were recorded in 2023, nor was any significant media visibility related to these topics seen. Environmental permit deviations are presented in the table on page 40.

Microplastics

Metsä Board's products, produced mainly from renewable raw materials, offer an alternative to plastic packaging and enable the reduction of microplastics. Products are described in more detail under E5 – Resource use and circular economy.

Emissions to air

t	2023	2022
Sulphur (SO ₂)	176	418
Nitrogen oxides (NO _x)	1,285	1,226
Particles (PM2.5)	55	285

Emissions to water

t	2023	2022
Nitrogen (N)	165	172
Adsorbable organic halogen (AOX)	47	50
Chemical oxygen demand (COD)	10,645	10,368
Biological oxygen demand (BOD)	840	647
Phosphorus (P)	23	23
Suspended solids	1,885	1,517

Environmental permit deviations at Metsä Board's mills

Mill	Date of incident	Incident	Corrective actions
Simpele	7/2023	Wastewater nitrogen emission exceeded the permit limit	Adjustment of nutrient dosage at the treatment plant
Kaskinen	8/2023	Wastewater nitrogen emission exceeded the permit limit	COD load matched to the nutrient situation

Reporting principles for metrics

Emissions to water and air include the material emissions from Metsä Board's production units. Emissions are also reported to the authorities.

Water discharges are determined based on laboratory measurements. Emissions to water are calculated as a combination of waterflows and concentrations. Any wastewater discharges of third parties handled in the wastewater treatment plants are excluded from reporting. Emissions to air are determined based on continuous and/or one-off measurements. The final emission is calculated as a combination of airflows and concentrations.

Emissions are allocated to internal and external inflows by first making an assumption, based on prior measurements, of the reduction in chemical oxygen demand (COD) for each inflow,

and later adjusting them to correspond to the unit's actual COD reduction. Other emissions are allocated based on the flow. At integrated mills, the amount of COD is allocated to parties using the wastewater treatment plant based on the quality of COD.

Discharges fed through external (usually municipal) wastewater treatment plants are taken into account with the assumption of an 85 per cent reduction in COD.

Biological oxygen demand (BOD) and emissions of phosphorus and suspended solids are calculated based on the flow, using the following residual concentrations: BOD 10 mg/l, total phosphorus 0.5 mg/l and suspended solids 10 mg/l. Total nitrogen emissions are considered to be zero, as municipal wastewater contains excess nitrogen and the reduction of BOD binds nitrogen to biomass, reducing the unit's total nitrogen emissions. A seven-day measuring period (BOD7) is used to determine BOD.

E3 – Water and marine resources

Impacts, risks and opportunities related to water and marine resources

Impacts	Risks and opportunities for Metsä Board	Management
Water		
↔ Water withdrawals: Metsä Board's production units are located in areas at low or low-medium water risk that have large surface water reserves. Metsä Board's operations are designed so they do not affect other parties' rights or opportunities to use water. Water withdrawals are presented in the table on page 42.	↑ Opportunity: The production units' location in areas at low water risk supports the company's competitiveness in a changing climate. The target of reducing process water use offers cost benefits, improves energy efficiency and helps minimise water risk. By reducing its water use, Metsä Board can strengthen its reputation as a sustainable operator.	- The production units are located in areas at low or low-medium water risk. - Process development and the adoption of new techniques reduces water use and increases water recycling in the production process, decreasing the need to withdraw more raw water. - The best available techniques are used and systematically operated in production. Environmental performance is monitored continuously. Actions related to water discharges are described in more detail under E2 – Pollution.
↔ Water consumption: The production process of pulp and paperboard products requires plenty of water. However, water consumption is low in relation to the volume of water used. Of all the water consumed, approximately 96 per cent is returned to waterbodies after use, and the remaining 4 per cent evaporates in the process or is bound to the products.	↓ Risk: If the company is unable to reduce its water use in line with the target, it will lose the cost benefits from reduced water use and will fail to minimise water risks. Metsä Board's reputation as a sustainable operator will suffer.	
↓ Wastewater discharges: Metsä Board's production generates water discharges. The impacts, risks and opportunities, as well as management methods related to water discharges, are discussed under E2 – Pollution.		

- ↑ Positive impact on the environment and society or on Metsä Board's business
 ↓ Negative impact on the environment and society or on Metsä Board's business
 ↔ Neutral impact on the environment and society or on Metsä Board's business

Metsä Board's 2030 sustainability target

	2030 target	2023	2022	2018
Reduction in process water use per produced tonne from the 2018 level, %	-35%	+2.0%	-12%	21 m³/t

■ Progress in targets

- **Reduction in process water use per tonne produced compared with the 2018 level** – Production curtailments caused by the market situation and investment shutdowns weakened the efficiency of process water use in 2023.

■ The identification and assessment of material impacts, risks and opportunities

The material impacts, risks and opportunities related to water and marine resources have been identified in a double materiality assessment based on the principles of the company’s risk management process. The materiality assessment is discussed on *pages 26–28*.

Ensuring undisturbed and uninterrupted operations in all conditions is key in the risk assessment of production units. The assessment process of production units’ environmental risks is guided by the ISO 14001 and ISO 50001 management systems. The key identified risks are included in the company-level risk management process.

The production units’ impacts on water resources are assessed in connection with the environmental impact assessments of investment projects and during the environmental permit processes, for example. The need for environmental impact assessments is determined by the local EIA authority. Matters considered include water withdrawal, the thermal stress caused by the water returned or the impact of emission parameters on waterbodies. The impacts are also assessed in connection with process development and environmental risk mapping. Several production units have waterbody monitoring obligations and commitments. These are often regionally comprehensive long-term programmes for monitoring the long-term consequences of operations.

Metsä Board’s operations are designed so they do not affect other parties’ rights or opportunities to use water. Surface water accounted for nearly 100% of Metsä Board’s water withdrawals. A small amount of groundwater is used mainly for hygiene and laboratory purposes. Production processes account for roughly half Metsä Board’s water use, and cooling purposes for the rest. The cooling water circulates in a separate system and does not need to be treated. However, the cooling water returned to waterbodies has a local heating impact. Process water is carefully treated before it is returned into waterbodies.

All Metsä Board’s production units are located in areas at low or low-medium water risk that have large surface water reserves. None of the production units is located in an area of high water stress or high overall water risk (WRI Aqueduct Water Risk Atlas). Water stress indicates water demand in relation to water availability. Overall water risk indicates the risks related to water resources, taking the volume and quality of water resources and regulation in the area into account.

■ Policies

Environmental management and continued environmental performance are guided by the requirements of the mills’ certified quality, environmental and energy management systems. The Environmental policy lays the foundation for environmental target setting. Resource efficiency is a key part of the policy, and in compliance with it, Metsä Board is committed to reducing its water use.

In the Leader in sustainability strategic programme, the environmental focus is on implementing the planned actions aimed at reaching the strategic sustainability targets in water and energy efficiency, for example.

■ Actions

Water withdrawals and water consumption

Increasing the efficiency of water use supports the circular economy, energy efficiency and minimised emissions. Metsä Board’s actions to reduce process water use in line with the 2030 sustainability target include investments in processes and wastewater treatment, as well as adjustments to and optimisation of water use. The actions improve water recycling and reduce water withdrawal from waterbodies. In addition to the company-level target, all production units have targets for water use, which are regularly monitored. Of all the water the company uses, approximately 96 per cent is returned to waterbodies after use, and the remaining 4 per cent evaporates in the process or is bound to the products.

The development programme of the Kemi paperboard mill, completed in 2023, reduces the mill’s energy consumption by 5 per cent and water use by roughly 40 per cent per tonne produced.

In 2023, water recycling was enhanced at the Husum pulp mill, and the renewal of the pulp and white-water system continued at the Simpele paperboard mill, the goal being to reduce the use of process water and energy.

Wastewater discharges

The impacts, risks and opportunities, as well as management methods related to wastewater discharges, are discussed under *E2 – Pollution*.

Water withdrawals and consumption and wastewater discharges

1,000 m ³	2023	2022
WATER WITHDRAWALS		
Surface water	101,884	114,401
Groundwater	58	65
Total water withdrawals	101,943	114,465
WATER CONSUMPTION		
Water consumption	3,874	4,579
WASTEWATER		
Wastewater discharges	45,380	58,740

Reporting principles for metrics

Water withdrawals include the withdrawal of process and cooling water at all Metsä Board production units.

Process water use per tonne produced is measured as cubic metres from the process water used and calculated per tonne of product produced.

Water consumption is an estimate of the amount of water that has evaporated in production and wastewater treatment and water bound in products and wastewater treatment sludge. The calculation is based on an estimate, which considers the matters mentioned above, as well as direct water withdrawal, the water contained in raw materials and the water returned to waterbodies.

The amount of water withdrawn in 2022 has been retroactively adjusted from 109,967 thousand cubic metres to 114,465 thousand cubic metres because the figure for the Äänekoski paperboard mill was not included in the 2022 disclosures. Water consumption was adjusted from 4,399 thousand cubic meters to 4,579 thousand cubic meters.

E4 – Biodiversity and ecosystems

Material impacts, risks and opportunities related to biodiversity and ecosystems

Impacts	Risks and opportunities for Metsä Board	Management
Direct impact drivers of biodiversity loss		
↓ Climate change: Metsä Board's production generates greenhouse gases that cause global warming. ↔ The company's biogenic carbon dioxide emissions are classified as carbon-neutral.	↓ The risks, opportunities and actions related to climate change are discussed under E1 – Climate change.	• The risks, opportunities and actions related to climate change are discussed under E1 – Climate change.
↓ Pollution: The emissions to water, air and soil from Metsä Board's production units can have a negative impact on species and ecosystems in the area.	↓ The risks, opportunities and actions related to pollution are discussed under E2 – Pollution.	• The risks, opportunities and actions related to pollution are discussed under E2 – Pollution.
Direct exploitation: Metsä Board uses wood as its raw material. However, neither Metsä Board nor Metsä Group owns forests. Instead, they procure all their raw material from forests whose owners always decide how they are used. The impact of wood supply on biodiversity and ecosystems is described in this table, under Impacts on the state of species and the extent and condition of ecosystems.	-	-
Impacts on the state of species and the extent and condition of ecosystems		
↓ Commercial forest use reduces the amount of dead wood and changes forest structure, leading to changes in species and the state of ecosystems.	↓ Risks: • Regulation that emphasises the protection of forest nature to promote biodiversity restricts harvesting volumes or increases wood supply costs. • A complex regulatory environment sets conflicting requirements for the forest industry. • Ecological compensation may increase the protection of commercial forests, as industries exploiting non-renewable materials strive to compensate their negative impacts. Meanwhile, the use of non-renewable materials continues. • Consumers view forests as protected sites and reduce their consumption of wood-based products. • If the state of nature continues to weaken, the acceptability of the forest industry as well as the reputation of Metsä Board and Metsä Group as sustainable operators will suffer.	• Metsä Group's Wood Supply has adopted the principles of regenerative forestry, which aim to measurably improve the state of nature by 2030. Examples of regenerative forestry actions: - The Metsä Group Plus service that compensates forest owners for the costs incurred from safeguarding nature values - Diversifying tree species in forests - Increasing the number of old trees - Diversifying and adding more decaying wood - Increasing the structural diversity of forest stands - Protecting valuable habitats • Forest certification can be used to demonstrate that the forest has been managed sustainably and responsibly. The international forest certification systems in use are: PEFC (Programme for the Endorsement of Forest Certification, PEFC/02–31–92) and FSC® (Forest Stewardship Council®, FSC-C001580). • Regulatory risks are managed through active dialogue with policymakers, discussed in more detail under G1 – Business conduct.
↑ Metsä Group aims to measurably and verifiably strengthen the state of nature by 2030. If achieved, this will have a positive impact on the state of nature.	↑ Opportunities: • As a result of the improved state of nature and the comprehensive management of ecosystem services, or benefits obtained from nature, forests will be better able to adapt to climate change. • Metsä Group's compliance with the principles of regenerative forestry and success in strengthening the state of nature will improve Metsä Board's and Metsä Group's reputation as sustainable operators.	
Impacts on the state of species and the extent and condition of ecosystems		
↓ The draining of peatland forests causes changes in habitats and can lead to biodiversity loss.	↓ Risk: Regulation that emphasises the special role of peatlands as large carbon reservoirs, sources of GHG emissions, and potential restoration and protection sites restricts felling volumes.	• The goal of peatland forestry is to protect natural bog environments and maintain the water economy and water quality of water ecosystems, as well as protect their species. New drainage is not created, and old drainage is improved only if necessary. Bog environments suitable for active restoration will be determined and selected on a case-by-case basis. Continuous cover forestry is proposed to forest owners on suitable sites.
↓ If valuable habitats are not identified or taken into account in wood supply and forest management, there will be fewer forests offering special biodiversity and ecological value.	↓ Risk: If the state of nature continues to deteriorate, the forest industry's legitimacy and the image of Metsä Group as a sustainable operator will suffer.	• Metsä Board procures wood from commercial forests. Forest certification and controlled origin also require the company to consider valuable nature sites in commercial forests. Metsä Group's FSC® nature site service helps focus the protection required by the FSC on the sites most valuable in terms of nature.
↑ Biodiversity and the condition of waterbodies improve outside commercial forests.	↑ Opportunity: Metsä Board's and Metsä Group's reputation as sustainable operators strengthens.	• Metsä Group annually funds development projects with a regional impact that improve biodiversity and the condition of waterbodies and are implemented outside commercial forests in Finland.
↑ Metsä Board offers consumers products based on naturally occurring tree species.	↑ Opportunity: Regenerative forestry offers a competitive advantage over competitors who use foreign tree species in their products.	• In line with the principles of regenerative forestry, spruce, pine, silver birch, downy birch and aspen – all species that spread to Finland after the last Ice Age – are grown as industrial trees.

Impacts	Risks and opportunities for Metsä Board	Management
↑ Metsä Group will draw up biodiversity plans for its mill sites to increase the biodiversity of the sites, taking special local features into account and combining local industrial history and nature solutions.	↑ Opportunities: • Metsä Board's and Metsä Group's reputation as sustainable operators strengthens. • Metsä Board can more comprehensively monitor the environmental impact of its production units, with the built environment's biodiversity impacts included in monitoring. • Cooperation with significant stakeholders develops in the localities of production units.	• In 2023, Metsä Group launched a multi-year action plan in which a biodiversity plan will be drawn up for each production unit. The project was launched as a pilot project at the mills in Kemi. The plan encompasses areas on the industrial site, as well as offsite land areas owned by the company.
Impacts and dependencies on ecosystem services		
↓ Finnish forests produce a diverse range of tangible and intangible services, with a local, regional, national and international impact. Commercial forest use reduces the amount of dead wood and number of old trees and makes forest structure more one-sided, weakening the state of species and ecosystems.	↓ Risk: For Metsä Board, wood production is one of nature's key ecosystem services. If the state of forest nature deteriorates, forests become more vulnerable to weather phenomena caused by climate change	• The goal of regenerative forestry is to develop forestry so that nature's various benefits from carbon sinks to pollinators – that is, ecosystem services – can be measured, and that wood is produced as part of a developing production model with multiple targets and based on ecosystem services.
↑ Metsä Group aims for the state of nature to strengthen measurably and verifiably by 2030. If this is achieved, it will have a positive impact on the state of nature.	↑ Opportunity: As a result of the improved state of nature and the comprehensive management of ecosystem services, or benefits obtained from nature, forests can adapt better to climate change.	

- ↑ Positive impact on the environment and society or on Metsä Board's business
↓ Negative impact on the environment and society or on Metsä Board's business
↔ Neutral impact on the environment and society or on Metsä Board's business

Metsä Group's 2030 sustainability targets for wood supply

	2030 target	2023	2022
MG: Retention trees on regeneration felling sites, %	100	96	95
MG: High biodiversity stumps on harvesting sites, %	100	92	90
MG: Spruce as the only tree species after young stand management, %	0	25	-
MG: Measures promoting biodiversity, number	10,000	816	-

Comparative data have not been provided for all the new targets set in 2023.

MG: The target has been set at the level of Metsä Group. Metsä Group, which handles Metsä Board's wood supply, has targets for promoting forest biodiversity and the sustainable use of forests. The progress made in these targets is described in more detail in Metsä Group's Sustainability statement.

The identification and assessment of material impacts, risks and opportunities

The material impacts, risks and opportunities related to biodiversity and ecosystems have been identified in a double materiality assessment based on the principles of the company's risk management process. The materiality assessment is discussed on *pages 26–28*.

Metsä Board's impacts, risks and opportunities related to forest biodiversity and the state of forest ecosystems take place through Metsä Group's Wood Supply and Forest Services. Metsä Group's wood supply is guided by Wood Supply's certified ISO 14001 environmental management system.

Regulatory risks related to forest use are assessed and managed in accordance with the principles of Metsä Group's risk management process in cooperation with Metsä Group's Wood Supply and Corporate Affairs unit. Wood supply is discussed in more detail under *Business model, value chain and strategy* and *G1 – Business conduct*.

Metsä Board's production units may also have negative impacts on the mill sites' biodiversity and ecosystems due to the units' emissions, for example. The methods for identifying and managing the impacts of pollution are discussed under *E2 – Pollution*.

The production units' environmental impacts are assessed in connection with the environmental impact assessments of investment projects and

during the environmental permit processes. The need for environmental impact assessments is determined by the local EIA authority.

Policies

The Environmental policy lays the foundation for environmental target setting. In its Environmental policy, the company is committed to obtaining wood raw material from sustainably managed forests and to paying attention to the economic, social and environmental aspects of forest management and wood supply. Environmental management and continued environmental performance at mills are guided by the requirements of the mills' certified quality, environmental and energy management systems.

In 2023, Metsä Group's Board of Directors adopted regenerative forestry principles. The goal of regenerative forestry measures is to verifiably strengthen the state of Finnish nature as part of Metsä Group's Wood Supply and Forest Services. Progress is monitored with the indicators specified for the 2030 targets, presented in the table on *page 44*.

With its targets for strengthening the state of nature, Metsä Group contributes to international, the EU's and Finland's biodiversity targets. The principles of regenerative forestry are in line with the biodiversity roadmap prepared by the Finnish Forest Industries Federation.

In the Leader in sustainability strategic programme, the focus concerning forest biodiversity is on reaching the strategic sustainability targets in

Metsä Group's Wood Supply and Forest Services and increasing the share of certified wood fibre in Metsä Board's wood use.

Forest certification is a demonstration of sustainable and responsible forest management. Forest certification has two key elements: sustainable forest management and the wood supply chain. The international forest certification systems used by Metsä Board are PEFC (Programme for the Endorsement of Forest Certification, PEFC/02-31-92) and FSC® (Forest Stewardship Council®, FSC-C001580). Metsä Board aims for the share of certified wood fibre to remain at least 90 per cent of all the wood fibre it uses.

The wood used by Metsä Board is procured by Metsä Group. All the wood that Metsä Board uses comes from either certified forests or forests that meet the requirements of controlled origin (PEFC Controlled Sources, FSC® Controlled Wood). The origin of the wood is always known.

The procurement of Metsä Board's wood does not cause deforestation. The countries from which wood is procured impose a statutory obligation to renew forests after regeneration felling. The wood that Metsä Board uses in its products is mainly procured from Finland and Sweden. A breakdown of wood supply by country is presented in the table on page 67. Metsä Group's Wood Supply requires all partners to comply with legislation, and operations adhere to the European Timber Regulation (EUTR), US Lacey Act and UK Timber Regulation (UKTR). Wood supply is described in more detail under *G1 – Business conduct*.

Metsä Group's Wood Supply complies with certification requirements and considers the impacts of its operations on its key stakeholders, including forest owners, mill locations and their residents, nature, and people who earn their livelihood from nature, such as indigenous peoples, as well as other parties interested in the environment, such as NGOs. Metsä Group has an operating model for the active engagement of stakeholders, as well as processes for managing stakeholder engagement, which are described under *S3 – Affected communities*.

■ Actions

Direct impact drivers of biodiversity loss

Actions related to climate change mitigation and adaptation, as well as pollution, are discussed under *E1 – Climate change* and *E2 – Pollution*.

Impacts on the state of species and the extent and condition of ecosystems

Regenerative forestry

Wood raw material is used as efficiently as possible to ensure high added value and minimise the forest area needed for harvesting. The utilisation of side streams is described in more detail under *E5 – Resource use and circular economy*.

The principles of Metsä Group's regenerative forestry are discussed under *Policies* in the section on biodiversity. As part of the regenerative forestry programme, Metsä Group and its stakeholders are developing monitoring systems so the impacts of operations on the state of nature can be measured and disclosed.

Metsä Group cooperates actively with a diverse research community, and the forest and nature management and harvesting methods used in the company's wood supply are based on recent research. Some of the key

biodiversity-promoting measures that follow the principles of regenerative forestry include the following:

- Wood is procured only from certified forests or sources of controlled origin (see *Policies* for further information).
- Metsä Group only procures tree species naturally occurring in the area, that is, spruce, pine, silver birch, downy birch and aspen.
- Mixed forests increase forest biodiversity and forest resilience against storm and insect damage, for example.
- In wood procurement areas, decaying wood is added by retaining dead trees, leaving retention trees preferably in groups, and by making high biodiversity stumps during thinning and regeneration felling.
- In herb-rich forests, Wood Supply recommends nature management methods – and voluntary protection for the most valuable sites. Nature management measures are thus focused on places where they have the greatest impact on biodiversity.
- Protective thickets are left for animals at all stages of forest management.
- Buffer zones along waterbodies promote biodiversity and prevent the runoff of soil and nutrients.
- Continuous cover forestry is chosen as the procedure for sites that it is suited for.
- The FSC nature site service contributes to focusing protection on the most valuable nature sites.

A very tangible example of the practical implementation of regenerative forestry measures in forest management services and wood supply is the Metsä Group Plus service introduced in June 2023, which is a forest management model designed for Metsäliitto Cooperative's owner-members. In the Plus model, measures that safeguard and improve the state of forest nature more comprehensively than current standard practices are agreed in connection with wood trade and orders for young stand management.

Metsä Board has identified the key legislative initiatives that may affect forest use and the production of Metsä Board's products. As part of Metsä Group, Metsä Board participates in the management of regulatory risks by actively engaging in policy dialogue and targeting its key messages based on the identified regulatory risks. Advocacy is discussed under *G1 – Business conduct*.

Regenerative forestry makes business more resilient to impacts related to legislation, the markets and climate change.

Biodiversity outside commercial forests

Metsä Group's nature programme annually funds regional development projects that improve biodiversity and the state of waterbodies and are implemented outside commercial forests in Finland. In 2023, a total of 23 Finnish biodiversity management and restoration projects were selected for funding. They focus on themes such as the management of traditional landscapes and restoration of flowing waters. The funding for these projects totalled EUR 600,000.

Biodiversity in areas around production units

In 2023, Metsä Group launched a multi-year systematic action plan in which a biodiversity plan will be drawn up for each of the company's production units. The project was launched in Kemi, which will serve as the pilot site for the entire project. The action plan encompasses the industrial

site, as well as off-site land areas that are used by the town for recreational purposes. The special features of local nature will be taken into account in the project, and the living conditions of endangered species will be improved.

Impacts and dependencies on ecosystem services

Wood production is a key ecosystem service, or a benefit offered by nature, for Metsä Board. The goal of Metsä Group’s forest management services is to safeguard locally, nationally and internationally significant ecosystem services. Strengthening the state of nature with regenerative forestry and comprehensively managing nature’s ecosystem services improve forests’ adaptation to climate change

Reporting principles for metrics

The calculation of high biodiversity stumps left on harvesting sites covers the direct standing sales carried out by Metsä Group’s Wood Supply and Forest Services. The harvesting sites include intermediate and regeneration felling sites. The calculation of retention trees left on regeneration felling sites covers the direct standing sales carried out. Forest certification criteria set minimum requirements for the number of retention trees. The calculation is based on the number of regeneration felling sites. Stands containing only spruce after young stand management are determined based on the young stand management work carried out. The calculation takes into account spruce-dominated sites where spruce accounts for more than 50 per cent of the remaining trees. Spruce is considered to be the only tree species if other species account for less than 10 per cent on the site. The number of measures promoting biodiversity is calculated based on the measures carried out in owner-members’ forests. The measures that are currently monitored include nature management measures in herb-rich forests, burned retention trees, FSC nature site services and the number of Metsä Group Plus agreements.

E5 – Resource use and circular economy

Material impacts, risks and opportunities related to resource use and the circular economy

Impacts	Risks and opportunities for Metsä Board	Management
Resources inflows, including resource use		
↑ Thanks to regenerative forestry, Metsä Board’s primary renewable resources can be obtained in line with circular economy principles, and they are a more sustainable alternative to primary fossil-based raw materials, the procurement of which is not compatible with the circular economy. The impact of wood raw material on the carbon balance of forests and forest biodiversity, as well as the related risks and opportunities, are presented under E1 – Climate change and E4 – Biodiversity and ecosystems. The impacts, risks and opportunities of water and energy consumption are described under E1 – Climate change and E3 Water and marine resources.	↑ Opportunity: Legislation that recognises the climate and other benefits of fossil free raw materials in the production of materials and sets requirements for replacing primary fossil-based raw materials with more sustainable alternatives. ↓ Risk: Legislation that requires the use of recycled material in several products and does not recognise the circular economy benefits offered by fresh fibres and other bio-based raw materials. Because the current business strategy focuses on fresh fibre products, this will probably have a negative impact on business. Adapting to a changed operating environment will require new investments, among other things.	• Wood raw material is utilised entirely. • Industrial symbioses are developed so that the network of companies offers synergies in resource use. • R&D for developing fossil free alternatives and making products more lightweight. • The continuous improvement of production processes and new mill investments further improve resource efficiency. • Commitment to regenerative forestry principles, the continuous development of forest management services and other active cooperation with the cooperative’s owner-members. The actions are described in more detail under E1 – Climate change and E4 – Biodiversity and ecosystems. • Attention is also paid to the resource efficiency of other materials and energy use. Actions to reduce water use are described in more detail under E3 – Water and marine resources, and actions to improve energy efficiency are described under E1 – Climate change.
Resource outflows related to products and services		
↑ Metsä Board’s products offer customers and consumers the opportunity to use recyclable products and an alternative to products made from fossil-based raw materials.	↑ Opportunity: Legislation and international agreements that favour recyclable products made from renewable resources by the forest industry instead of packaging made from materials such as plastic offer more growth opportunities. ↓ Risk: Legislation that favours reusable packaging instead of recyclable single-use packaging can reduce the demand for Metsä Board’s products and in the worst case, prohibit the use of single-use packaging. If the chemical recycling of plastics is implemented at industrial scale, the use of plastics may become more acceptable, and there will be less need to replace plastics.	• R&D and services increase the recyclability of products and reduce their environmental footprint. • Cooperation with customers and other value-chain operators is active. • Active engagement in advocacy. Metsä Board’s influencing and lobbying are discussed under G1 – Business conduct.

Impacts	Risks and opportunities for Metsä Board		Management	
Waste and side streams				
↑	Metsä Board's production side streams are converted into new products.	↑	Opportunity: The utilisation of side streams generates financial benefit. Making full use of the forest industry's side streams strengthens the industry's acceptability and secures future operations.	
↓	Metsä Board's production currently generates landfill waste that causes emissions to air, water and soil. Nearly all production side streams are utilised as materials or energy. Landfill waste in the reporting year is presented in the table on page 49. The 2030 target is 0 tonnes of process waste delivered to landfills.	↓		Risk: If an end use is not found for all side streams, the acceptability of forest industry operations will weaken, and no economic benefit will be obtained from side streams.
		↓		Risk: Legislation that leads to a decline in the use of forest industry side streams for bioenergy generation erodes the acceptability of forest industry operations.
↑ Positive impact on the environment and society or on Metsä Board's business				
↓ Negative impact on the environment and society or on Metsä Board's business				

Metsä Board's 2030 sustainability target

	2030 target	2023	2022
Process waste delivered to landfills, t	0	1,164	130

Progress in targets

- **Process waste to landfills** – In 2023, the volume of landfill waste increased from the previous year due to a waste batch resulting from the Husum investment shutdown. The investment shutdown is also expected to affect the volume of landfill waste in 2024. Except for this single incident, the reduction of Metsä Board's landfill waste has progressed as planned towards the 2030 target.

The targets related to water and energy use are discussed under *E1 – Climate change* and *E3 – Water and marine resources*.

Comprehensive system-level indicators for the circular economy are still under development internationally. Metsä Group follows the development of indicators and participates in testing and development work in the scope of the Ellen MacArthur Foundation.

The identification and assessment of material impacts, risks and opportunities

The material impacts, risks and opportunities related to resource use and the circular economy have been identified in a double materiality assessment based on the principles of the company's risk management process. The materiality assessment is discussed on *pages 26–28*.

The production units' resource efficiency and waste management are considered in the environmental impact assessments of investment projects and during the environmental permit processes. The need for environmental impact assessments is determined by the local EIA authority.

After any environmental impact assessment, the production units operate in accordance with their environmental permit and the company's operational management system. The mills' waste management is also regulated by the conditions in the environmental permits. Some mills have their own waste management area, subject to an environmental permit, the environmental impacts of which are monitored and managed in accordance with the permit conditions. Risks related to waste management are assessed as part of regular risk assessments.

Policies

In its environmental policy, Metsä Board is committed to regenerative forestry, efficiently using raw materials, water and energy, and continuously developing operations. The side streams generated in production processes are used primarily as raw material or energy. The company takes advantage of synergies between its production units and develops industrial cycles and the recyclability of products.

In its operations, the company follows circular economy principles, safeguarding nature's capacity for renewal, minimising waste and emissions, and keeping natural resources used by society in use for as long as possible and as valuable as possible.

As the complete recycling and reuse of materials are impossible, maintaining the material cycle also requires the addition of primary raw materials to the cycle. Fresh fibre is therefore needed to maintain a good and functioning recycling loop of fibre-based packaging. Primary renewable resources can be obtained while safeguarding nature's capacity for renewal, as required by circular economy principles. Metsä Group's wood supply is based on regenerative forestry, which is discussed under *E1 – Climate change* and *E4 – Biodiversity and ecosystems*.

In the Leader in sustainability strategic programme, the focus concerning the circular economy is on achieving the strategic sustainability targets for fossil free production units and products, water and energy efficiency, and expanding the company's role in the circular economy. The goal of the Effective innovation programme is to ensure the long-term competitiveness of Metsä Board's products. Its focal areas include reducing the weight of paperboard and developing fossil free recyclable products such as dispersion-coated paperboard.

All Metsä Board's paperboards are produced from renewable and recyclable fresh fibre. Fresh fibre paperboards do not interfere with the smell or flavour of the product they cover, and they are the safest choice for fibre packaging designed for food and other demanding end uses.

■ Actions

The company's key strategic actions related to resource use and the circular economy are the following:

- Committing to regenerative forestry principles and also promoting regenerative land use in mill areas. Further information is available under *E1 – Climate change* and *E4 Biodiversity and ecosystems*.
- Reducing water use by developing production processes and deploying new technologies. Further information is available under *E3 – Water resources*.
- Transitioning to fully fossil free energy in production. Further information is available under *E1 – Climate change*.
- Improving energy efficiency by using electricity, heat and fuel more efficiently. Further information is available under *E1 – Climate change*.
- Transitioning to fully fossil free raw materials and packaging materials. Further information is available under *E1 – Climate change*.
- Reducing the environmental impacts of packaging through product development such as lightweighting of paperboards and by offering customers services in areas like sustainability and packaging design. Further information is available in the Report of Board of Directors, under *R&D and innovation*.
- Promoting recycling by participating in international initiatives. Further information is available under *G1 – Political influence and lobbying activities*.
- Finding new purposes for waste generated in production jointly with partners.

Resources inflows, including resource use

Raw materials are used resource efficiently to avoid waste in production. The main raw material, renewable wood, is used fully. The most valuable part of the tree, log wood, is used for wood products produced by Metsä Group's other business areas, while thinner tree parts and the thin trees obtained from thinning are used as the main raw material for pulp and paperboard mills. The branches and logging residue are used in the production of renewable energy. Metsä Board's mills are continuously improving their recovery processes to avoid the generation of waste in pulp and paperboard production. For example, increasing process water recycling makes energy use more efficient and reduces the loss of fibre material.

The pre-engineering of the Kaskinen folding boxboard mill, launched in 2022, is based on the idea of fossil free production, reduced paperboard weight and notably reduced wood, energy and water use per tonne of folding boxboard produced compared with current production units.

Outflows related to products and services

In the circular economy for fibre-based packaging material, Metsä Board's task is to provide markets with premium fresh fibre paperboards as resource efficiently as possible, help replace fossil-based materials and reduce the carbon footprint of packaging. Ensuring and developing the recyclability and compostability of paperboards is of key importance.

Metsä Board's paperboards, mainly produced from renewable raw materials, can be recycled, depending on local recycling systems. Except for the PE-coated grades, all the company's paperboards are certified as industrially compostable according to the DIN EN 13432 and ASTM D6400 standards and as home compostable in accordance with the NF T 51–800 standard.

The company's R&D focuses on lightweighting of paperboard and developing bio-based barrier coating for end-uses in food packaging. Further information is available in the Report of the Board of Directors, under *R&D and innovation*.

Through its 360 Services, Metsä Board offers customers services in fields like R&D, sustainability and packaging design to help customers improve the recyclability and material efficiency of their packages through packaging life-cycle calculations, data-based comparisons of the environmental impacts of different materials, and concrete packaging solutions. The life-cycle assessments of all the company's products and the comparisons between different materials are carried out in accordance with the ISO 14040 and ISO 14044 standards. The calculation model of the life-cycle assessments has been verified by an external partner, and two of the company's products have an environmental product declaration (EPD), stating the comparable results of the paperboard product's life-cycle assessment.

Waste and side streams

Most of the production side streams are utilised. Wood-based waste and by-products, sludge, ashes and lime are used in soil improvement and landscaping, fertilisers, chemicals industry applications, and in energy generation. A relatively small share of the materials is delivered to landfills (table on page 49).

The main process waste components are green liquor dregs generated in the pulp production process and ash unsuitable for fertilisation, which is generated in energy generation. No established end use has yet been identified for green liquor dregs. Metsä Group is actively seeking new applications for green liquor dregs by conducting its own research and pilot projects and participating in universities' jointly funded research projects. In 2023, batches of green liquor dregs were supplied for testing in new applications, and they were also used in earthworks.

Some mills have their own waste management area or landfill, where operations are subject to an environmental permit. The environmental impacts of the mills' own waste management areas are minimised in accordance with the environmental permits. Part of the waste is delivered to external waste management companies, whose operations are subject to environmental permits, for processing or disposal. The sustainability of waste management operators is ensured in supply agreements.

A strategic R&D programme for converting side streams for use in the circular economy is underway at Metsä Group. Metsä Group is researching and developing, both independently and with partners, various new purposes for sludge, ashes, lignin, sawdust, bark and many other forest industry side streams. It is also exploring opportunities for carbon recovery and upgrading.

Inflows of material and energy

Wood-based raw materials, 1,000 t	2023	2022
Wood	3,505	4,450
Purchased pulp	373	558
Recycled fibre	0	0
Other raw materials, 1,000 t	2023	2022
Process chemicals	28	37
Coatings, binders and pigments	254	345
Packaging material	21	30
Share of renewable and recyclable raw materials and packaging materials, %	2023	2022
Renewable materials	93	93
Recycled materials	0.1	0.2

Metsä Board uses recycled paperboard for the cores of paperboard reels.

Outflows of material and energy

Products, 1,000 t	2023	2022
Pulp	555	683
BCTMP	441	727
Paperboard	1,319	1,890
Other bioproducts (tall oil and turpentine)	17	20
By-products, 1,000 t	2023	2022
Fertilising and soil improvement (lime, ash, sandy bark)	12	12
Industrial use (lime dust, ash, de-inking sludge)	13	25
Energy use (de-inking sludge, sandy bark)	0	0
Total	25	36

Waste use and disposal, 1,000 t	On-site	Off-site	Total 2023	Total 2022
PROCESS WASTE (NON-HAZARDOUS)				
Material utilisation	10	49	59	55
Energy use	59	0.6	59	74
Landfill	0	1.2	1.2	0.1
Total process waste	69	50	119	129
OTHER NON-HAZARDOUS WASTE				
Material utilisation	0.1	3.6	3.8	4.6
Energy use	0	0.3	0.3	0.2
Landfill	0	0.1	0.1	0.03
Total other non-hazardous waste	0.1	4.0	4.1	4.8
HAZARDOUS WASTE				
Material utilisation	-	0.5	0.5	0.1
Energy use	-	0.01	0.01	0.01
Incineration without energy recovery	-	0.8	0.8	0.7
Landfill	-	0.01	0.01	0.01
Other disposal	-	0.1	0.1	0.04
Total hazardous waste	-	1.4	1.4	0.9
Total waste	69	56	125	133

Reporting principles for metrics

The waste volumes include waste transferred directly from the mill process and interim storage to final disposal, including material and energy recovery, landfill disposal, and hazardous waste treatment. Waste transferred from the mill process to interim storage is not included in the disclosed waste volumes. The disclosed waste volumes include moisture.

The volume of process waste delivered to landfills includes the volume of waste from production processes (in tonnes) delivered

to landfills from all the production units. The 2030 sustainability target only applies to process waste. For example, it does not apply to waste generated in production units' cafeterias, the volume of which is non-material compared with process waste.

The volume of waste treated in the mills' own waste treatment areas is collected from weighting reports. Information about the volume of waste treated by external service providers and the treatment method is obtained from service providers.

S – Social responsibility

S1 – Own workforce

Material impacts, risks and opportunities related to own workforce

Material sub-sub-topics	Impacts	Risks and opportunities for Metsä Board	Management
Equal treatment and opportunities for all			
- Gender equality and equal pay for work of equal value - Diversity - Measures against violence and harassment in the workplace - Training and skills development	↑ If equality is realised in the treatment, compensation and recruitment of employees, wellbeing can increase, and opportunities for continuous learning and career development can improve.	↑ Opportunity: The most suitable professionals are selected for key duties, which improves Metsä Board's employer image, as well as its innovativeness and performance.	- Anonymous recruitment is the company's main recruitment method. - Competence development and performance management are systematic. - DEI (diversity, equality and inclusion) activities are invested in. - The share of women is increased at different organisational levels. - Everyone can report grievances through the Compliance and Ethics Channel.
	↓ If equality is not realised in the treatment, compensation or recruitment of employees, wellbeing and opportunities for continuous learning and career development would be weakened.	↓ Risk: The most suitable professionals are not selected for key duties, which weakens Metsä Board's employer image, as well as its innovativeness and performance.	
Working conditions			
- Secure employment - Working time - Adequate wages - Social dialogue - Collective bargaining - Work-life balance	↑ Actions promoting working conditions, such as company-specific collective agreements, flexitime and individual working time model for shift work, positively impact employees' work ability and wellbeing.	↑ Opportunity: Workforce's work ability, job satisfaction and commitment to the company increase. This improves Metsä Board's employer image and performance.	- Metsä Board's production units are in countries with high-quality statutory requirements concerning working conditions. Local legislation is followed in all operating countries. - Everyone has the possibility to choose whether they belong to a trade union or not. - Metsä Board uses company-specific collective agreements. - All Metsä Board employees are covered by the centralised HR management system. - Employees can work remotely depending on the nature of their work. - Employees have flexible working hours. - An individual working time model for shift work is being tested at Finnish production units.
	↓ Inadequate working conditions would weaken the quality of life of employees and their families and increase inequality.		
Health and safety	↑ Actions promoting health and safety positively impact employees' general physical and mental wellbeing and work ability.	↓ Risk: Workforce's work ability, job satisfaction and commitment to the company decline. This weakens Metsä Board's employer image and performance.	- Actions promoting health and safety at Metsä Board include, for example: - Certified safety management systems - Training, opportunities for safety observations, ongoing risk assessments and defined processes for responding to accidents - Operating models for early support and return-to-work support (rehabilitative activities), and a substance abuse programme - Training of supervisors in managing occupational safety and wellbeing - Employees are offered healthcare and a sports and culture benefit that anticipate and promote the maintenance of work ability
	↓ Inadequate actions for securing health and safety would negatively impact employees' general physical and mental wellbeing and work ability.		
Other work-related rights			
- Child labour - Forced labour	↓ Violation of labour rights would cause human suffering, inequality and a deterioration in the quality of life of employees and their families.	↓ Risk: Metsä Board suffers permanent damage to its reputation. Workforce's job satisfaction and commitment to the company decline.	- Metsä Board has focused its production in countries with no significant risk of child or forced labour. - Metsä Board respects human rights in all its operations, does not accept human rights violations in any form, and is committed to ensuring that its operations do not result in negative human rights impacts. - Employees receive human rights training through e-learning courses. - Everyone can report grievances through the Compliance and Ethics Channel.

↑ Positive impact on the environment and society or on Metsä Board's business

↓ Negative impact on the environment and society or on Metsä Board's business

Metsä Board's 2030 sustainability targets

	2030 target	2023	2022
Anonymous recruitment for vacancies open to all, %	100	72	57
Women in management positions, %	>30	21	25
Total recordable incident frequency, own employees (TRIF)	0	6.1	6.7
Employee job satisfaction	AAA	A+	-

The previous result of the employee survey is from 2021.

■ Progress in targets

- **Anonymous recruitment for vacancies open to all** – Metsä Board initiated anonymous recruitment in 2022. The 2023 results offer a good starting point for the 2030 target.
- **Women in management positions** – Despite the measures taken, the share of women in management positions did not increase in line with the target in 2023. The measures' effectiveness and proportionality in terms of the target will be assessed in 2024.
- **Total recordable incident frequency, own employees (TRIF)** – TRIF progressed towards the zero accidents target. Unfortunately, some of the accidents were serious, so the emphasis on proactive safety work and preventing serious work-related accidents must continue.
- **Employee job satisfaction** – The result remained the same as in the previous employee survey. The goal is to enhance the implementation of the measures set based on the employee survey and to assess any other measures affecting job satisfaction.

■ The identification and assessment of material impacts, risks and opportunities

The material impacts, risks and opportunities related to the company's own workforce have been identified in a double materiality assessment based on the principles of the company's risk management process. The materiality assessment is discussed on *pages 26–28*.

■ Policies

The sustainability of Metsä Board's own workforce is guided by applicable legislation, as well as policies comprising Metsä Group's policies approved by the company's Board of Directors, such as the Code of Conduct, the Metsä for all vision and management systems. The policies apply to all Metsä Board employees. The key occupational safety training applies to the company's own employees and leased labour.

The Motivated people strategic programme focuses on the competence development of management and employees'; the mills' common operating model; a diverse, equal and inclusive (DEI) culture; the implementation and development of an ethical and respectful company culture, and ensuring future employee needs. The goal is that everyone in the workplace community understands the significance of their role and work in strategy implementation. The Safe and efficient operations and organic growth strategic programme focuses on topics such as the continuous improvement of occupational safety. One of the goals is to reduce the number of work-related accidents.

Equal treatment and opportunities for all

Metsä Board is committed to promoting the diversity, equality and inclusion (DEI) of its own workforce. This work is guided by Metsä Group's Code of Conduct, Equality policy and the Metsä for all vision, published in 2021. The DEI steering group, set up in 2023, handles the practical guidance of Metsä Board's equality work, which aims to ensure the implementation of the Metsä for all vision and the company's other principles.

The Code of Conduct and Equality policy encompass the prohibition of discrimination based on gender, age, origin, race, nationality, language, religion, belief, opinion, political activity, trade union activity, family relations, pregnancy, health, disability, sexual orientation or any other personal characteristics. Indirect discrimination is also prohibited. The non-discrimination principle applies throughout the life-cycle of an employment relationship, regardless of whether the employment relationship is permanent, temporary or part-time.

Awareness of diversity, equality, inclusion and non-discrimination is promoted through the Code of Conduct and DEI e-learning courses, which are mandatory for employees. The themes are part of the induction of new employees and apprentices, and supervisor and leadership trainings.

Training and skills development

Metsä Board's management and employees' skills development are guided by the Human Resources policy. Metsä Board's management and HR are in charge of implementing the policies included in the Human Resources policy. Management and supervisory work is supported through coaching, where participants discuss matters such as Metsä Group's good leadership framework. Employees' skills are developed long-term in line with Metsä Board's strategy and goals.

Working conditions

Metsä Board complies with the applicable practices for working conditions in its operating countries, in addition to local legislation. In its Code of Conduct, the company is committed to fair terms and conditions of employment. In Finland, Metsä Board follows company-specific collective agreements for the chemical forest industry.

All Metsä Board production units and 88% of the employees are located in Finland and Sweden, both of which have high-standard statutory requirements concerning working conditions such as reasonable working hours, annual leave, parental leave and part-time work. The wage payment practices for the family leave of employees in Finland have been harmonised to a level that exceeds the requirements of family leave legislation and provides parents more equal opportunities to care for their child. All employees are paid a living wage (situation at the end of the reporting period, 31 December 2023). Metsä Board's employees can choose whether they belong to a trade union or not.

Health and safety

Metsä Board's occupational safety is guided by the safety management system, comprising the Corporate Security policy and the safety principles, standards, processes and work instructions. Metsä Board's safety management system considers each country's legislation, for example, the Occupational Safety and Health Act in Finland. In addition to guiding occupational safety, the ISO 45001 standard calls for a safety management system. Metsä Board's CEO is responsible for the implementation of safety policies in accordance with the requirements specified by Metsä Group's senior management.

The roles and responsibilities of occupational safety are defined in the safety management principles. The related e-learning course is mandatory for the employees of production units. The General Safety Induction e-learning course on hazards and risks in the work environment is mandatory for Metsä Board's own workforce working in production units and construction sites.

All Metsä Board mills comply with the ISO 45001 standard for occupational health and safety. All Metsä Board mills and the company's head office apply the 5S method for organising workplaces and standardising working methods, which aims to increase productivity, safety and wellbeing at work.

At Metsä Board, wellbeing and the improvement and maintenance of work ability are guided by the Code of Conduct and the guidelines for wellbeing and occupational safety, in which Metsä Group commits to promoting the employees' physical and mental wellbeing. The promotion of workplace wellbeing and work ability is proactive, the goal being to identify threats to employees' work ability, initiate actions and maintain the employees' health throughout their careers. The sites are responsible for compliance with applicable legislation and Metsä Group's requirements for workplace wellbeing.

Metsä Board organises healthcare for its employees in accordance with each country's legislation. Information about healthcare services is available on the company's intranet pages, and it is also included in employees' induction.

Other work-related rights

As part of the Code of Conduct, Metsä Board is committed to acting in accordance with the UN Guiding Principles on Business and Human Rights and to respecting internationally recognised human rights in accordance with the UN's Universal Declaration of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work. Metsä Board is committed to ensuring that no child or forced labour, human trafficking or other forms of modern slavery occurs in its business operations and supply chain. Metsä Group publishes a modern slavery statement annually in accordance with the UK Modern Slavery Act, in which it describes the actions taken to ensure that no modern slavery occur in the company's own operations or its supply chain. Metsä Board supports the UN Global Compact initiative and its principles concerning human rights and employees, among other things. Human rights matters are discussed in e-learning courses such as those focusing on sustainability, the Code of Conduct and DEI, which all employees are required to complete regularly.

■ Engaging with the workforce and workforce representatives about impacts

Metsä for all vision

Interaction with employees played an important role when defining the Metsä for all vision. The vision's content was influenced by the opinions of the international working group comprising the company's employees, as well as the results of the survey for all employees. The site-specific development measures related to the vision were determined in workshops for local management, aided by site-specific DEI employee surveys. The workshops and DEI surveys are discussed under *Actions*.

Collective agreements

Company-specific collective agreements for the chemical forest industry are renewed among the parties based on the principle of continuous negotiations. The concluding of company-specific collective agreements marked the beginning of measures carried out jointly with the employees' representatives to renew and improve work life.

Cooperative activities

Metsä Board complies with local legislation and applicable collective agreements in all its operating countries. Cooperation is carried out in accordance with each country's legislation. The aim of cooperation is to develop the company's operations and the employees' opportunities to influence the company's decision-making concerning their work, working conditions and position in the company.

In Finland, elected representatives participate annually in Metsä Group's cooperation forum and Metsä Board's corporate meeting, where the elected representatives and the company management discuss the elected representatives' questions, development proposals and the group's financial position. In addition, the management team at all mills in Finland includes an elected representative.

Metsä Board has a European Works Council (EWC). The goal of the EWC is to promote the company's internal information flow and contacts between the Corporate Management and employees, as well as to regularly discuss questions about the company's multinational operations that are significant to the employees, primarily in accordance with the Finnish version of the EWC agreement. The Works Council is not intended to discuss matters regulated through national or local collective agreements.

Employee survey, ethics barometer and Pulse survey

Metsä Board conducts an employee survey, measuring job satisfaction, and an ethics barometer, measuring the employees' views on the practical implementation of the Code of Conduct, in alternate years. The ethics barometer is discussed under *G1 – Business conduct*.

The employee survey is the responsibility of the HR function, which supports the company management in handling the survey results and addressing them in decision-making. The results are discussed at different organisational levels and with elected representatives. Supervisors are trained to process the results, and teams are offered professional support for processing the results and preparing development actions. The results are used in the workplace communities to define development measures, the implementation of which is monitored in units and by the company management.

Metsä Board measures employees' commitment to the company and their views on the ethics of business with the Pulse survey, conducted four times a year.

The results of the employee survey, ethics barometer and Pulse survey are used as indicators for strategy implementation.

Safety talks and occupational health and safety committees

Occupational safety is promoted and supported with safety talks, or information sessions for the workforce, which are recorded in the system. The occupational health and safety committees of mill sites regularly discuss matters related to the promotion of occupational safety with various groups of the workforce. The occupational health and safety committee prepares an annual action plan for occupational safety, based on which the occupational health and safety manager and the committee jointly determine the key development measures related to occupational safety. The occupational health and safety committees represent the company's own workforce as a whole, that is, the company's own employees and leased labour.

■ Processes to remediate negative impacts and channels for the company's own employees to raise concerns

Compliance and ethics channel

The company's own workforce can report any ethical concerns or non-compliance with legislation they detect through Metsä Group's Compliance and Ethics Channel or to their supervisor, local management, HR or the Compliance Committee. The Compliance and Ethics Channel, raising concerns and the processing of notifications are discussed in more detail under *G1 – Business conduct*.

Working conditions

Health and safety

Metsä Board's risk assessment and management is supported by the HSEQ system, designed for recording and monitoring safety observations, accidents, close calls, corrective measure, employee briefing sessions, known as safety talks, and safety walks. Entries can be made by anyone belonging to the company's own workforce. Safety observations are discussed in daily meetings. Metsä Board does not accept countermeasures against whistle-blowers. If required, whistle-blowers can also submit a report anonymously through the Compliance and Ethics Channel.

All accidents and hazardous situations are investigated. The investigation creates conditions for avoiding similar situations and identifying any shortcomings in safety management. When the investigation report is completed, a summary of the investigation is distributed to all Metsä Group business areas.

■ Actions

Equal treatment and opportunities for all

The focal points of the Metsä for all vision are equality and gender equality, diversity, inclusion, and cultural change. They guide the development of employee processes and the annually determined measures for achieving

the vision. As part of the continuous development work, an equal pay survey is conducted annually, employees are trained regularly, and measures are taken to ensure that the gender distribution in supervisor and leadership trainings corresponds to the DEI targets.

Breaking the forest sector's traditional male dominance has been identified as a key theme in Metsä Board's social responsibility. In addition to the company's strategic target (>30% of women in management positions), efforts are made to increase the share of women at all organisational levels.

Anonymous recruitment is the main recruitment method. It supports the diversity of employees by encouraging people with different backgrounds to apply for jobs at Metsä Board. Anonymous recruitment encourages personnel to consider their unconscious biases and their potential impact on recruitment.

Based on the results of the 2022 ethics barometer, increasing awareness of the Metsä for all vision and strengthening its implementation at the local level was determined as a development area. To promote it, a workshop-based programme was launched for local management. In the workshops, development measures will be determined based on the results of the DEI survey conducted among local employees. Key areas of development identified in the DEI surveys conducted by the end of 2023 include the unequal distribution of workload, the unequal treatment of employees and poor work-life balance. The workshops will continue in the first half of 2024.

Training and skills development

The aim is to ensure the availability and retention of skilled employees by investing in development programmes, successor planning, cooperation with educational institutions, and employer image. Competence surveys support the development of multi-competence and competence measurement. Personal assessments and wider competence surveys can guide the individual, group and organisational level competence development and the content of development programmes.

Metsä Board encourages its employees to actively develop their competence and participate in different types of training. Everyone is provided with a personal development plan to support their development at both the personal and team levels. In 2023, to promote continuous development, Metsä Group launched academies for procurement, leadership, sustainability and sales alongside the previously launched Finance Academy. Mentoring programmes support the employees' professional growth and enable the use of tacit knowledge.

The implementation of competence development is monitored at two levels. Metsä Board monitors the number of personal development plans and employee survey results related to the opportunities to use one's own competence. In addition, feedback is collected for each academy.

Metsä Board's employees have a bonus system, and the personal performance bonus goals of each employee covered by the system include a sustainability target. Personal goals and development items are set, and progress is monitored in performance and development appraisals (PDAs), which all employees conduct with their supervisor twice a year. The bonus system does not cover trainees, thesis workers, employees who have worked less than four months during the bonus scheme year or individuals who are not in an employment relationship at the time of the bonus payment.

Working conditions

All Metsä Board's employees are included in the same HR management system, which reduces the risk of employment conditions or wages in breach of the law or agreements. Depending on the nature of work, employees have access to flexible working hours and a hybrid model, which enables them to work remotely part of the week. The company supports the employees' wellbeing at different stages of life and enables a long career by offering various solutions such as job rotation.

Health and safety

In Metsä Board, safety management is based on the prevention of hazards and risks. Risks are assessed regularly, and the company's own workforce completes a safety induction in the potential risks of the work environment.

Accidents are prevented with common safety-at-work standards, proactive measures – such as risk assessments, safety observations, safety walks and safety training – and investments improving safety. The most typical accidents consist of injuries to hands and feet. Safety-at-work standards have been drawn up for the duties identified as the riskiest. The permit to work standard covers the most important of these: lockout/tagout, working at heights, lifting work, work in confined spaces, excavations and hot work.

The zero accidents target is supported by long-term focal areas for safety – the deployment of common safety-at-work standards, personal risk assessments and the development of hand safety. The measures determined based on the focal areas guide the development of safety work, define the key targets and make safety work more predictable. In 2023, the main focal area of safety work was improving personal commitment. This was carried out through individual targets for proactive safety work and by planning and launching the concept of safety coaching.

Despite all the preventive actions, a fatal accident took place at Metsä Board's Simpele mill in 2023. One of the company's employees died during maintenance work when they got caught between a travelling crane and a solid structure. The accident was thoroughly investigated in cooperation with the authorities and service suppliers. In addition to the investigation report, an internal audit summary was compiled so the company could learn from the incident, and so that future accidents could be avoided.

In health checks, occupational healthcare evaluates employees' health in view of the demands of their duties and the exposures related to their work. The healthcare services of leased labour are handled by their own employer. The most common occupational illnesses are allergic skin or respiratory reactions caused by dust or chemicals. Workplace conditions are made as health secure as possible, for example, in terms of tidiness and adequate ventilation. Also the appropriateness and adequacy of personal protective equipment is ensured.

To support work performance, operating models have been defined for rehabilitative activities and early support. A substance abuse programme is also in place. Supervisors are offered guidelines and training for managing wellbeing at work.

In 2023, work to promote wellbeing at work continued. Supervisors and HR were trained in the implementation of early support as part of day-to-day management. The material supporting the promotion of workplace wellbeing was updated. The early support measures carried out are monitored in relation to the defined and required measures. Special attention was paid to the employees' musculoskeletal condition and support for mental wellbeing. Webinars and info sessions on the topics were organised for the employees, and supervisors were offered Mind and Work training.

The individual working time model for shift work prepared by Metsä Group in 2023 supports the employees' work ability at Metsä Board's production units in Finland by improving employees' opportunities to influence their working hours. A year-long trial period will begin at all Finnish production units in 2024.

Other work-related rights

The realisation of human rights is considered as part of the development of HR processes. Investments in occupational safety, DEI work, and e-learning courses dealing with these topics were key practical measures affecting the realisation of human rights in 2023. The Compliance and Ethics Channel and the ethics barometer are important tools for identifying human rights impacts.

Regarding the employees' data protection, procedures for processing employees' personal data have been defined, and all employees are required to comply with the Data Protection policy in place. The Data Protection policy defines the principles and rules that must be followed when processing personal data. Personal data related to the employees' health are processed only by designated individuals, in accordance with data protection legislation and in situations required by law. Employees' health-related data are stored separately from the employees' general personal data. Metsä Board uses advanced technical and organisational means for implementing data protection and information security, and the same is required of companies providing occupational healthcare services as part of the agreements.

In 2023, Metsä Board was made aware of incidents that may have had a direct or indirect negative impact on the company's human rights obligations. The incidents are discussed thoroughly under *G1 – Business conduct*. In addition, concerning the employees' occupational safety, these incidents are discussed in more detail in the *Health and safety* subsection of this chapter, as well as concerning the occupational safety and other work-related rights of suppliers' employees under *S2 – Workers in the value chain*.

Key employee figures

	2023	2022
Number of employees	2,343	2,347
Women	516	514
Men	1,827	1,833
Aged under 30	269	269
Aged 30–50	1,088	1,113
Aged over 50	986	965
Permanent employees	2,177	2,154
Women	465	454
Men	1,712	1,700
Temporary employees	165	193
Women	51	60
Men	114	133
Non-guaranteed hours employees	1	0
Women	0	0
Men	1	0
Full-time employees	2,262	2,267
Women	488	480
Men	1,774	1,787
Part-time employees	81	80
Women	28	34
Men	53	46
Total number of non-employees in company's own workforce	12	-
Share of men and women in management	22 / 6	21 / 7
Share of men and women in management, %	79 / 21	75 / 25

Employees by country

	Finland	Sweden	Poland	USA	Germany	Other countries
Number of employees	1,280	780	110	74	27	72
Number of permanent employees	1,186	714	105	74	27	71
Number of temporary employees	94	65	5	0	0	1
Number of non-guaranteed hours employees	0	1	0	0	0	0
Number of full-time employees	1,244	743	109	73	23	70
Number of part-time employees	36	37	1	1	4	2

Collective bargaining coverage and social dialogue

Coverage rate	Collective bargaining coverage		Social dialogue
	Employees – EEA	Employees – non-EEA	Workplace representation (EEA only)
0–19%	Poland	USA	
20–39%			
40–59%			
60–79%	Finland		
80–100%	Sweden		Finland, Sweden

Countries with more than 50 employees.

Employee turnover and recruitment

	2023	2022
Employee turnover rate, %	5.5	7.9
Women	6.6	11
Men	5.2	6.9
Aged under 30	5.5	14
Aged 30–50	5.2	5.8
Aged over 50	5.9	9.1
Number of new hires, total	130	120
Women	55	49
Men	75	71
Aged under 30	40	33
Aged 30–50	75	73
Aged over 50	15	14

Training and skills development

	2023	2022
Employees who participated in regular performance and career development reviews, %	92	88
Women	89	81
Men	93	90
Blue collars	92	90
White collars	92	84
Management	95	92
The average number of training hours per employee	18	15
Women	15	13
Men	18	16
Blue collars	17	15
White collars	19	15
Management	24	17

Total remuneration ratio of women to men

	Finland	Sweden	Poland
Blue-collars	0.95	1.00	-
White-collars	0.98	0.93	0.98

Social protection

Countries with no social security for the listed life events	
Sickness	
Unemployment starting from when the company's own worker is working for the undertaking	India, Singapore
Injury incurred at work or work disability	India, Singapore
Maternity leave	
Retirement	India

Health and safety

	2023	2022
OWN EMPLOYEES		
Occupational accidents	23	26
TRIF	6.1	6.7
Lost time occupational accidents	15	21
Lost time accident frequency, LTA1F	4.0	5.4
Fatal occupational accidents	1	0
Occupational diseases	0	0
Fatal occupational diseases	0	0
SERVICE PROVIDERS		
Occupational accidents	4	10
Fatal occupational accidents	0	0

Family-related leave

	2023
Employees entitled to take family-related leave	2,343
Employees entitled to take family-related leave, %	100
Number of women on family-related leave	44
Women on family-related leave, %	8.5
Number of men on family-related leave	159
Men on family-related leave, %	8.7

Figure for comparison unavailable.

Total remuneration

	2023
The annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees (excluding the highest-paid individual)	37.8

Figure for comparison unavailable.

Reporting principles for metrics

The figures for the company's own workforce include the entire Metsä Board Group.

The number of employees used in the calculations is indicated as the number at the end of the reporting period (31 December 2023), excluding metrics related to the coverage of collective agreements, social security and family-related leave, the reporting date of which is 30 September 2023. Any changes in the last quarter are not expected to affect the result of these metrics.

The number of employees also includes non-active employees such as employees on family-related leave. Metsä Board annually employs around 300 seasonal summer employees, thesis workers and trainees, some of whom are not employed at the end of the reporting period, when the number of employees is determined.

Non-employee workers in the company's own workforce include workers who have concluded an agreement on the supply of labour with Metsä Board, that is, self-employed people and workers provided by companies that primarily engage in employment activities. No significant changes usually take place in the number of workers over the year.

Recruitment includes permanent new hires. Employee turnover includes all leavers, whatever the reason (excluding transfer of business), divided by the number of employees. The figure includes permanent and employment relationships.

The share of anonymous recruitment of vacancies open to all includes the recruitment carried out in the Workday system. Workday is used in most recruitment. For example, cases in which the job applicant directly contacts the production unit are not included in the calculation.

The share of women in management includes women whose management level is VP/SVP/CEO, and who have a management IPE level.

The remuneration figures are reported based on the number of employees with an active employment relationship on 31 December 2023. The total remuneration ratio of women to men has been calculated as an average of women and men in the same pay category, weighted by the number of employees. If pay categories are not in use in the unit, remuneration has been compared within the same mill. The table indicates the three largest operating countries. In calculating the ratio of the highest paid individual to the median annual remuneration for all employees, the median excludes employees whose employment began during the reporting year, or who were absent for more than three months during the reporting year, as well as the remuneration of the highest-paid individual. The adequate wage indicator has been calculated by comparing employees' total remuneration with market data on the adequate wage in the area in question.

The number of work-related accidents is indicated separately for the company's own employees and service providers' employees. The accident frequencies, TRIF and LTA1F, only include the company's own employees, because information about service providers' actual working hours is unavailable. LTA1F includes all work-related accidents that have led to at least one day of absence. Frequencies have been calculated per million hours worked. The number of fatal work-related accidents includes the company's own employees and service providers' employees.

The employee survey results are based on the employee survey conducted every two years. The results are compared with European benchmarks, and the level of job satisfaction is derived from this. All Metsä Board employees can respond to the survey. Responses are collected on a scale of 1–4 (fully disagree/agree), and an external service provider converts the responses to indexes on a scale of 0–100 (100 = everyone fully agrees). Compared with the standard, the target of AAA is "very good".

S2 – Workers in the value chain

Material impacts, risks and opportunities related to workers in the value chain

Material sub-sub-topic	Impacts		Risks and opportunities for Metsä Board	Management	
Working conditions					
- Secure employment - Working time - Adequate wages - Social dialogue - Collective bargaining - Work-life balance	↑	Metsä Board's requirements and control mechanisms such as the model for combating the grey economy may have a positive impact on the working conditions of suppliers' employees.	↓	Risk: Metsä Board may unknowingly support operations contrary to its values. Suppliers' employees or contract entrepreneurs may experience weaker work ability, satisfaction and commitment to cooperation with Metsä Board. Metsä Board's reputation as a sustainable and safe partner is put at risk.	- The Supplier Code of Conduct contains requirements for fair employment practices. - Compliance is ensured with supplier audits and assessments. - Metsä Board follows due diligence in the Know Your Business Partner background check, which reviews known human rights violations, among other things. - The model for combating the grey economy is in use in construction projects.
	↓	Inadequate working conditions weaken the quality of life and wellbeing of suppliers' employees and their families, increase inequality and risk the work-life balance			
Health and safety	↑	Metsä Board's safety requirements can positively influence the wellbeing and work ability of suppliers' employees and the wellbeing of the employees' families.	↑	Opportunity: The suppliers and their employees work ability, wellbeing and commitment to cooperation with Metsä Board increases. Metsä Board's reputation as a sustainable and safe partner strengthens.	- The Supplier Code of Conduct contains requirements for occupational safety management. - Compliance is secured with targeted supplier audits and assessments. - The safety management system covers service providers working in Metsä Board's operations. Occupational safety is continuously developed jointly with service providers. - In Wood Supply, forest site preparation days and safety walks at loading and unloading sites are conducted regularly.
	↓	Deficiencies in Metsä Board's health and safety requirements or in the oversight of their implementation weaken the work ability of suppliers' employees, as well as their physical and mental wellbeing, and increase work-related accidents.			
Other work-related rights					
- Child labour - Forced labour	↓	An infringement of work-related rights in Metsä Board's supply chain causes human suffering and inequality and undermines the quality of life of employees and their families.	↓	Risk: Metsä Board unknowingly supports operations contrary to its values, which risks Metsä Board's reputation as a sustainable partner and operator.	- The Supplier Code of Conduct contains requirements for respecting human rights. - Compliance is ensured with supplier audits. - Metsä Board follows due diligence in the Know Your Business Partner background check, which reviews known human rights violations, among other things.

- ↑ Positive impact on the environment and society or on Metsä Board's business
 ↓ Negative impact on the environment and society or on Metsä Board's business

■ Targets

Metsä Board has set sustainability targets related to value chain workers and supplier commitment in the Code of Conduct, as well as supplier assessments and audits. These targets are discussed under *G1 – Business conduct*.

■ The identification and assessment of material impacts, risks and opportunities

The material impacts, risks and opportunities related to workers in the value chain have been identified in a double materiality assessment based on the principles of the company's risk management process. The materiality assessment is discussed on *pages 26–28*.

■ Policies

Sustainability related to workers in Metsä Board's value chain is guided by Metsä Group's Supplier Code of Conduct, approved by the company's Board of Directors, and the safety management system. Metsä Board's minimum requirement in supply agreements is that suppliers commit to Metsä Group's Supplier Code of Conduct or equivalent supplier-specific principles. The safety management system covers all employees of service providers working in Metsä Board's operations.

One of Metsä Board's strategic programmes focuses on safe and efficient operations and organic growth. The programme's focal areas include the continuous improvement of occupational safety. One of the goals is to reduce the number of work-related accidents.

Working conditions

The Metsä Group Supplier Code of Conduct includes several requirements related to the working conditions of suppliers' employees, with which suppliers must comply:

- Fair employment practices
- A living wage as required by laws and regulations
- Freedom of association and collective bargaining
- Respect for privacy
- Anti-harassment
- Equal opportunities and non-discrimination

The implementation of the Supplier Code of Conduct is the responsibility of Metsä Group's procurement organisation, which also handles centrally the procurement of Metsä Board's raw materials and services. The head of the procurement unit reports to Metsä Group's President and CEO.

Health and safety

Metsä Board's occupational safety is guided by the safety management system, comprising the corporate security policy and the safety principles, standards, processes and work instructions. The requirements of the safety management system are the same for the company's own workforce and service providers working in Metsä Board's operations. The implementation of safety policies is the responsibility of Metsä Board's CEO in accordance with the requirements specified by Metsä Group's senior management. The responsibilities related to safety policies are described under *S1 – Own workforce*.

The Safety Management Standard for Metsä Group Service Providers sets requirements for the work management and supervision, employee competence, safety reporting and permits to work of service providers working in Metsä Board's operations.

The General safety induction e-learning course dealing with hazards and risks in the work environment is mandatory for service providers working at Metsä Board's production units and construction sites.

The Supplier Code of Conduct require suppliers to provide a safe and healthy working environment to prevent accidents, injuries and illnesses and to ensure that employees are aware of and adequately trained in these issues. Suppliers must have an occupational health and safety management system according to ISO 45001 or an equivalent system, as applicable.

Other work-related rights

The Supplier Code of Conduct includes many binding requirements concerning other work-related rights of suppliers' workers:

- Respecting internationally recognised human rights in accordance with the United Nations' Universal Declaration of Human Rights and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.
- Acting in compliance with the UN Guiding Principles on Business and Human Rights.
- Taking action to remedy any adverse human rights impacts. Special attention must be paid to any adverse impacts on groups or individuals that may be at higher risk of vulnerability, such as migrant workers.
- Prohibiting any form of forced and child labour.

Further information about Metsä Group's Supplier Code of Conduct is available on *Metsä Board's website*.

■ Engaging with value chain workers about impacts

The need for interaction with suppliers' employees or their representatives is highlighted when suppliers' employees work in operations comparable to Metsä Board's own operations, for example, at mills or on construction sites. In other respects, the views of suppliers' employees are conveyed indirectly through supplier management activities such as cooperation meetings and surveys and audits. Supplier management practices are discussed under *G1 – Business conduct*.

Safety is continuously developed and monitored with service providers working at mills and in construction projects. A more detailed description is available under *Processes to remediate negative impacts and channels for value chain employees to raise concerns*.

Service providers' safety performance is monitored in large investments such as construction projects. Regular on-site safety talks are organised for the project personnel, and observed safety deviations are actively addressed. A contact person from the applicable trade union and a health and safety representative are assigned to projects.

■ Processes to remediate negative impacts and channels for value chain workers to raise concerns

Compliance and ethics channel

Value chain workers can report any ethical concerns or non-compliance with legislation they detect in connection with their cooperation with Metsä Board through Metsä Group's Compliance and Ethics Channel or to their contact person at Metsä Board. The notification procedures are discussed in the general safety induction for service providers' employees working in the company's operations. The Compliance and Ethics Channel and the opportunity available to suppliers' employees to report concerns are mentioned in the Supplier Code of Conduct. Information is also supplied at production units through info screens and posters.

In the Supplier Code of Conduct, the supplier commits to rectifying any non-compliance with the code. Suppliers must also ensure that their employees and stakeholders can raise concerns or grievances, and that there are appropriate practices for handling such cases.

The Compliance and Ethics Channel, raising concerns and the processing of notifications are discussed in more detail under *G1 – Business conduct*.

Working conditions

Methods adopted to prevent and mitigate any negative impacts on suppliers' employees include supplier background checks, audits and assessments. A model for combating the grey economy, as well as on-site spot checks, is in use in construction projects. A more detailed description is provided under *Actions* in this section and under *G1 – Business conduct*.

Any non-compliance related to working conditions, health and safety or other human rights is handled in accordance with Metsä Board's escalation process. The idea is to first offer suppliers the chance to rectify their way of working. If the supplier is unwilling or unable to rectify their way of working, they are removed from Metsä Board's operations. The most serious cases are presented for processing to Metsä Board's Corporate Management Team. In 2023, a total of ten companies had to be removed from the associated company Metsä Fibre's Kemi bioproduct mill construction project site because they did not comply with the project's sustainability requirements, even after being reprimanded. Further information is provided under *G1 – Business conduct*.

Health and safety

Safety is continuously developed and monitored with service providers working at mills and in construction projects. Service providers are required to engage in systematic and proactive safety work in the form of safety observations, walks and talks. Service providers' employees record their safety observations in the HSEQ system. Safety observations are discussed at daily meetings. Metsä Board does not tolerate retaliation

against whistle-blowers. If required, whistle-blowers can also submit a report anonymously through the Compliance and Ethics Channel.

Accidents and hazardous situations are investigated thoroughly in cooperation with service providers. In the case of serious accidents, the authorities are also involved. The investigation creates conditions for avoiding similar situations and identifying any shortcomings in safety management. When the investigation report is completed, a summary of the investigation is also distributed to all other Metsä Group business areas.

If shortcomings are observed in the service providers' safety, the same approach is followed as in other incidents of non-compliance related to working conditions, that is, the provider is first offered the opportunity to rectify their way of working. If the service provider is unwilling or unable to rectify their way of working, they are removed from the operations. In 2023, in connection with the expansion of the Husum paperboard mill's folding boxboard capacity, eight service providers were removed from the site due to shortcomings in safety. No accidents were caused by the shortcomings.

Other work-related rights

The practices of supplier management and the process for handling observed grievances are discussed in the *Working conditions* subsection of this chapter.

■ Actions

Working conditions

A background check is always conducted for suppliers. Any known human rights violations and negative publicity related to human rights are reviewed as part of the background check. Supplier evaluations and audits are conducted to ensure that each supplier has adequate means to recognise and minimise impacts on the working conditions and other work-related rights of their employees. Among other things, evaluations seek to ensure that the companies have adequate proactive measures for ensuring occupational safety, as well as a written Code of Conduct and an anonymous reporting channel for employees. Audits include observations of working conditions and interviews with employees if required.

In construction projects, the sustainability of the subcontracting chain is ensured proactively by checking the companies' backgrounds during the tendering stage, employing the model for combating the grey economy and conducting regular spot checks. The model for combating the grey economy ensures that companies in the subcontracting chain comply with laws and collective agreements and handle taxes and obligations appropriately. The goal of regular spot checks is to observe any deviations.

Supplier management practices are discussed in more detail under *G1 – Business conduct*.

Health and safety

Before beginning to work on Metsä Board's site, suppliers receive a general and work-specific safety induction and permits to work. Service providers must assess the risks in their own work, prepare for them with a safety plan and submit their plan to the mill in question. Service providers participate in Metsä Board's safety walks and risk assessments. Work-related accidents that occur in the company's operations are registered in the

HSEQ system. Accidents and reported safety observations are monitored continuously. In construction projects, the safety performance of different service providers is monitored, and any safety deviations observed are actively addressed.

Since 2023, regular safety walks have been jointly organised at the loading and unloading sites of Metsä Board's production units and terminals with contract entrepreneurs.

Metsä Fibre, Metsä Board's associated company, organises regular cooperation forums with key service providers to discuss the conditions and joint development needs of safety cooperation. Metsä Group's key safety development measure in the next few years is to expand cooperation forums to Metsä Board.

Other work-related rights

Supplier management practices, including audits to ensure the realisation of social responsibility, are discussed in the *Working conditions* subsection of this chapter. The auditors have been trained to detect risks related to forced labour and labour exploitation, for example.

S3 – Affected communities

Material impacts, risks and opportunities related to affected communities

Material sub-sub-topic	Impacts		Risks and opportunities for Metsä Board	Management
Communities' economic, social and cultural rights				
- Land-related impacts - Adequate housing	↑	Metsä Group can contribute to social equality and consensus among different communities through systematic stakeholder engagement. The needs of local communities and other affected communities are taken into account in decision-making and the development of operations.	↑	- The model for stakeholder engagement was developed in 2023 by defining processes for the management of stakeholder engagement, which will be implemented in 2024. - Metsä Board actively provides information about its operations and organises local public events on major events such as investments. - Stakeholders are engaged in the materiality assessment concerning sustainability. - In the localities of production units, local residents are offered greater opportunities for participation, and initiatives are made to improve the local quality of life.
	↓	The inadequate management of stakeholder engagement could lead to the views and rights of affected communities not being considered in decision-making and operational development.	↓	
Rights of indigenous peoples				
- Free, prior and informed consent - Self-determination	↑	Stakeholder engagement ensures that the needs of indigenous peoples and the conditions for their livelihoods can be taken into account in decision-making and operational development.	↑	In the home region of the Sámi, Metsä Group engages in local dialogue about the coordination of reindeer husbandry and forestry with key stakeholders such as forest owners and reindeer owners' associations. Communication with the Sámi is typically related to practical questions.
	↓	A lack of engagement would lead to the needs of indigenous peoples and the conditions for their livelihoods not being adequately considered in decision-making and operations.	↓	

- ↑

Positive impact on the environment and society or on Metsä Board's business
- ↓

Negative impact on the environment and society or on Metsä Board's business

Targets

Metsä Board's strategic 2030 sustainability targets and the process for their setting and monitoring are described under *Sustainability governance and strategy*. The sustainability targets related to the environment and the supply chain's sustainability especially seek to directly or indirectly reduce Metsä Board's negative impacts or promote its positive impacts on affected communities.

The identification and assessment of material impacts, risks and opportunities

The material impacts, risks and opportunities related to affected communities have been identified in a double materiality assessment based on the principles of the company's risk management process. The materiality assessment is discussed on *pages 26–28*.

The main communities affected by Metsä Board include forest owners, local communities in mill localities, the nature around the mills and the people who earn their livelihood from it, as well as other interested parties such as indigenous peoples and NGOs.

Policies

Sustainability concerning affected communities is guided by the Code of Conduct and the Supplier Code of Conduct, which include commitments to human rights. Metsä Board respects internationally recognised human rights in all its operations. The commitments are discussed in more detail under *S1 – Own workforce* and *S2 – Workers in the value chain*. In addition to the company's own workforce and workers in the value chain, the commitments concern all affected communities.

In 2023, management processes and practices for stakeholder engagement were defined. The company will follow them from the beginning of 2024.

Special attention is paid to affected communities in stakeholder activities and in the management processes introduced in 2024, the goal of which is to ensure good and confidential relationships, a low contact threshold, and regular meetings between Metsä Board and its stakeholders. Metsä Board also strives to develop its operations by regularly surveying opportunities for cooperation.

■ Engaging with affected communities about impacts

For example, Metsä Board communicates openly on the impact of its operations and products with the help of life-cycle assessments and aims for active dialogue with stakeholders. The goal of stakeholder engagement is to ensure that stakeholders are met and heard, and that the company receives feedback on its operations. Stakeholder feedback is analysed individually for various stakeholders, and it is taken into account in development and reported to Metsä Board's management and administration. The scope and frequency of engagement differs depending on the stakeholder.

The management processes for stakeholder engagement, which will be implemented in 2024, aim to diversify the methods of engagement and harmonise the scope and frequency of engagement with various stakeholders to ensure the opinions of all stakeholders are equally taken into account. The intention is to meet each stakeholder in person at least once a year. Other engagement mechanisms include cooperation days with NGOs and researchers, visits, and cooperation projects.

Of indigenous peoples, the Sámi are affected by Metsä Board's operations, especially in the context of wood supply. In wood supply, the main local stakeholders are taken into account, and compliance with certification requirements is ensured. Forest certification schemes also set out strict criteria for social sustainability, such as requirements for safeguarding the rights of indigenous peoples. In the home region of the Sámi, Metsä Group engages in dialogue about the coordination of reindeer husbandry and forestry with stakeholders, including forest owners and reindeer owners' associations

■ Processes to remediate negative impacts and channels for affected communities to raise concerns

Metsä Board engages in continuous dialogue with its stakeholders. The implementation of large projects such as new production units or lines always includes an environmental impact assessment, carried out in advance, which also involves hearing local communities and other stakeholders. In other matters, the affected communities can raise concerns by directly contacting local operations through the production units' contact persons, Metsä Board's Communications or Metsä Group's Corporate Affairs, for example. To remediate any negative impacts, the company acts without delay and in cooperation with the local and regional authorities if required.

Open Doors events organised at Metsä Board's production units are an established way of informing local residents and other interested parties about the operations. Metsä Board strives to comprehensively inform the public about events open to them, for example, through newspaper announcements and social media. Providing feedback and asking questions through the company's website is also possible.

The affected communities can also report any ethical concerns or non-compliance with legislation through Metsä Group's Compliance and Ethics Channel. In the Supplier Code of Conduct, the supplier commits to rectifying any non-compliance with the code. The Compliance and Ethics Channel is described under *G1 – Business conduct*.

■ Actions

The materiality assessment is further specified based on the feedback obtained from engagement with affected communities. The company seeks to harness identified opportunities by exploring potential business development and cooperation initiatives with interested stakeholders.

Actions for managing negative impacts and promoting positive impacts at mill localities include systematically reducing environmental impacts, engaging with local communities and increasing cooperation, as well as adopting initiatives that improve the quality of life locally, such as improving employment and providing opportunities for recreation.

Biodiversity plans will be drawn up for Metsä Board's production units as part of Metsä Group's action plan launched in 2023. The biodiversity plans will be prepared in cooperation with an NGO that specialises in the biodiversity of the built environment. The goal is to raise the level of the biodiversity protection of the built environment to a new level in mill environments and develop cooperation with local communities.

The regenerative forestry strategy is a solution that Metsä Group has been systematically developing to seriously address stakeholders', such as NGOs, concerns about biodiversity loss and climate change. In addition to regenerative forestry, Metsä Group is promoting other actions such as the voluntary METSO forest conservation programme and its implementation. To its forest-owner members, Metsä Group offers regenerative forestry service solutions such as the Metsä Group Plus service.

Regenerative forestry and biodiversity work are described in more detail under *E4 – Biodiversity and ecosystems*.

Cooperation with scientific communities will be strengthened, for example, through cooperation days organised for stakeholders to discuss topics such as the progress made in cooperation involving Metsä Group and scientific communities, as well as to offer Metsä Board's stakeholders the opportunity to influence the company's work more widely.

S4 – Consumers and end-users

Material impacts, risks and opportunities related to consumers and end-users

Material sub-sub-topic	Impacts	Risks and opportunities for Metsä Board	Management
Personal safety of consumers and end-users			
Health and safety	↓ If Metsä Board's products were to exhibit defects related to product safety, there would be negative impacts on the health and safety of consumers and end-users.	↓ Risk: Metsä Board suffers reputational damage among current and potential new customers, consumers and end-users, and may incur liabilities for compensation and other costs related to the limitation of damage.	• Metsä Board uses regular product safety surveys, inspections, risk assessments and monitoring. • Metsä Board has appropriate certified management systems.
Information-related impacts on consumers and end-users			
Access to quality information	↓ If Metsä Board's products were to include misleading product information, there could be negative impacts on the health and safety of consumers and end-users.	↓ Risk: Metsä Board suffers reputational damage among current and potential new customers, consumers and end-users, and may incur liabilities for compensation and other costs related to the limitation of damage.	• Metsä Board has established practices for ensuring that its product information is up to date and accurate. • The compliance of product information is controlled annually and through continuous change monitoring. • Product information and product requirements are controlled with the product information management system.

- ↑ Positive impact on the environment and society or on Metsä Board's business
 ↓ Negative impact on the environment and society or on Metsä Board's business

■ The identification and assessment of material impacts, risks and opportunities

The material impacts, risks and opportunities related to consumers and end-users have been identified in a double materiality assessment based on the principles of the company's risk management process. The materiality assessment is discussed on *pages 26–28*.

■ Policies

Sustainability related to Metsä Board's consumers and end-users is guided by policies comprising Metsä Group's Code of Conduct, Supplier Code of Conduct, Quality policy and management systems approved by the company's Board of directors. The goal of policies is to minimise adverse environmental impacts, promote human rights and strengthen ethical operations, and thus demonstrate to consumers and end-users that the products are sustainably produced. The policies indirectly encompass all consumer and end-user groups.

Of the topics included in the Code of Conduct and Supplier Code of Conduct, those important for end-users are, for example, respect for the environment, human rights and product safety. Respect for the environment includes the commitment to use wood fibre, whose origin is always known. The certified PEFC and FSC® Chain of Custody systems cover all company operations.

The Quality policy determines the targets and policies for ensuring the quality of Metsä Board's operations and products. The goal is to ensure that the quality of the company's operations, products and services meets the needs and expectations of customers – and thus consumers and end-users. Products are also discussed under *E1 – Climate change*.

One of the focal areas of the Leader in sustainability strategic programme is to expand the company's role in the circular economy. The goals of the Efficient Innovation programme include reducing the weight of paperboard and developing recyclable products. The focal areas and targets of strategic programmes are described in more detail under *E5 – Resource use and circular economy*.

Health and safety

The Code of Conduct includes the commitment to ensure product safety across the value chain. In addition to traceable wood fibre, Metsä Board's other raw materials come from reliable suppliers, who comply with the Supplier Code of Conduct and meet the requirements for product safety. Further information about the safety of raw materials is provided on *page 63*.

Metsä Board complies with legislation protecting the health of people and the environment, including the EU regulation on the registration, evaluation, authorisation and restriction of chemicals (REACH), the CLP Regulation on the classification, labelling and packaging of chemicals, legislation on the use of biocides, and product requirements concerning food safety. As Metsä Board's paperboards are part of the food supply chain, the product safety practices in production are as stringent as those followed in the food industry. Metsä Board assures the safety of its products in compliance with the applicable legislation in its market areas in Europe, the Americas and Asia.

The company's mills follow good manufacturing practice (GMP), which is a requirement for the production of all food contact materials. All Metsä Board's mills have an ISO 22000 certified food safety system, and the mills producing paperboard for food contact have also been certified in accordance with the requirements of the FSSC 22000 food safety system. Subcontractors and suppliers are required to meet equal standards so that the cleanliness and safety of products for consumers and end-users can be ensured. The certified management systems of Metsä Board's production units are listed in the table on *page 71*.

Access to quality information

To ensure the quality of product management, harmonised product management processes are in place, covering product specifications, the management of basic information and product descriptions, and the management of product requirements of customers and officials throughout the product life-cycle.

■ Engaging with consumers and end-users about impacts

Most of Metsä Board's customers are companies. The process for direct engagement with consumers and end-users has therefore not been defined. Instead, customers engage with consumers in accordance with their own processes. Metsä Board's channel for direct engagement with consumers and end-users is the contact form available on the company's website.

Metsä Board builds its understanding of consumers' and end-users' wishes through its active engagement with its customers. The company's continuous and needs-based engagement with customers is carried out by means such as customer feedback forms and customer experience surveys. Annual customer experience surveys are part of the assessment of customer needs and the identification of development needs.

The observations from customer engagement are discussed at sales meetings and meetings of Metsä Board's management if required, and they guide decision-making. Observations and the results of sales-volume monitoring build market insight, enabling products and services, as well as their development, to be prioritised based on the preferences and needs of consumers and end-users. Metsä Board's management is responsible for taking consumers' and end-users' needs and expectations into account in decision-making.

In 2023, Metsä Board and Aalto University participated in a study to determine how the packaging design process could be improved in cooperation with consumers by creating narratives that were also suitable for product marketing. The study aimed to involve consumers in the packaging design process. To improve the design process, consumers were engaged in the creation of narratives, and their opinions were also requested at different stages of the design process. The consumers were chosen from suitable product user groups in remote workshops.

■ Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

Metsä Board directs contacts from corporate customers, consumers and end-users to the appropriate party for handling to ensure they receive a thorough response. Contacts concerning product feedback are used in product or product portfolio analyses, and they are taken into account in product and service development.

Any product complaints are thoroughly investigated internally, and supported by external parties such as research institutions if required. The company has a process for managing quality deviations, according to which root cause analyses must be carried out, and any required corrective action must be taken in the case of quality deviations. A standardised recall process is followed in the event of any product safety risks to ensure that all potentially harmful products are removed from the market and transports. At the EU level, risks detected in food contact materials and related recalls are monitored and reported using RASFF (Rapid Alert System for Food and Feed) alerts. There were no product safety-related RASFF notifications concerning Metsä Board's products or any recalls of consumer packaging made from our paperboard in 2023.

Compliance and Ethics Channel

Consumers and end-users can use Metsä Group's Compliance and Ethics Channel to report any ethical concerns or non-compliance with legislation. The Compliance and Ethics Channel and the process for handling reports are described in more detail under *G1 – Business conduct*.

■ Actions

Health and safety

Metsä Board and external parties assess the compliance of products. Regular product safety questionnaires, audits and monitoring are used to ensure that risks are managed throughout the production and supply chain. Metsä Board's ISO 22000 and FSSC 22000 food safety systems and their functioning are ensured annually with internal and external audits.

Production-related product safety risks are managed with methods such as the HACCP (Hazard Analysis and Critical Control Points), which is used at all Metsä Board production units. A new hazard analysis is always carried out in connection with material changes to processes or raw materials.

Metsä Board's products are tested regularly in accredited laboratories to ensure their quality and safety. The laboratory analyses and detailed composition compliance analyses form the basis for our Product Safety Statement, which includes product-specific information about product safety and compliance.

The implementation of measures is monitored with methods such as reputation studies, customer feedback, customer surveys, internal audits and external assessments. Metsä Board's product safety specialists continuously monitor developments in legislation and requirements.

Access to quality information

Product management processes include established practices to ensure the product information is up to date and to correct any mistakes in the information.

Product information and requirements are managed with Metsä Group's Product Information Management system, which was introduced in 2022 and is actively developed to support new product information management needs. Product information management is used to actively control the accuracy of product information. Metsä Group has an internal control process that is also applied in the management of product information and in accordance with which the compliance of Metsä Board's products is audited at least twice a year.

360 Services

Metsä Board 360 Services that are offered to customers, also provide added value to consumers and end-users. The services are described under *E5 – Resource use and circular economy* and in the Report of the Board of Directors under *R&D and innovation*. For example, the packaging design service enables a better consumer experience with fewer environmental impacts. Measures improving recyclability, which promote material circulation, also create added value to consumers and end-users.

G – Sustainability governance

G1 – Business conduct

Impacts, risks and opportunities related to business conduct

Impacts	Risks and opportunities for Metsä Board		Management	
Corporate culture				
↑	Metsä Board's measures to promote an ethical corporate culture offer the employees a safe work environment and other stakeholders an opportunity for cooperation with an ethical and reliable operator.	↑	Opportunity: The employees' and other stakeholders' experience of Metsä Board and the company's reputation as an ethical and reliable operator strengthen.	- Employees learn about ethical corporate culture during induction, and later during employment, through e-learning and classroom training, as well as through communication. Especially supervisors' capacity to address grievances is developed through training. - Ethical corporate culture is measured with the ethics barometer. - Metsä Board has a Compliance and Ethics Channel open to everyone.
↓	Inadequate measures to commit employees to an ethical corporate culture could lead to non-compliance with the law or unethical business operations, as well as unequal treatment and harassment.	↓		
Corruption and bribery				
↑	Prevention and detection: Metsä Board's measures and control mechanisms for preventing corruption and bribery offer stakeholders the opportunity to cooperate with an ethical and reliable operator.	↑	Opportunity: The stakeholders' experience of Metsä Board and the company's reputation as an ethical and reliable operator strengthen, improving performance and competitiveness.	- Employees learn about ethical corporate culture during induction, and later during employment, through e-learning and classroom training as well as through communication. - Metsä Board has internal controls, which are continuously developed. - Ethical corporate culture is measured with the ethics barometer. - Everyone can report grievances through the Compliance and Ethics Channel.
↓	Incidents: Inadequate measures and control mechanisms for preventing corruption and bribery could lead to non-compliance with Metsä Group's Code of Conduct and legislation concerning corruption and bribery.	↓	Risk: Corruption and bribery have significant financial consequences and weaken the reputation and employer image.	
Management of relationships with suppliers including payment practices				
↑	Metsä Board's requirements and control mechanisms, as well as its sustainability cooperation with suppliers, have a positive impact on the realisation of ethical operations and sustainability in the supply chain.	↑	Opportunity: Metsä Board's reputation as a sustainable partner and operator improves. Cooperation with suppliers becomes closer and leads to long partnerships.	- Suppliers are required to commit to the Code of Conduct. - Metsä Board follows due diligence in its selection of partners (Know Your Business Partner process). - Joint sustainability targets and actions are agreed with partner-level suppliers. - The company uses supplier assessments, surveys and audits, as well as risk analyses. - Procurement personnel are trained in matters concerning ethics and sustainability. - Cooperation is close with local contract entrepreneurs in harvesting, transport and forestry work. - The sustainability and traceability of wood fibre is ensured in accordance with the Chain of Custody. - The traceability of other raw materials and packaging materials is continuously developed.
↓	If Metsä Board's requirements and control mechanisms were inadequate, this could lead to non-compliance with the law or the company's requirements in the supply chain.	↓	Risk: Metsä Board unintentionally supports operations contrary to its values, which risks the company's reputation as a sustainable partner. Relationships with suppliers weaken, leading to the loss of the best partnerships.	
↓	Inadequate training of the procurement personnel or insufficient control mechanisms could cause unequal treatment of suppliers.			
Protection of whistle-blowers				
↓	Failure to protect the anonymity of whistle-blowers and confidentiality could lead to retaliation against whistle-blowers. No such incidents were recorded in 2023.	↓	Risk: Trust in the Compliance and Ethics Channel wanes, and suspected misconduct is not reported. Activities contrary to Metsä Board's values and Code of Conduct may not be detected. Unlawful activities may incur financial losses. The employees' job satisfaction and the employer image weaken.	- Reports can be submitted anonymously through Metsä Group's Compliance and Ethics Channel. - The reports are handled in confidence under the Compliance Committee's lead. - Metsä Board is committed to protecting the rights and privacy of people who report breaches in good faith. These commitments have been confirmed in both the Code of Conduct and the principles guiding the reporting and investigation of breaches, which were updated in 2023 to comply with the new requirements of the EU Whistleblowers Directive.
Political influence and lobbying activities				
↑	Through successful influencing and lobbying, Metsä Board, as part of Metsä Group, can introduce views into social debate that support the promotion of the circular bioeconomy and highlight wood-based products as an alternative to, for example, plastic-based products and emphasise their role in climate change mitigation.	↑	Opportunity: Political operators recognise the potential of the circular bioeconomy and the role of forests and wood-based solutions in climate change mitigation, improving the conditions of Metsä Board's operations.	- An ethical corporate culture and the Code of Conduct are put into practice through training. The Code of Conduct includes Metsä Group's policies on matters such as gifts, hospitality, conflicts of interest, anti-corruption and fair competition. - Influencing plans and key social messages are determined based on the Group's and business areas' strategies, reviews of the operating environment and surveys of regulatory risks. - The progress and success of influencing activities are regularly reported to group management and the Board of Directors.
↓	If Metsä Group's key messages related to influencing and lobbying or the related ethical practices are not adequately implemented in the company, this may lead to influencing or lobbying that is inconsistent or in breach of the company's policies. The potential of the circular bioeconomy and wood-based products in climate change mitigation would not be harnessed in society.	↓	Risk: Metsä Board and Metsä Group are unable to consistently introduce the key messages identified as being material to political discussion, which may, in the worst case, lead to the realisation of regulatory risks. Unethical forms of influencing and lobbying weaken the company's reputation as a sustainable operator.	

- ↑ Positive impact on the environment and society or on Metsä Board's business
 ↓ Negative impact on the environment and society or on Metsä Board's business

Metsä Board's 2030 sustainability targets

	2030 target	2023	2022
Implementation of ethics barometer measures, %	100	100	-
Traceability of raw materials, share of total purchases, %	100	97	97
Share of certified wood fibre, %	>90	91	83
Suppliers' commitment to the Supplier Code of Conduct, share of total purchases, %	100	99.0	98.7
Supplier assessments and audits of core suppliers, %	100	68	50
MG: Joint sustainability targets with partner suppliers, %	100	100	-

Comparative data have not been provided for all the new targets set in 2023. The previous result of the implementation of ethics barometer measures is from 2021.
MG: The target has been set at the level of Metsä Group.

■ Progress in targets

- **Implementation of ethics barometer measures** – The ethics barometer is conducted every two years. The measures based on the 2020 ethics barometer were specified for 2021, during which 100% of the measures were carried out. In 2023, 100% of the measures defined in 2022 were achieved in accordance with the target.
- **Traceability of raw materials, share of total purchases, %** – The traceability of raw materials remained at a high level in 2023.
- **Share of certified wood fibre** – In 2023, the target set for 2030 was achieved.
- **Suppliers' commitment to the Supplier Code of Conduct, share of total purchases** – Supplier commitment to the Supplier Code of Conduct progressed as planned towards the 2030 target. Among other things, the supplier approval process was developed in 2023.
- **Supplier assessments and audits of core suppliers** – Significant progress was made in this target in 2023, as Metsä Board initiated cooperation with Ecovadis, which specialises in sustainability assessments.
- **Joint sustainability targets with partner suppliers** – A sustainability target has been agreed with all current partner suppliers, which means the 2030 target has been achieved. The company works in close cooperation with its suppliers to reach the joint targets.

■ The role of the administrative, management and supervisory bodies

The Compliance and Ethics programme is supervised by the Compliance Committee, composed of the directors in charge of legal affairs, internal audit, HR, and compliance and ethics. In 2023, the Compliance Committee convened five times.

Once a year, the director in charge of compliance and ethics presents a compliance and ethics review to Metsä Board's Corporate Management Team and Audit Committee. In addition, the directors in charge of legal affairs, taxes, and compliance and ethics present a legal affairs, compliance and tax review twice a year to the CEO and CFO.

The Compliance Committee's role in investigating ethical concerns is described under *Mechanisms for identifying, reporting and investigating concerns*.

■ The identification and assessment of material impacts, risks and opportunities

The material impacts, risks and opportunities related to governance and corporate culture have been identified in a double materiality assessment based on the principles of the company's risk management process. The materiality assessment is discussed on *pages 26–28*.

The Know Your Business Partner process, supplier assessments and audits, the company's ethics barometer, and the Compliance and Ethics Channel are key elements in the identification, analysis and management of impacts, risks and opportunities related to governance and corporate culture.

■ Policies

The sustainability of Metsä Board's business conduct is guided by applicable legislation as well as the values, Metsä Board's Code of Conduct and various policies approved by the company's Board of Directors. Metsä Board is committed to operating in accordance with the UN Guiding Principles on Business and Human Rights and requires the same from its business partners. Since 2003, Metsä Board has supported the UN Global Compact and its principles on human rights, employees, the environment and anti-corruption.

In 2023, all Metsä Group's 16 policies were updated to comply with changes in legislation and the company's operating methods. Three of the policies are public, and 13 are internal to the company. All the group's employees are required to complete e-learning courses in the Code of Conduct and other key policies such as the Equality policy and Information Security policy every three years. The e-learning course in the Code of Conduct covers Metsä Board's key ethical principles and describes the best practices related to business sustainability through examples and exercises.

Depending on the employees' duties, they are also required to complete e-learning courses related to other policies such as the antitrust, procurement, agreement and legal affairs policies. The classroom training programme in competition law, initiated in 2022, continued in 2023, as did workshops in diversity, equality and inclusion for local management (workshops are discussed in more detail under *S1 – Own workforce*). A section developing supervisors' capability to address ethical grievances and encourage the reporting of grievances was added to the training offered to supervisors. Ethical operations and doing the right thing are also part of the induction of new salaried employees and apprenticeship trainees.

The completion of e-learning courses and classroom training is regularly monitored by the Compliance Committee, which supervises the Compliance and Ethics programme, and the results are reported once a year to the Audit Committee of the company's Board of Directors as part of the Compliance and ethics review. The completion percentage of the Code of Conduct e-learning course is presented in the table on *page 68*.

A culture of diversity, equality and inclusion (DEI) and the implementation and development of an ethical and respectful corporate culture are one of the focal areas of the Motivated people strategic programme. The programme's focal areas and goal are discussed under *S1 – Own workforce*.

The implementation and development of the culture of doing the right thing are measured with the ethics barometer, conducted every two years, which surveys the employees' experience of ethics in the company's operations. According to the most recent barometer, conducted in 2022, financial misconduct, corruption, conflicts of interest, inappropriate influencing of partners' decision-making and information security breaches are not considered to be material risks. The results of the ethics barometer were discussed on all sites in 2022, and each site determined development measures for 2023 to correct the problems observed.

To ensure the sustainability of its suppliers, customers and other partners, Metsä Board follows third-party due diligence in its Know Your Business Partner process, in which the third party's background is checked for any risks related to trade sanctions, corruption, money laundering, human rights violations and various other misconduct before a binding agreement is concluded, as well as during the cooperation relationship by means of continuous monitoring. In 2023, the process was developed by introducing a new tool for background checks, harmonising the process, clarifying responsibilities and roles, and updating the risk model used in background checks.

Due to Russia's military aggression against Ukraine, Metsä Board has ended all business related to Russia and Belarus. Operations have been guided by compliance with the applicable regulations and overall consideration regarding business ethics.

■ Mechanisms for identifying, reporting and investigating concerns

The employees and stakeholders are encouraged to report any ethical concerns and non-compliance with the law related to Metsä Board's operations. Observations can be reported to the supervisor, local management, HR and the Compliance Committee, or through Metsä Group's Compliance and Ethics Channel, which is available on the company's website in ten languages to all internal and external stakeholders. Reports can be made anonymously. The channel's technical implementation is handled by an external service provider.

Metsä Board uses the ethics barometer to monitor the effectiveness of the Compliance and Ethics Channel and other reporting methods in raising and handling concerns. The ethics barometer can also be used to provide open-ended feedback related to reporting channels.

Every breach or violation, and suspected breach or violation, of which the company becomes aware is investigated. The investigation is supervised by the Compliance Committee. The committee is tasked with monitoring that the consequences of the investigations are applied consistently in cases of equal gravity, and that the corrective actions are sufficient, as described in the company's Code of Conduct and the principles guiding the reporting and investigation of breaches. Any illegal activities are reported

to the authorities. Neither the person investigated nor their supervisor participates in the investigation of the breach or suspected breach. If called for by the significance of the breach under investigation, the Compliance Committee reports the incident to Metsä Board's management and Board of Directors at a regular meeting, or immediately if required.

The cases are divided into the following categories: fraud or other criminal behaviour; corruption and bribery; competition law; conflicts of interest; employee matters; discrimination; privacy and information security; occupational safety; the environment; breaches of the Supplier Code of Conduct; and other reports. Crimes against the company and attempts of such are also taken into account in the number of reports.

In 2023, Metsä Board was made aware of incidents that might have had a direct or indirect negative impact on the company's human rights responsibilities. In addition to less severe work-related accidents causing personal injuries (table on *page 56*), a fatal accident took place at the Simpele paperboard mill. None of the incidents led to court proceedings or fines, or concerned the use of child or forced labour. The fatal accident is under official investigation.

In 2023, no confirmed cases of bribery or corruption were brought to the company's attention. Apart from the principle of continuous development followed in the company's Compliance and Ethics programme, no need for separate development projects was identified concerning the anti-bribery and anti-corruption process.

In June 2023, the European Commission announced it had ended its antitrust investigation into the softwood pulp sector, having concluded that there were no grounds for continuing the investigation. The investigation was initiated in 2021 as a result of an antitrust investigation. The investigation of Metsä Board's associated company Metsä Fibre was part of a wider EU-level antitrust investigation targeting the pulp industry.

The changes required by the EU Whistleblowers Directive (EU 2019/1937) have been taken into account in Metsä Board's operating countries in terms of the Compliance and Ethics Channel, the investigation of reported incidents and the protection of whistleblowers over the 2022–2023 period as local legislation in EU Member States has entered into force. The company is committed to fairly investigating all reports submitted in good faith and adopting the required actions based on the investigation and its results if required. The company is also committed to protecting the rights and privacy of people who report breaches in good faith. These commitments have been confirmed in the company's Code of Conduct and the principles guiding the reporting and investigation of breaches, which were updated in 2023 to meet the requirements of the Whistleblowers Directive. In 2023, no cases of retaliation against whistle-blowers were brought to the company's attention.

■ Relationships with goods and service suppliers

Supplier management practices

Metsä Board's wood supply is ensured by Metsä Group's Wood Supply and Forest Services. The procurement of other raw materials and services is centrally handled by Metsä Group's Procurement and Logistics unit. These procurement processes seek to ensure that the company's partners operate sustainably to minimise any risks in the supply chain related to matters such as the environment, health, corruption, the use of child labour and human rights violations.

Wood supply

Metsä Board uses wood from the Northern European forests as its main raw material. Metsä Group has wood supply organisations in Finland, Sweden, Estonia and Latvia. The company works in close cooperation with local contract entrepreneurs in harvesting, transport and forestry work. All the countries from which wood is procured have issued legislation requiring forests to be renewed after regeneration felling. Wood and purchased pulp account for 93% of the company's raw material consumption. Metsä Board produces the pulp and high-yield pulp it uses or procures the material from its associated company Metsä Fibre.

The wood fibre's sustainability and traceability are ensured by practices which meet the requirements of the PEFC Chain of Custody and FSC® Chain of Custody (PEFC/02-31-92 and FSC-C001580). These practices are annually assessed by Metsä Group's internal and third-party audits. The audits focus on matters related to environmental and social responsibility in the operations of wood suppliers and harvesting contractors, as well as on the traceability of wood fibre. Metsä Board aims for certified wood to account for at least 90% of all the wood fibre used by the company by 2030. The share of certified wood fibre in 2023 is presented in the table on page 65. Non-certified wood is also required to be of a sustainable origin, and the wood always meets at least the requirements for PEFC Controlled Sources and FSC Controlled Wood. For example, Metsä Board's policies concerning indigenous peoples are discussed under *S3 – Affected communities*.

Procurement of other raw materials and services

As a minimum requirement in procurement agreements, suppliers are required to commit to the Metsä Group Supplier Code of Conduct or their own equivalent principles.

To ensure the sustainability of suppliers, Metsä Board follows third-party due diligence in its Know your Business Partner background check, which is described under *Policies*. Metsä Board only selects suppliers that are committed to the Supplier Code of Conduct and pass the background checks.

More detailed supplier assessments focus on the core suppliers and on suppliers operating in industries with identified potential risks related to human rights, corruption or the environment. Suppliers' sustainability and supplier-related risks are assessed with questionnaires, the Ecovadis tool and supplier audits.

Metsä Group, an external HSEQ cluster and another external party if required conduct annual supplier audits focusing on ethics, environmental responsibility, occupational safety and quality. The supplier assessments and audits are used as the basis for making development proposals and monitoring any corrective action taken. The results are the responsibility of a third party or a Metsä Group employee who is not responsible for suppliers. The number of assessments and audits in 2023 is presented in the table on page 67. No serious incidents were observed in the assessments and audits.

To ensure the equal treatment of suppliers, the procurement personnel are trained to disqualify themselves in decisions that may involve conflicts of interest. A written assurance of this is required in the procurement process. Approximately every two years, an anonymous survey is conducted among suppliers concerning the smoothness and fairness of cooperation and factors contributing to these matters. The survey results are submitted to the suppliers, and measures to improve procurement practices are adopted based on them. The procurement personnel have annual financial

performance targets related to matters such as conducting supplier sustainability assessments and monitoring improvements proposed by suppliers.

In 2023, the procurement personnel participated in training dealing with the management of supplier cooperation, and how to take sustainability matters in meetings with suppliers into account. In 2023, Metsä Group organised a supplier event and competition dealing with sustainability for its core suppliers.

The company's target is to agree joint sustainability targets and measures to achieve them with all its partner suppliers. The management of environmental impacts in cooperation with suppliers is discussed in more detail under *E1 – Climate change*. Another target is to know the origin, or at least the country of manufacture, of all the company's raw materials, including wood and process, basic, and coating chemicals, by the end of 2030.

In the annual supplier audits, the company ensures that by using raw materials from its suppliers, the company's products meet statutory requirements and Metsä Board's own strict product safety requirements. Product safety is discussed in more detail under *S4 – Consumers and end-users*.

Procurement from local operators, %

	2023	2022
Procurement from countries in which Metsä Board has production	82	81

Procurement of wood fibre by country, %

	2023	2022
Finland	62	60
Sweden	30	32
Baltic countries	8.1	7.0
Others	0.02	1.0

Assessed or audited suppliers and critical observations

	2023	2022
Assessed or audited suppliers	201	61
Significant environmental observations	0	0
Significant observations related to social responsibility	0	0

New supplier background checks, %

	2023	2022
Share of suppliers for which a Know Your Business Partner background check was made	90	23

■ Prevention and detection of corruption and bribery

The Code of Conduct, which guides ethical operations, prohibits corruption and bribery. It also includes principles for preventing conflicts of interest, crucially linked to anti-corruption, and principles linked to gifts and hospitality. Metsä Group is committed to anti-corruption and anti-bribery in its own operations and in relation to its partners. A similar prohibition is included in Metsä Group's Supplier Code of Conduct. Anti-corruption and anti-bribery efforts contribute to Metsä Group's 2030 sustainability targets concerning a responsible corporate culture and supply chain.

The following are the main measures for preventing and detecting corruption and bribery:

- Training in the Code of Conduct and other policies guiding Metsä Group's operations (discussed on pages 65–66, 68).
- The ethics barometer that measures the ethics of operations and seeks to identify areas in need of development (discussed on page 66).
- The Compliance and Ethics Channel, which is available to all internal and external stakeholders. A standardised process is defined for handling reports (discussed on page 66).
- Due diligence in ensuring the sustainability of partners, and the required background checks (third-party due diligence) as part of the Know Your Business Partner process (discussed on pages 66–67).
- Continuous development of ethical operations in the supply chain. The key measures in this respect include supplier commitment to the Supplier Code of Conduct in line with the 2030 sustainability targets, as well as supplier audits and assessments (discussed on pages 65–67).

Completion of Code of Conduct and Equality e-learning courses

	2023	2022
CODE OF CONDUCT		
Number of employees who completed the revised Code of Conduct training	2,214	1,423
Share of all employees who have completed the revised Code of Conduct training, %	98	63
Share of Board members who have completed the revised Code of Conduct training, %	100	-
EQUALITY		
Number of employees who have completed the previous Equality training	2,215	2,226
Share of all employees who have completed the previous Equality training, %	98	98
Number of employees who have completed the revised Equality training	1,995	-
Share of all employees who have completed the revised Equality training, %	88	-

Incidents of non-compliance with good governance or ethical corporate culture

	2023	2022
ALL REPORTS RELATED TO UNETHICAL BEHAVIOUR		
Reports resulting in an investigation	4	6
Critical reports to the Board	1	0
ANTI-COMPETITIVE BEHAVIOUR		
Legal actions for anti-competitive behaviour	0	0
CORRUPTION OR BRIBERY		
Confirmed incidents of corruption or bribery	0	0
Confirmed incidents in which a business agreement has been terminated or has not been renewed due to a case linked to corruption or bribery	0	0
Number of judgments issued in corruption or bribery cases.	0	0
Amount of fines issued in corruption or bribery cases.	0	0

The case reported to the Board in 2023 was related to occupational safety.

Political influence and lobbying activities

Metsä Board participates in advocacy as part of Metsä Group at the EU and national level especially in Finland, Sweden and Germany. Metsä Group's parent company Metsäliitto Cooperative is registered in the EU's Transparency Register and complies with its code of conduct. Its member number in the Transparency Register is 962687110415-94.

The Board of Directors of Metsäliitto Cooperative ensures that the company has an appropriate corporate affairs function in view of its business. Metsä Group's President and CEO, supported by Metsä Group's Executive Management Team, determines the priorities of political influence for Metsä Board and other business operations and monitors the progress made in them. Metsä Group's corporate affairs function coordinates practical influence work, handling the related cooperation among Metsä Board and other functions, and reporting the work's progress and effectiveness to Metsä Board's and Metsä Group's management teams and Boards of Directors.

To identify the most significant legislative risks and focal areas of lobbying, Metsä Group has conducted a comprehensive assessment of regulatory risks, which covers all the business areas, including Metsä Board. These risks have been considered in the double materiality assessment.

Metsä Group follows and participates in discussions about forests and biodiversity and influences policy questions related to the bioeconomy and products. Metsä Group has actively influenced several legal initiatives in the EU, including the deforestation regulation, nature restoration regulation, packaging and packaging waste regulation, and sustainable product policy.

Metsä Group promotes the circular bioeconomy and emphasises the role of forests and wood-based products in climate change mitigation, and the safeguarding of biodiversity. The company supports EU's environmental targets and the 2050 climate neutrality target.

Metsä Board's advocacy efforts as part of Metsä Group focus on:

- Promoting the recyclability of wood fibre-based packaging.
- Increasing the understanding of the role of fresh fibre in product safety and the advantages of sustainable fibre-based food packaging in terms of the environment and health.
- Supporting a comprehensive approach to laws that influence forestry practices and the availability of wood raw material as part of the joint production of forest-based ecosystem services.
- Energy-related topics in the EU, such as reducing dependence on fossil-based fuels, focusing greater attention on the opportunities provided by biogenic carbon dioxide capture, and defining renewable energy targets based on something other than the direct energy use of convertible wood biomass.

All Metsä Group's main advocacy messages are described in *Metsä Group's Sustainability statement*.

Cooperation with trade and industrial organisations

As part of Metsä Group, Metsä Board is an active member of the Confederation of European Paper Industries (Cepi), which represents the forest industry producing fibre-based products across Europe. Metsä Group's President and CEO chaired the Board of Cepi in 2023. Representatives of Metsä Group also actively participated in the work of Cepi's committees and working groups.

Metsä Board has representatives in the 4evergreen alliance's steering group and team of public relations experts. 4evergreen represents the entire value chain of fibre-based packaging and has set as its target the raising of the recycling rate of fibre-based packaging to 90 per cent by 2030. Metsä Board also participates in the activities of the European Paper Packaging Alliance (EPPA). The alliance stands for the sustainability of wood fibre-based food and food service packaging and the circular economy. Metsä Board is a member of several national trade and industrial organisations.

Key memberships in organisations and advocacy groups:

- Confederation of European Paper Industries (Cepi)
- European Association of Carton and Cartonboard manufacturers (Pro Carton)
- CEPI Cartonboard
- CEPI Containerboard
- European Carton Makers Associations (ECMA)
- The European Paper Packaging Alliance (EPPA)
- 4evergreen
- Finnish Forest Industries Federation, Finland
- Swedish Forest Industries' Federation, Sweden
- Die Papierindustrie, Germany

In 2023, Metsä Board paid a total of EUR 1.2 million in membership fees to trade and industrial organisations.

Metsä Board does not make direct political contributions. The company may participate in seminars that deal with the forest industry or forest policy.

■ Payment practices

The average time it takes for Metsä Board to pay an invoice from the date when the contractual or statutory term of payment calculation begins is 49 days. The standard payment term in Metsä Board's general terms and conditions for purchases is 60 days net. However, this can be reconsidered individually in the case of smaller suppliers, for example.

Metsä Board is not party to any legal proceedings due to late payments.

Reporting principles for metrics

The implementation of ethics barometer measures depicts the share of implemented measures of all the measures determined based on the ethics barometer in the reporting year.

The supplier commitment to the Supplier Code of Conduct indicates the share of all purchases made from suppliers committed to the Metsä Group Supplier Code of Conduct or their own equivalent codes. The figure does not cover the authorities, associations or wood supply. Supplier assessments and audits of core suppliers cover partner, key and preferred suppliers in accordance with the supplier classification. The target does not include wood supply operators. The joint sustainability targets with partner suppliers applies to the nine partner suppliers agreed in connection with Metsä Group's supplier classification. The figure does not include wood supply, but partner suppliers include other suppliers in wood supply and forest management services.

The target of traceable raw materials covers the raw materials used in product production and product packaging materials. The target's calculation is based on the value of the raw materials in euros. A raw material that is traceable at least to the level of country of manufacture is considered traceable.

The share of certified wood covers the share of certified wood fibre of all the wood fibre used by Metsä Board. The figure includes the wood used in Metsä Board's own production of pulp and high-yield pulp, as well as the wood used for the pulp purchased from Metsä Fibre. The chip deliveries from the company's own industries are not included in the calculation to avoid double counting.

In the completion rate of the Code of Conduct and DEI e-learning courses, the divisor is the number of active employees at the time of reporting. In other words, employees absent on family leave or for other reasons are not included in the calculation.

The figures for payment practices do not account for raw wood purchases from forest owners or industrial suppliers. The payment term has been calculated as a weighted average based on the supplier invoices paid in the review period. The total value of the invoice is used in weighting.

Annexes to the Sustainability statement

Annexes

The annexes published at the same time as the Sustainability statement include

1) Separate annexes:

- *GRI content index*
- *SASB content index*
- *Disclosures in accordance with the TCFD recommendations*

2) Data on pages 71–73 of the Sustainability statement:

- Mill-specific key figures for sustainability
- Sustainability statement assurance report

■ Mill-specific key sustainability figures

Mill	Joutseno	Kaskinen	Kemi	Kyro	Simpele	Tako	Äänekoski	Husum	Others	Total
COUNTRY	FINLAND	FINLAND	FINLAND	FINLAND	FINLAND	FINLAND	FINLAND	SWEDEN		
EMPLOYEES										
Number of employees	59	89	148	149	282	187	198	780	451	2,343
TRIF	11	15	0	17	13	6.8	6.6	5.0		6.1
LTAIF	11	15	0	13	11	6.8	3.3	0.8		4.0
PRODUCTION										
Pulp and high-yield pulp (1,000 t)	216	225						555		997
Paperboard (1,000 t)			298	120	232	128	174	366		1,319
MANAGEMENT SYSTEM										
ISO 9001	x	x	x	x	x	x	x	x		
ISO 14001	x	x	x	x	x	x	x	x		
ISO 50001	x	x	x	x	x	x	x	x		
ISO 45001	x	x	x	x	x	x	x	x		
ISO 22000	x	x	x	x	x	x	x	x		
FSSC 22000			x	x	x		x	x		
CHAIN OF CUSTODY										
PEFC	x	x	x	x	x	x	x	x		
FSC	x	x	x	x	x	x	x	x		
EMISSIONS TO AIR, t										
Biogenic carbon dioxide (CO ₂), Scope 1	0	94,663	0	100,008	187,068	1,143	0	1,601,206		1,984,088
GHG emissions (CO ₂ e), Scope 1	16,288	7,195	6,493	12,496	15,708	46,017	0	97,785		201,984
Sulphur (SO ₂)	0	14	0	42	59	0.02	0	62		176
Nitrogen oxides (NO _x)	8.3	107	2.8	66	93	31	0	977		1,285
Particles	6.1	2.8	0	4.3	2.6	0	0	40		55
Reduced sulphur compounds (TRS)	0	0	0	0	0	0	0	52		52
EMISSIONS TO WATER, t										
Adsorbable organic halogen (AOX)	0	0	0	0	0	0	0	47		47
Chemical oxygen demand (COD)	308	805	138	97	212	123	555	8,407		10,645
Biological oxygen demand (BOD)	2.9	22	52	8	24	34	205	492		840
Phosphorus, total	0.2	1.2	1.3	0.6	1.2	0.9	0	17		23
Nitrogen, total	2.8	12	19	12	12	0.3	7.0	100		165
Suspended solids, total	24	54	303	31	38	21	90	1,324		1,885
WATER USE, 1,000 m³										
Water withdrawals	5,321	8,414	8,131	3,368	26,556	2,798	3,449	43,905		101,943
Wastewater discharges	417	1,963	7,117	2,113	4,232	1,877	2,527	25,135		45,380
WASTE AND SIDE STREAMS, t										
Utilised side streams and waste	8,423	22,474	4,918	15,879	25,841	5,697	32,398	31,231		146,862
Landfill waste	0	11	36	0	1.0	0	0.6	1,164		1,213
Hazardous waste	36	330	5.5	8.4	577	44	25	395		1,421

Independent Practitioners' Assurance Report to the Board of Directors of Metsä Board Oyj

We have been engaged by the Board of Metsä Board Oyj (0635366-7) (hereafter "Metsä Board" or "Company") to provide limited assurance on selected corporate sustainability information (hereafter "Sustainability Information") presented in Metsä Board's Sustainability Statement for the year ended 31 December 2023. The Sustainability Information being reviewed is described in the GRI index and in the SASB index in the annexes of the statement. Reporting requirements under the Taxonomy Regulation have also been included under our review scope.

■ Board of Directors' responsibilities

The Board of Directors of Metsä Board is responsible for the preparation and presentation of the Sustainability Information in accordance with the following reporting guidelines, principles and criteria,

- Global Reporting Initiative (GRI) Sustainability Reporting Standards,
- Sustainability Accounting Standards Board (SASB) Standards,
- Metsä Board and Metsä Group 2030 sustainability targets,
- Metsä Board selected own indicators, as well as
- reporting requirements under the Taxonomy Regulation (EU 2020/852) and Commission Delegated Acts (EU 2021/2178 and EU 2023/2486).

The Board is also responsible for determining Metsä Board's objectives with regard to sustainability performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

■ Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement on the Sustainability Information in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board IAASB. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement. The nature, timing and extent of the assurance procedures selected depend on professional judgement, including the assessment of material misstatement due to irregularity or error. We believe that the evidence we obtain is sufficient and appropriate to provide a basis for our conclusion on limited assurance.

We are independent of the Company in accordance with the ethical requirements applicable in Finland to the engagement we have undertaken and have fulfilled our other ethical obligations under those requirements.

KPMG Oy Ab applies International Standard on Quality Management ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

■ Procedures performed

A limited assurance engagement on Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Sustainability Information, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed members of Metsä Board senior management and relevant staff responsible for providing the Sustainability Information;
- Assessed the application of the reporting criteria, i.e., the Company's reporting guidelines, the Global Reporting Initiative (GRI) Sustainability Reporting Standards, Sustainability Accounting Standards Board (SASB) Standards, reporting principles related to Metsä Board and Metsä Group 2030 sustainability targets and Metsä Board selected own sustainability indicators, as well as reporting requirements under the EU Taxonomy in the presentation of the Sustainability Information;
- Assessed data management processes and working methods used to gather and consolidate the Sustainability Information;
- Reviewed the presented Sustainability Information and assessed its quality and reporting boundary definitions;
- Assessed the Sustainability Information's data accuracy and completeness through a review of the original documents and systems on a sample basis and;
- Conducted site visits to review the Sustainability Information on Metsä Board's sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

■ Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

■ Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Sustainability Information subject to the limited assurance engagement is not prepared, in all material respects, in accordance with the Company's reporting guidelines, the GRI Sustainability Reporting Standards, the SASB Standards, reporting principles related to Metsä Board and Metsä Group 2030 sustainability targets and Metsä Board selected own indicators, as well as EU Taxonomy reporting requirements.

Helsinki, 8 February 2024
KPMG Oy Ab

Kirsi Jantunen
APA
Partner, Audit and Assurance

Consolidated statement of comprehensive income

EUR million	Note	1-12/2023	1-12/2022
Sales	2.1, 2.2, 7.3	1,941.9	2,479.6
Change in stocks of finished goods and work in progress		-57.0	70.1
Other operating income	2.3, 7.3	79.9	79.6
Materials and services	2.4, 7.3	-1,429.5	-1,824.3
Employee costs	3	-199.5	-217.4
Share of result of associated company	7.2, 7.3	24.2	163.1
Depreciation, amortisation and impairment charges	4.1, 4.2	-93.8	-83.1
Other operating expenses	2.4	-145.4	-136.1
Operating result		120.8	531.5
Share of profit from associated companies and joint ventures	7.2	0.0	0.0
Net exchange gains/losses	5.2	2.6	-5.0
Other financial income	5.2, 7.3	9.9	3.0
Interest and other financial expenses	5.2, 7.3	-12.4	-4.7
Result before tax		120.9	524.9
Income taxes	6	-19.3	-63.5
Result for the period		101.6	461.3
Other comprehensive income			
Items that will not be reclassified to profit or loss	5.1		
Actuarial gains/losses on defined benefit pension plans	3.4	-1.0	-4.7
Financial assets at fair value through other comprehensive income	4.3	-87.8	178.5
Share of profit from other comprehensive income of associated company		-3.4	3.0
Income tax relating to items that will not be reclassified		18.5	-33.9
Total		-73.6	142.9
Items that may be reclassified to profit or loss	5.1		
Cash flow hedges		8.2	-3.1
Translation differences		-2.8	-56.3
Share of profit from other comprehensive income of associated company		-5.7	28.1
Income tax relating to items that may be reclassified		-1.6	0.6
Total		-1.9	-30.6
Other comprehensive income, net of tax		-75.6	112.2
Total comprehensive income for the period		26.1	573.6
Result for the period attributable to			
Shareholders of parent company		94.8	409.9
Non-controlling interest		6.8	51.4
		101.6	461.3
Total comprehensive income for the period attributable to			
Shareholders of parent company		20.7	535.7
Non-controlling interest		5.4	37.8
		26.1	573.6
Adjusted average number of shares, thousands		354,751	355,359
Basic and diluted earnings per share for result for the period attributable to the shareholders of parent company, EUR		0.27	1.15

Consolidated balance sheet

EUR million	Note	31 DEC 2023	31 DEC 2022
ASSETS			
Non-current assets			
Goodwill	4.1	12.2	12.2
Other intangible assets	4.1	16.1	5.9
Property, plant and equipment	4.2	1,230.4	1,107.9
Investments in associated companies and joint ventures	7.2	549.9	614.2
Other investments	4.3, 5.7	254.4	345.4
Other non-current financial assets	5.3	6.3	6.0
Derivative financial instruments	5.7	1.5	2.9
Deferred tax receivables	6	9.5	9.4
		2,080.4	2,103.9
Current assets			
Inventories	4.4	394.4	506.7
Trade receivables and other receivables	4.5, 7.3	251.7	354.5
Current income tax receivables		7.1	41.4
Derivative financial instruments	5.7	30.0	40.5
Cash and cash equivalent	5.4, 7.3	291.6	356.2
		974.7	1,299.3
Total assets		3,055.1	3,403.2
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to shareholders of parent company			
Share capital	5.1	557.9	557.9
Translation differences		-66.0	-64.0
Fair value and other reserves		209.1	283.9
Reserve for invested unrestricted equity		208.9	208.9
Treasury shares		-5.5	-7.8
Retained earnings		992.6	1,103.2
		1,897.0	2,082.0
Non-controlling interests			
		155.6	173.2
Total shareholders' equity		2,052.6	2,255.2
Non-current liabilities			
Deferred tax liabilities	6.	139.2	149.5
Post employment benefit obligations	3.4	10.1	10.4
Provisions	4.8	1.7	2.0
Borrowings	5.5, 5.6, 5.7	421.0	434.4
Other liabilities	4.6	8.7	3.9
		580.7	600.2
Current liabilities			
Provisions	4.8	1.4	4.9
Current borrowings	5.5, 5.6, 5.7	17.1	18.6
Trade payables and other liabilities	4.7, 7.3	377.5	482.7
Current income tax liabilities		15.8	11.6
Derivative financial instruments	5.7	10.2	30.2
		421.8	547.9
Total liabilities		1,002.5	1,148.1
Total shareholders' equity and liabilities		3,055.1	3,403.2

Statement of changes in shareholders' equity

Equity attributable to shareholders of parent company

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested restricted equity	Treasury shares	Retained earnings	Total	Non-controlling interest	Total shareholders' equity
Shareholders' equity, 1 Jan 2023		557.9	-64.0	283.9	208.9	-7.8	1,103.2	2,082.0	173.2	2,255.2
Result for the period							94.8	94.8	6.8	101.6
Other comprehensive income net of tax total	5.1		-1.9	-74.8			2.6	-74.1	-1.4	-75.6
Comprehensive income total			-1.9	-74.8			97.5	20.7	5.4	26.1
Related party transactions										
Dividends	5.1						-205.8	-205.8	-22.9	-228.7
Disposal of treasury shares	5.1					2.3	-2.3			
Share based payments	3.3						0.1	0.1		0.1
Shareholders' equity, 31 Dec 2023		557.9	-66.0	209.1	208.9	-5.5	992.6	1,897.0	155.6	2,052.6
Shareholders' equity, 1 Jan 2022		557.9	-27.2	118.3	208.9		841.5	1,699.4	146.2	1,845.6
Result for the period							409.9	409.9	51.4	461.3
Other comprehensive income net of tax total	5.1		-36.9	165.6			-2.9	125.8	-13.6	112.2
Comprehensive income total			-36.9	165.6			407.0	535.7	37.8	573.6
Related party transactions										
Dividends	5.1						-145.8	-145.8	-10.8	-156.6
Acquisition of treasury shares	5.1					-7.8		-7.8		-7.8
Share based payments	3.3						0.5	0.5		0.5
Shareholders' equity, 31 Dec 2022		557.9	-64.0	283.9	208.9	-7.8	1,103.2	2,082.0	173.2	2,255.2

Consolidated cash flow statement

EUR million	Note	1-12/2023	1-12/2022
Cash flow from operating activities			
Result for the period		101.6	461.3
Adjustments to the result, total		27.3	-63.0
Interest received		9.7	2.4
Interest paid		-11.1	-3.6
Dividends received		82.8	59.1
Other financial items, net		2.6	-6.4
Income tax paid		24.1	-66.5
Change in working capital		105.8	-151.4
Net cash flow from operations		342.8	232.0
Cash flow from investing activities			
Acquisition of other shares			-13.6
Capital expenditure		-218.4	-274.2
Proceeds from disposal of shares in subsidiaries, net of cash	7.2		24.5
Proceeds from disposal of other shares			16.9
Proceeds from sale of tangible and intangible assets		58.9	41.1
Change in non-current receivables, net		-0.2	-0.1
Net cash flow from investing		-159.7	-205.3
Cash flow from financing activities			
Proceeds from non-current interest bearing liabilities			60.9
Payment of non-current interest bearing liabilities		-18.9	-81.0
Change in current liabilities	5.5	-0.4	-0.5
Change in non-current non-interest bearing liabilities, net		4.7	2.4
Acquisition of treasury shares	5.1		-7.8
Dividend paid and capital distribution		-229.7	-157.1
Net cash flow from financing		-244.3	-183.1
Change in cash and cash equivalents		-61.2	-156.5
Cash and cash equivalents at beginning of period		356.2	524.2
Translation adjustments		-3.5	-11.6
Change in cash and cash equivalents		-61.2	-156.5
Cash and cash equivalents at end of period	5.4	291.6	356.2
Notes to consolidated cash flow statement			
Adjustments to the result, total			
Taxes		19.3	63.5
Depreciation, amortisation and impairment charges		93.8	83.1
Share of result from associated companies and joint ventures		-24.2	-163.1
Gains and losses on sale of non-current assets		-59.1	-59.5
Finance costs, net		-0.1	6.6
Post-employment benefit obligations and provisions		-4.7	3.6
Other adjustments		2.2	2.8
Adjustments to the result, total		27.3	-63.0
Change in working capital			
Inventories		109.5	-128.8
Trade receivables and other receivables		103.0	-27.6
Trade payables and other liabilities		-106.7	5.1
Change in working capital		105.8	-151.4

Notes to the consolidated financial statements

1. Accounting principles

■ Metsä Board Group

Metsä Board Corporation and its subsidiaries comprise a forest industry group ("Metsä Board" or "the Group"). Metsä Board's business operations consist solely of folding boxboard, fresh fibre linerboard and market pulp businesses. Metsä Board reports on its financial performance in one reporting segment.

Metsä Board Corporation is Group's parent company, which is domiciled in Helsinki. The registered address of the company is Revontulenpuisto 2, 02100 Espoo Finland. The parent company is listed on Nasdaq Helsinki Ltd. At the end of 2023 Metsäliitto Cooperative owned 52.0 per cent of the shares, and the voting rights conferred by these shares were 68.9 per cent.

A copy of the annual report can be obtained from Metsä Board's website www.metsaboard.com or parent company's head office at Revontulenpuisto 2, 02100 Espoo Finland.

The Group consolidated financial statements were authorised for issue by the Board of Directors on 7 February 2023. According to Finnish Companies Act shareholders can accept or reject the financial statements in General Meeting of shareholders after date of publication. General Meeting of shareholders also have possibility to decide to change financial statements.

■ Accounting principles

Metsä Board Corporation's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) effective and approved by the EU at the date of the financial statements 31 December 2023. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and company legislation supplementing the IFRS regulations.

The consolidated financial statements are presented in millions of euros, unless otherwise noted.

The consolidated financial statements have been prepared based on original acquisition costs, excluding financial assets recognised at fair value, hedged items in fair value hedging, assets and obligations related to defined benefit plans and share-based payments measured at fair value.

■ The impact of Russia's military aggression

Due to the discontinuation of Russian business operations, the Group recognised an impairment of EUR 0.3 million for owned and leased property. The Group also recognised a loss of EUR 0.7 million in other operating expenses mostly related to accumulated Russian ruble-denominated translation differences. Further information can be found in the notes: 2.4. Operating expenses, 4.2. Property, plant and equipment, 5.1. Equity, translation differences, and 5.2. Financial income and expenses.

■ Mitigating climate change and reducing emissions

Transitioning to fully fossil free energy in production, abandoning fossil-based raw materials, using energy and water more efficiently, and safeguarding strong forest growth and carbon storage are at the core of Metsä Boards's sustainability targets. The Group aims for fully fossil free mills and raw materials by the end of 2030. The achievement of ambitious targets requires investment, operational development and the use of the best available technology. Climate-related targets have an impact on the useful lives of property, plant and equipment (Note 4.2) and the preparation of future cash flow estimates in connection with goodwill impairment testing (Note 4.1).

■ Amendments to standards applied during the 2023 financial period

Amendments to IAS 12 Income taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences. The amendments will impact the notes to be presented. Further information can be found in the note: 6 Income taxes.

Amendments to IAS 12 Income taxes - International Tax Reform — Pillar Two Model Rules. The amendments give relief from accounting for deferred taxes arising from the OECD's (Organisation for Economic Co-operation and Development) international tax reform and require new disclosures to compensate for the potential loss of information resulting from the relief. Further information can be found in the note: 6 Income taxes.

Other standard changes do not have a significant impact on the group's financial statements.

■ New and amended standards to be applied during future financial periods

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures * (effective for financial years beginning on or after 1 January 2024, early application is permitted). The amendments enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. Amendments require to disclose quantitative and qualitative information about supplier finance programs.

* = Amendment has not been approved to be applied by the EU by 31.12.2023.

Other standard changes do not have a significant impact on the group's financial statements.

■ Translations in foreign currency

The items included in the financial statements of Group companies are presented in the currency that is used in each company's primary operating environment. The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Business transactions denominated in foreign currencies are recognised in the operating currency using the exchange rate on the transaction date. At the end of the financial period, open receivables and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate on the balance sheet date. Since March 2023, the rate used for the Russian ruble is the closing rate for EUR/RUB published by Refinitiv, which management considers to best represent the market rate for the time. Any gains or losses resulting from transactions in foreign currencies and from the translation of monetary items are recognised in financial income and expenses.

Information about currency hedging is provided in Note 5.6 Management of financial risks.

The income statements of Group companies whose functional currency is not the euro are translated into euros using the average exchange rates of the financial period, and their balance sheets are translated using the exchange rates on the balance sheet date. Changes in translation differences arising from the translation of Group companies' income statements and balance sheets and from the translation of net investments in foreign entities are recognised in the consolidated comprehensive income statement. In conjunction with divestments of Group companies, either by selling or by dissolving, translation differences accumulated by the time of the divestment are recognised in the income statement as part of the gain or loss from the divestment.

■ Earnings per share

Undiluted earnings per share are calculated using the weighted average number of shares during the reporting period, where the own shares held by the group have been deducted. In calculating earnings per share adjusted for the effect of dilution, the average number of shares is adjusted for the dilution effect of any equity instruments that have been issued. In calculating earnings per share, earnings are taken to be the reported earnings attributable to the parent company's shareholders.

■ Other accounting principles

Other accounting principles are presented as part of the relevant Notes.

■ Key estimates and judgements

The preparation of financial statements requires the use of the management's estimates, assumptions and judgement-based decisions that affect the amount of assets and liabilities, the presentation of contingent assets and liabilities in the financial statements, and the amount of income and expenses. Even though such estimates and assumptions are based on the management's best knowledge at the time they were made, it is possible that the actual values differ from those used in the financial statements. In terms of the financial statements, the key areas that involve the management's estimates and judgement-based decisions are presented in the following notes:

Management's judgement-based decisions

Management's judgement-based decisions that were made when applying the accounting principles and that have the greatest impact on the figures of the consolidated financial statements concern the following areas:

Item	Note	Nature of management's judgement-based decisions
Financial instruments measured at fair value	4.4 Other investments	Accounting principle and valuation model applied to the shares of Pohjolan Voima Oyj

Estimates and assumptions

The Group's key uncertainties related to assumptions and estimates that carry a significant risk of the book values of assets and liabilities changing during the following financial period include the following:

Item	Note	Nature of estimates and assumptions
Pension obligations	3.4 Pension obligations	Actuarial assumptions used as the basis for determining the current value of pension obligations arising from defined benefit plans and the obligation items recognised as expenses during the financial period
Property, plant and equipment and leases	4.2 Property, plant and equipment	Estimates of the useful lives of property, plant and equipment, and of lease extension options
Fair value measurement	4.3 Other investments	Estimates of key factors affecting cash flows in the valuation of Pohjolan Voima Oyj
Inventories	4.4 Inventories	Estimates of the sales prices of products measured at net realisable value, the costs of completion and the costs necessary for making the sale
Provisions	4.9 Provisions	Estimates of the date and amount of costs from the obligation
Income taxes	6. Income taxes	Estimates of the date and amount of tax liabilities arising in tax audits and deferred tax assets recognised for losses
Legal obligations	8.1 Commitments and contingencies	Estimates of the date and amount of costs from obligations related to disputes and legal proceedings

2. Profitability

■ 2.1 Segment information

Accounting principles

The Corporate Management Team is the chief operational decision-maker monitoring business operations performance based on the operating segments.

Metsä Board's business operations consist solely of folding boxboard, fresh fibre linerboard and market pulp businesses. Metsä Board reports on its financial performance in one reporting segment.

Geographical sales are reported based on the location of the customer and assets and capital expenditure based on the location of the assets.

Geographical areas

EUR million	External sales by location of customer		Non-current assets		Capital expenditure	
	2023	2022	2023	2022	2023	2022
Germany	148.9	209.8	2.6	2.5	0.1	0.1
Italy	136.0	174.6	0.3	0.4	0.0	0.0
Sweden	82.3	108.6	780.0	679.0	141.2	196.6
Finland	89.8	99.5	1,278.8	1,405.1	83.9	103.8
Spain	88.8	112.0	0.1	0.1	0.0	0.0
France	89.9	104.4	0.4	0.4	0.2	0.3
Poland	120.1	121.4	1.3	0.6	1.1	0.6
The Netherlands	46.8	30.5				
Belgium	18.2	32.1	0.4	0.3	0.2	0.0
Other EU	178.1	192.5				
EU total	999.0	1,185.4	2,063.8	2,088.3	226.7	301.4
Turkey	56.2	137.5	0.0	0.0		
United Kingdom	106.1	117.3	4.9	5.3	0.2	2.5
Russia	0.0	41.9			0.0	0.2
Norway	6.9	8.1				
Other Europe and Middle East	33.2	41.9				
USA	432.8	514.5	1.6	0.6	1.4	
Canada	56.4	29.6				
Asia	114.2	176.1	0.5	0.3	0.4	0.0
Other countries	137.3	227.3	0.0	0.0		
Total	1,941.9	2,479.6	2,070.8	2,094.6	228.7	304.1

Non-current assets include all non-current assets with the exception of derivative financial instruments and deferred tax assets.

Personnel at year end

By country	2023	2022
Finland	1,234	1,226
Sweden	739	733
Belgium	107	62
Germany	74	66
USA	17	57
Singapore	17	46
Other countries	54	58
Total	2,240	2,248

Personnel average

By country	2023	2022
Finland	1,303	1,340
Sweden	743	744
Belgium	103	21
Germany	70	66
USA	32	63
Singapore	28	49
Other countries	54	70
Total	2,333	2,352

Information on most important customers

There were no customers with revenue exceeding 10 per cent of total Group revenue in 2023 and 2022.

■ 2.2 Sales

Accounting principles

Metsä Board's sales are mainly generated from the sale of forest industry goods, such as the sale of folding boxboard and white kraftliners to branded product manufacturers, packaging processors and wholesalers, as well as the sale of pulp to manufacturers of cardboard, tissue, printing and specialty papers.

Performance obligations arising from the Group's sales contracts are mainly order-driven customer deliveries related to the sale of forest industry goods. Services mostly have an ancillary role in the Group's business operations, or they complement deliveries of goods.

The transaction price is the amount that the Group expects to receive in exchange for a fulfilled performance obligation. This amount, less sales-based value added taxes and sales taxes, is presented as the Group's sales. The prices received by the Group are divided into a fixed part and a variable part. The variable part consists of various discounts based on, among other things, payment terms and purchased quantities, and is allocated by the Group as deductions from sales revenue in line with estimates of the extent of the discount the customer is deemed to be entitled to. The Group's sales contracts mostly include obligations solely related to deliveries of goods, to which the allocation of the transaction price is uncomplicated. The terms of payment applied in the Group's sales invoicing vary to some degree geographically and in different business areas, but the term of payment provided is nonetheless always clearly less than a year, when the financing component does not need to be separated.

The Group recognises revenue from the sale of goods in the period during which the control of the delivered products passes to the customer, i.e. when the risks and benefits related to the sold products transfer to the customer. Services are recognised as income over time.

Control to products transfers at the point of time when the products have been delivered in accordance with the agreed term of delivery. The Incoterms 2010 delivery terms most commonly applied by the Group and the corresponding times of sales income recognition are:

- D terms: Delivery of goods to the buyer at the agreed destination at the agreed time
- C terms: Handing over the goods to be transported to the agreed destination by a carrier arranged for by the seller
- F terms: Handing over the goods to a carrier arranged for by the buyer

The Group sees geographical distribution of sales as describing best the nature, amount, timing and uncertainty of sales revenue. Sales by geographical regions is presented below based on the location of customers.

Geographical distribution of sales

EUR million	2023	2022
Germany	148.9	209.8
Italy	136.0	174.6
Sweden	82.3	108.6
Turkey	56.2	137.5
Finland	89.8	99.5
United Kingdom	106.1	117.3
Russia		41.9
Spain	88.8	112.0
France	89.9	104.4
Poland	120.1	121.4
Norway	6.9	8.1
The Netherlands	46.8	30.5
Belgium	18.2	32.1
Rest of EMEA	299.5	336.8
EMEA	1,289.4	1,634.5
USA	432.8	514.5
Canada	56.4	29.6
Rest of Americas	26.8	102.3
Americas	516.0	646.4
APAC	136.5	198.7
Total	1,941.9	2,479.6

■ 2.3 Other operating income

EUR million	2023	2022
Gains on disposal	59.9	59.2
Rental income	1.3	1.1
Service revenue	5.5	6.1
Government grants and allowances	7.5	3.3
Scrap and waste sale	0.2	0.2
Other	5.4	9.7
Total	79.9	79.6

Gains on disposal

EUR million	2023	2022
Emission rights	55.0	29.0
Non-business related land area	2.7	6.5
Share ownership		2.8
Oy Hangö Stevedoring Ab		19.2
Other	2.2	1.6
Total	59.9	59.2

The government grants and compensation relate to the compensation for training, healthcare and research costs, insurance indemnities and energy aid.

■ 2.4 Operating expenses

EUR million	2023	2022
Materials and services		
Raw materials and consumables		
Purchases during the financial year	1,074.1	1,465.4
Change in inventories	33.6	-48.0
External services		
Logistics cost	243.6	332.7
Other external services	78.1	74.3
Total	1,429.5	1,824.3
Depreciation, amortisation and impairment charges total	93.8	83.1
Employee costs total	199.5	217.4
Other operating expenses		
Rents and other real estate expenses	20.0	17.6
Purchased services	86.8	76.2
Losses on sale of non-current assets	0.8	0.3
Other operating expenses	37.9	42.0
Total	145.4	136.1

Employee costs are reported in Note 3.1 and information on depreciation, amortisation and impairment charges in Notes 4.1 and 4.2.

Other operating expenses include e.g. energy costs, real estate costs, marketing and advertising costs and administrative costs. In 2022, other operating expenses include expenses of EUR 0.7 million related to the discontinuation of Russian business operations.

Research and development expenses excluding depreciations were EUR 7.3 (6.1) million.

Auditor fees

The fees of the group's auditor KPMG

EUR million	2023	2022
Audit	0.5	0.5
Auditors' opinions	0.0	
Tax services		
Other services	0.0	0.0
Total	0.5	0.5

Other than audit related fees to other auditors than KPMG amounted to EUR 0.3 (0.1) million. Non-auditing services for KPMG in 2023 were EUR 30 thousand.

3. Remuneration

■ 3.1 Employee costs

EUR million	2023	2022
Wages and salaries	119.6	137.3
Share-based payments	2.2	2.8
Pension costs		
Defined benefit plans	0.6	0.5
Defined contribution plans	22.9	22.7
Other social security costs	54.2	54.1
Social security costs total	77.7	77.3
Employee costs total	199.5	217.4

■ 3.2 The management's salaries, remuneration and pension expenses

Key management includes members of the Board of Directors as well as Corporate Management Team.

The management's salaries, remuneration and pension expenses

EUR	2023	2022
Salaries and other remuneration	2,946,400.96	2,824,918.65
Share-based payments (long-term remuneration)	2,838,785.26	2,073,129.01
Pension costs		
Defined benefit plans	520,027.42	589,122.26
Defined contribution plans	336,557.35	278,099.65
Total	6,641,770.99	5,765,269.57

Remuneration paid to the members of the Board of Directors of the parent company and their shareholding

EUR	Shareholding shares 2023	Remuneration 2023	Remuneration 2022	Pensions, Defined contribution 2023	Pensions, Defined contribution 2022
Ilkka Härmälä	294,814	112,592	114,192	18,794	18,359
Jussi Linnaranta	36,211	98,480	100,080	17,907	17,584
Hannu Anttila	152,627	81,136	81,936	1,025	14,400
Raija-Leena Hankonen-Nyblom	13,131	91,936	90,836	15,454	14,620
Erja Hyrsky	14,508	80,336	81,936	14,611	14,400
Jukka Moisio	17,283	79,536	81,136	13,280	13,049
Mari Kiviniemi (from 24 March 2022)	8,685	81,136	75,536	13,549	12,143
Kirsi Komi (until 24 March 2022)			4,800		777
Mikko Mäkimattila (from 23 March 2023)	5,052	74,736		13,586	
Juha Vanhainen (from 23 March 2023)	9,460	76,336		12,742	
Timo Saukkonen (until 23 March 2023)		5,600	81,936	941	13,179
Veli Sundbäck (until 23 March 2023)		5,600	81,936		
Total	551,771	787,423	794,323	121,890	118,510

Metsä Board's Annual General Meeting 2023 decided, that about one half of the remuneration will be paid in cash while the other half is paid in company's B shares.

The remuneration of the Management Team consists of a fixed monthly salary and remuneration based on short-term and long-term remuneration schemes. The CEO is also covered by a defined benefit pension plan.

Salaries and remuneration paid to the CEO and other members of the Corporate Management Team

EUR	CEO	CEO	Other	Other
	2023	2022	Management Team	Management Team
	2023	2022	2023	2022
Salaries and remuneration				
Basic salary including fringe benefits ¹⁾	545,164	535,749	1,391,974	1,327,502
Short-term performance bonus ²⁾	331,049	327,155	678,214	634,513
Long-term share-based incentive ³⁾	1,391,888	954,226	1,446,898	1,022,174
Deferred long-term share-based incentive ⁴⁾				96,730
Total	2,268,101	1,817,130	3,517,085	3,080,918
Pension Costs				
Supplemental defined benefit pension plan	520,027	589,122		
Defined contribution plans	92,002	72,225	244,555	205,875
Total	612,030	661,347	244,555	205,875
Salaries and remuneration as well as pension costs in total	2,880,131	2,478,477	3,761,640	3,286,792

¹⁾ Basic salary may include car and telephone benefits, extended health, travel and accident insurance cover, and minor other benefits in kind.

²⁾ The 2023 payment concerns performance in 2022; the 2022 payment concerns performance in 2021.

³⁾ 2023: earning period 2020–2022; 2022: earning period 2019–2021.

⁴⁾ In 2022 delayed long-term rewards were paid in accordance with the terms and conditions and the decision of the Board of Directors

The monthly salary of CEO Mika Joukio is EUR 43,478. The salary includes car and phone benefits and extended insurance cover for travel and accidents. In 2022 and 2023, the reward option for the CEO's short-term compensation plan was at the target level of 30 per cent and at the maximum level of 75 per cent of the fixed annual salary.

In 2022 and 2023, the reward option for the short-term compensation plan for members of the Management Team was at the target level of 20 or 25 per cent and at the maximum level of 50 or 62.5 per cent of the fixed annual salary.

The Board of Directors decides on the criteria of the short-term remuneration system. Remuneration is based on defined financial criteria and targets supporting strategy.

Share based incentive schemes and the shareholding programme for Corporate Management Team are presented in Note 3.3.

The CEO's mutual term of notice is six months. In case the CEO contract is terminated by the Board of Directors, the CEO is entitled to receive discharge compensation equal to his 12-month salary.

The period of notice for other members of Corporate Management Team is six months. Corporate Management Team members are entitled

to additional mainly severance compensation of six month salary in case of employment termination on grounds not related to the affected Management Team member.

The CEO is covered by statutory employee pension scheme. This offers pension benefits based on term of service and remuneration earned as prescribed in applicable legislation. Through supplementary pension arrangements, the CEO is entitled to retire at the age of 62 years. His pension will be equal to 60 per cent of his salary at the time of retirement calculated in accordance with Finnish pension legislation and based on the calculation period of five years immediately preceding retirement. In case the CEO's contract is terminated prior to retirement, the pension earned by the CEO becomes vested.

The Corporate Management Team members have no pension arrangements differing from statutory pensions. The Group has no off balance sheet pension liabilities on behalf of management.

Key management had no loans outstanding from the company or its subsidiaries and there were no guarantees given on behalf of key management.

■ 3.3 Share-based payments

Accounting principles

Share-based incentive programmes in which the payments are made with equity instruments and cash have been established for the company's top executives. The Group's share-based incentive schemes have been treated in full as arrangements settled in shares. The incentives granted are measured at fair value on the grant date, and recognised as expenses in the income statement and equity evenly over the vesting period.

The effect on profit of the incentive programmes is presented under employee costs.

During the review period, Metsä Board had five active share-based incentive schemes: Performance based share incentive scheme 2017–2021 of which the company Board of Directors decided to adopt on 10 January 2017 and Performance based share incentive scheme 2020–2024 which the company Board of Directors decided to adopt on 12 December 2019, Performance based share incentive scheme 2023–2027 of which the company Board of Directors decided to adopt on 15 December 2022, as part of company's incentive and key personnel retention programme.

The effect on consolidated income statement of share-based incentive schemes amounted to EUR 2,224,395 (2,817,955) in 2023.

Performance based share incentive scheme 2017–2021, Performance based share incentive scheme 2020–2024 and Performance based share incentive scheme 2023–2027

The schemes offer the participants the possibility to be awarded Metsä Board Corporation's B shares for achieving set goals for three-year periods. Incentive periods are the calendar years 2017–2019, 2018–2020, 2019–2021, 2020–2022, 2021–2023, 2022–2024, 2023–2025, 2024–2026 and 2025–2027. The bonus awarded under the performance based share incentive plan 2017–2021 is determined by achievement of

the set goals and paid in March following the incentive period. In addition to shares, the bonus includes a cash component, which is used to cover taxes and tax-like charges incurred by plan participants due to the bonus. The number of shares allocated under the performance based incentive scheme 2020–2024 and 2023–2027 includes both the share and the cash portion. Accordingly, the reward is paid partly in shares and partly in cash and the cash portion is intended to cover taxes and tax-like payments. The bonus is not paid if the person's employment ends before the end of the earning period. In addition, the scheme includes a two-year commitment period. If the key employee's employment ends during the commitment period, the key person must, as a rule, return the delivered shares to the Company free of charge.

Based on the fulfillment of the criteria for the earning period 2020–2022, 298,785 Metsä Board Oyj B shares and a cash contribution were paid to cover taxes and tax-like payments arising from the reward at the time of the transfer of the shares.

Committing-based share incentive scheme 2020–2024 and Committing-based share incentive scheme 2023–2027

The scheme offers key employees in the target group the opportunity to receive Metsä Board Corporation's B-series shares, provided that the participant's employment relationship remains in force and continues in force until the end of the restriction period. The scheme has restriction periods of 12 to 36 months. As a rule, rewards are not paid if the participant's employment relationship ends during the restriction period. Committing-based share incentive scheme 2023–2027 has not any allocations.

Key characteristics of Performance based share incentive scheme 2017–2021 are summarised in the table below:

	Performance based share incentive scheme 2017–2021			
31 Dec 2023	2017–2019	2018–2020	2019–2021	Total
Key characteristics				
Shares allocated to the scheme, shares			280,694	280,694
Grant date(s)			2.4.2019, 13.6.2019, 12.8.2019, 13.1.2022	
Criteria			Equity ratio, ROCE ja EBIT	
Personnel (31 December 2023)				23
Factors used to determine fair value (EUR) ¹⁾				
Share price at grant date			5.82	
Share fair value at grant date			5.20	
Annual dividend assumption in fair value measurement			0.31	
Share price at payment date / balance sheet date			8.86	
Fair value on balance sheet date			1,885,138	1,885,138
Effect on result and financial position (EUR)				
Expense in 2023, share-based payments settled as equity			418,968	418,968
Share-based payments settled in cash, unpaid part, estimate				
Number of shares 1 January 2023 ²⁾				
Outstanding at the beginning of the period			173,573	173,573
Changes during the year				
Shares exercised			173,573	173,573
Number of shares 31 December 2023				
Outstanding at the end of the period				

¹⁾ The fair value of the share settled component at the grant date was the share price of Metsä Board Corporation's B share less any dividends estimated by analyst consensus to be paid before the payment of the incentive. The fair value of the share based payment is recognised to the number of shares based on the best available estimate of the total incentive to which the participants are expected to be entitled.

²⁾ The amounts in the table represent net amounts, i.e. the number of shares to be given based on the share based payment schemes. In addition, the payment will include a cash settled component used to cover taxes and tax-like charges.

Key characteristics of Performance based share incentive scheme 2020–2024 are summarised in the table below:

	Performance based share incentive scheme 2020–2024			Committing based share incentive plan 2020–2024	
31 Dec 2023	2020–2022	2021–2023	2022–2024	2022–2024	Total
Key characteristics					
Shares allocated to the scheme, shares	590,788	453,650	437,545	20,838	1,502,821
Grant date(s)	27.1.2020, 18.6.2021	27.1.2021, 18.6.2021	31.1.2022, 8.11.2022	7.10.2022	
Criteria	Equity ratio, ROCE ja EBIT	Equity ratio, ROCE ja EBIT	Equity ratio, ROCE ja EBIT		
Personnel (31 December 2023)					29
Factors used to determine fair value (EUR) ¹⁾					
Share price at grant date	5.46	8.93	9.44	7.74	
Share fair value at grant date	4.66	8.15	8.21	6.68	
Annual dividend assumption in fair value measurement	0.27	0.27	0.41	0.53	
Share price at payment date / balance sheet date	8.26	7.19	7.19	7.19	
Fair value on balance sheet date	2,657,030	3,416,959	2,098,187	139,198	8,311,374
Effect on result and financial position (EUR)					
Expense in 2023, share-based payments settled as equity	686,596	797,661	248,185	70,079	1,802,521
Share-based payments settled in cash, unpaid part, estimate		1,576,693	961,874	80,516	2,619,084
Number of shares 1 January 2023 ²⁾					
Outstanding at the beginning of the period	564,054	413,980	421,099	20,838	1,419,971
Changes during the year					
Shares forfeited		1,574	4,689		6,263
Shares exercised	50,021				50,021
Shares expired	933				933
Number of shares 31 December 2023					
Outstanding at the end of the period	513,100	412,406	416,410	20,838	1,362,754

¹⁾ The fair value of the share settled component at the grant date was the share price of Metsä Board Corporation's B share less any dividends estimated by analyst consensus to be paid before the payment of the incentive. The fair value of the share based payment is recognised to the number of shares based on the best available estimate of the total incentive to which the participants are expected to be entitled.

²⁾ The amounts in the table represent brutto amounts, i.e. the number of shares to be given based on the share based payment schemes. In addition, the payment will include a cash settled component used to cover taxes and tax-like charges.

Key characteristics of Performance based share incentive scheme 2023–2027 are summarised in the table below:

31 Dec 2023	Performance based share incentive scheme 2023–2027			Total
	2023–2025	2024–2026	2025–2027	
Key characteristics				
Shares allocated to the scheme, shares	432,163			432,163
Grant date(s)	30.1.2023, 6.9.2023			
Criteria	Equity ratio, ROCE ja EBIT			
Personnel (31 December 2023)				26
Factors used to determine fair value (EUR) ¹⁾				
Share price at grant date	8.34			
Share fair value at grant date	6.90			
Annual dividend assumption in fair value measurement	0.48			
Share price at payment date / balance sheet date	7.19			
Fair value on balance sheet date				
Effect on result and financial position (EUR)				
Expense in 2023, share-based payments settled as equity	2,906			2,906
Share-based payments settled in cash, unpaid part, estimate				
Number of shares 1 January 2023 ²⁾				
Outstanding at the beginning of the period	432,163			432,163
Changes during the year				
Shares granted	7,800			7,800
Number of shares 31 December 2023				
Outstanding at the end of the period	424,363			424,363

¹⁾ The fair value of the share settled component at the grant date was the share price of Metsä Board Corporation's B share less any dividends estimated by analyst consensus to be paid before the payment of the incentive. The fair value of the share based payment is recognised to the number of shares based on the best available estimate of the total incentive to which the participants are expected to be entitled.

²⁾ The amounts in the table represent brutto amounts, i.e. the number of shares to be given based on the share based payment schemes. In addition, the payment will include a cash settled component used to cover taxes and tax-like charges.

■ 3.4 Retirement benefit obligations

Accounting principles

The Group's arrangements concerning benefits following the termination of employment are either defined benefit pension plans or defined contribution pension plans. A defined contribution plan is a pension arrangement in which fixed contributions are made to a separate unit, and the Group does not have legal or constructive obligations to make additional contributions if the fund has insufficient funds to pay all benefits to all employees in accordance with its obligations in the future. All arrangements that do not meet these requirements are considered to be defined benefit plans. A defined benefit plan defines the pension benefit that the employee will receive upon retiring, the amount of which depends on factors including the employee's age, years of service and salary level, for example.

With defined benefit plans, the current value of the obligations on the end date of the reporting period, less the fair value of the assets included in the arrangement, is recognised on the balance sheet as a liability. The amount of the obligation arising from the plan is based on annual calculations by independent actuaries using the projected unit credit method. The current value of the obligation is determined using the interest rate equalling the interest rate of high-quality bonds issued by the companies as the discount rate for the estimated future cash flows. The bonds used in determining the interest rate have been issued in the same currency as the benefits to be paid, and their maturity is approximately the same as that of the corresponding pension obligation.

Actuarial gains and losses from experience verifications and changes in actuarial assumptions are recognised through items of other comprehensive income as a reimbursement or charge in equity for the period during which they have been incurred. Past service costs are recognised immediately through profit and loss.

Apart from contributions related to pension insurance, the Group does not have any other payment obligations in defined contribution plans. Obligation-based payments are allocated as expenses in accordance with accrual accounting.

Key estimates and judgements

The determination of the current value of pension obligations arising from defined benefit plans and the items to be recognised as expenses during the financial period is based on the use of actuarial assumptions. The assumptions include, among other things, the discount rate, the assumed increase in the salary level and the assumed life expectancy. The actuarial assumptions used may differ significantly from the actual results, due to changes in economic conditions or the employment relationships of the people covered by the arrangements. Significant differences between the assumptions and actual results may affect the amount of the pension obligation and the value of items to be recognised as expenses.

Post-employment benefits

EUR million	2023	2022
Liabilities recognised in balance sheet		
Defined benefit pension plans	10.0	10.3
Defined contribution pension plans	0.1	0.1
Total	10.1	10.4
Surplus of funded plans in assets	-3.4	-3.4

Defined benefit pension plans

The most significant defined benefit pension plans are in Germany and United Kingdom.

Group's German defined benefit pension plans grant old-age pensions, disability pensions and family pensions exceeding the statutory pension level to eligible officials and senior management. The retirement age is usually 67 years, and the amount of pension depends on the length of service. Officials and senior management are required to have a service history of 25–30 years to receive a full pension. Some of the pension arrangements are closed. The defined benefit plans in Germany are unfunded.

The defined benefits plans in United Kingdom guarantee participants of the plan a pension, the amount of which is based on the length of service and the salary in the most recent working years. The arrangement is closed to new members. The UK pension scheme operates under an independent foundation separate from the Group.

The Group also has defined benefit plans in Finland, Belgium and Italy.

Amounts in balance sheet

EUR million	2023	2022
Present value of funded obligations	35.5	36.3
Fair value of plan assets	-37.3	-37.3
Deficit (+) / surplus (-)	-1.8	-0.9
Present value of unfunded obligations	8.3	7.8
Deficit (+) / surplus (-) of defined benefit pension plans, total	6.5	6.9
Defined benefit-based pension liabilities on the balance sheet, net	10.0	10.3
Defined benefit-based pension assets on the balance sheet, net	-3.4	-3.4

Change in defined benefit pension obligations in 2023

EUR million	Present value of obligation	Fair value of plan assets	Total
1 Jan 2023	44.1	-37.3	6.9
Current service cost	0.6		0.6
Interest expense (+) or interest income (-)	1.9	-1.7	0.2
Total amount recognised in profit and loss	2.4	-1.7	0.7
Remeasurements in other comprehensive income			
Return on plan assets, excluding amounts included in interest income or expense		0.7	0.7
Gains (-) and losses (+) from change in demographic assumptions	-0.5		-0.5
Gains (-) and losses (+) from change in financial assumptions	0.0		0.0
Experience gains (-) and losses (+)	0.4		0.4
Total remeasurements in other comprehensive income	-0.1	0.7	0.7
Translation differences	0.5	-0.6	-0.1
Contributions			
Employers		-0.3	-0.3
Plan participants	0.0	0.0	
Payments from plans			
Benefit payments	-2.9	2.3	-0.6
Settlements	-0.3	-0.5	-0.8
31 Dec 2023	43.8	-37.3	6.5

Change in defined benefit pension obligations in 2022

EUR million	Present value of obligation	Fair value of plan assets	Total
1 Jan 2022	64.0	-62.8	1.2
Current service cost	0.5		0.5
Interest expense (+) or interest income (-)	0.9	-1.0	-0.1
Total amount recognised in profit and loss	1.4	-1.0	0.4
Remeasurements in other comprehensive income			
Return on plan assets, excluding amounts included in interest income or expense		22.1	22.1
Gains (-) and losses (+) from change in demographic assumptions	0.0		0.0
Gains (-) and losses (+) from change in financial assumptions	-15.6		-15.6
Experience gains (-) and losses (+)	-0.9		-0.9
Total remeasurements in other comprehensive income	-16.5	22.1	5.7
Translation differences	-2.1	2.7	0.6
Contributions			
Employers		-0.3	-0.3
Plan participants	0.0	0.0	
Payments from plans			
Benefit payments	-2.7	2.1	-0.6
Settlements		-0.1	-0.1
31 Dec 2022	44.1	-37.3	6.9

Defined benefit pension obligation and plan assets by country in 2023

EUR million	Germany	United Kingdom	Finland	Other countries	Total
Present value of obligation	7.5	24.4	8.6	3.3	43.8
Fair value of plan assets		-27.8	-7.1	-2.4	-37.3
Total	7.5	-3.4	1.5	0.9	6.5

Defined benefit pension obligation and plan assets by country in 2022

EUR million	Germany	United Kingdom	Finland	Other countries	Total
Present value of obligation	7.1	24.3	9.2	3.5	44.1
Fair value of plan assets		-27.7	-7.3	-2.2	-37.3
Total	7.1	-3.4	1.9	1.2	6.9

Significant actuarial assumptions 2023

	Germany	United Kingdom	Finland	Belgium
Discount rate, %	3.17	5.10	3.13	3.60
Salary growth rate, %	3.00			3.30
Pension growth rate, %	2.00	3.05	2.42	2.30

Significant actuarial assumptions 2022

	Germany	United Kingdom	Finland	Belgium
Discount rate, %	3.73	4.90	3.72	3.10
Salary growth rate, %	3.00	2.60		1.00
Pension growth rate, %	2.00	3.10	2.84	2.30

Sensitivity of benefit obligation to changes in essential weighted assumptions 2023

	Change of assumption	Impact on benefit obligation	
		Increase	Decrease
Discount rate	0.5%-points	4.5% decrease	5.0% increase
Salary growth rate	0.5%-points	0.5% increase	0.4% decrease
Pension growth rate	0.5%-points	4.2% increase	4.0% decrease
		One year increase in assumption	One year decrease in assumption
Life expectancy		2.9% increase	2.9% decrease

The aforementioned sensitivity analyses are based on a situation where all other assumptions remain unchanged when one assumption changes. The sensitivity of a defined benefit obligation to changes in significant actuarial assumptions has been calculated using the same method as is used in calculating the pension obligation recognised in the balance sheet.

Plan assets are comprised as follows:

	2023 EUR million	2023 %	2022 EUR million	2022 %
Qualifying insurance policies	36.5	98%	34.7	93%
Cash and cash equivalents	0.6	2%	0.4	1%
Investment funds	0.2	1%	2.1	6%
Total	37.3	100%	37.3	100%

The most considerable risks related to Defined benefit plans are as follows:

Changes in the return on bonds

Liabilities arising from the arrangements have been calculated using a discount rate based on the return on high-quality corporate bonds. A decline in the discount rate increases the arrangements' liabilities.

Inflation risk

The plan's benefit obligations are linked to inflation and a higher inflation will lead to increased obligation.

Life expectancy

The majority of the arrangement obligations arises from generating life-time benefits for members, so the expected increase in life expectancy will increase the arrangement obligations.

The contribution made to post-employment defined benefit plans is expected to be EUR 1.7 million in 2024. The weighted average duration of the defined benefit obligation is 10.9 years (11.5).

4. Capital employed

■ 4.1 Intangible assets

Accounting principles

Goodwill

Goodwill arising from the merging of business operations is recognised as the amount by which the sum of the consideration paid, the non-controlling interests' share in the object of the acquisition and the previous holding exceed the fair value of the acquired net assets.

Goodwill is not amortised. Instead, it is tested for impairment annually and always when there is an indication of a decrease in value. Goodwill is therefore allocated to cash-generating units for impairment testing. Goodwill is recognised at original acquisition cost less accumulated impairment losses.

Other intangible assets

Intangible assets are initially recognised at their original acquisition cost on the balance sheet if the acquisition cost can be determined reliably and it is probable that the expected financial benefit from the asset will be to the benefit of the Group.

Intangible assets with limited useful lives are recognised as expenses over their known or estimated useful lives, using the straight-line depreciation method.

The residual value of an asset, the useful life and depreciation method are reviewed at least annually, at the end of each financial period, and adjustments are made when necessary to reflect changes in the expected financial benefit of the asset.

Research and development costs

Research costs are recognised as expenses at the time they are incurred. Development costs are capitalised and amortised over their useful lives if the research project is likely to generate financial benefits and the costs can be measured reliably. Metsä Board has not capitalised development costs.

Computer software

Costs arising from developing and building of significant new computer software are recognised as intangible assets on the balance sheet and depreciated on a straight-line basis over its estimated useful life, which is not to exceed seven years. Maintenance and operating costs related to computer software are recorded as expenses in the reporting period during which they have been incurred.

Configuration and customisation costs in the deployment of cloud services are recognised as expenses if they do not result in intangible assets. If the services received by the group are separable, the costs are recognised as expenses when the supplier modifies the application. If the services received by the group are not separable, the costs are recognised as expenses when the supplier provides access to the application during the term of the agreement.

Patents, licences and trademarks

The cost of patents, licences and trademarks with finite useful lives are capitalised on the balance sheet under intangible assets and depreciated on a straight-line basis over their useful lives of 5–10 years.

Emission allowances

The Group has received emission allowances in accordance with the European Union Emissions Trading System. Allowances are treated as intangible assets and are measured at acquisition cost. The acquisition cost of emission allowances received without consideration is zero. Emission allowances are used simultaneously with the carbon dioxide emissions generated during their validity period. Earnings from emission allowances sold are recognised in other operating income. If the emission allowances received without consideration are not sufficient to cover the amount of the actual emissions, the Group purchases additional allowances from the market.

The allowances purchased are recognised in intangible rights at the fair value on the acquisition date. The provision to fulfil the obligation to return the emission allowances is recognised at fair value on the closing date of the reporting period if the emission allowances received without consideration and purchased are not sufficient to cover the amount of the actual emissions.

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition cost, 1 Jan 2023	12.2	59.2	0.1	46.6
Translation differences		0.0		0.0
Increases		8.3	8.1	16.4
Decreases		-6.9		-6.9
Transfers between asset categories		0.1		0.1
Acquisition cost, 31 Dec 2023	12.2	60.7	8.3	56.1
Accumulated amortisation and impairment charges, 1 Jan 2023		-53.4		-28.5
Translation differences		0.0		0.0
Accumulated amortisation on decreases and transfers		2.0		2.0
Amortisation for the period		-1.4		-1.4
Accumulated amortisation and impairment charges, 31 Dec 2023		-52.8		-27.9
Book value, 1 Jan 2023	12.2	5.8	0.1	18.1
Book value, 31 Dec 2023	12.2	7.8	8.3	28.3

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition cost, 1 Jan 2022	12.4	124.2	1.0	137.6
Translation differences		-0.5		-0.5
Increases		0.9	0.1	1.1
Acquired business		1.3		1.3
Decreases	-0.1	-67.8		-92.9
Transfers between asset categories		1.0	-1.0	
Acquisition cost, 31 Dec 2022	-12.2	59.2	0.1	46.6
Accumulated amortisation and impairment charges, 1 Jan 2022		-119.1		-119.1
Translation differences		0.4		0.4
Accumulated amortisation on decreases and transfers		66.4		91.4
Amortisation for the period		-1.2		-1.2
Accumulated amortisation and impairment charges, 31 Dec 2022		-53.4		-28.5
Book value, 1 Jan 2022	12.4	5.1	1.0	18.5
Book value, 31 Dec 2022	12.2	5.8	0.1	18.1

Other intangible assets include among other things computer software, patents and licenses. Acquired businesses in 2022 include the intangible assets of Hämeenkyrön Voima Oy. Further information is available in Note 7.2.

The Group received 582 thousand tonnes of emission allowances free of charge (597). In addition the Group has sold 655 thousand tonnes to the market (350). At balance closing date the group had emission allowances of 685 thousand tonnes (1,000). Emissions during the reporting period fell below the amount of emission allowances received free of charge and consequently emissions during the year did not have an impact on income statement or balance sheet.

Capital gains from the sale of emission allowances recognised in other operating income totalled EUR 55.0 million (29.0). On the balance sheet date, the fair market value of an emission right was EUR 77.25 per tonne (80.76) and total value of owned rights EUR 52.9 million (80.8).

Impairment testing

Depreciation is not recognised for assets with indefinite useful lives. Instead, such assets are tested for impairment annually. Assets that are subject to depreciation are always tested for impairment when events or changes in conditions indicate that it is possible that the monetary amount corresponding to the book value of the assets might not be recoverable.

Cash-generating units are reporting segments or smaller units for which a utility value can be defined.

The recoverable amount is the higher of the fair value of an asset less the cost of sale, and its value in use. Value in use is the estimated future net cash flows, discounted to their present value, expected to be derived from said asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of the asset is higher than its recoverable amount. If the impairment loss concerns a cash-generating unit, it is first allocated to decrease the goodwill of the cash-generating unit, and thereafter to decrease the other assets of the unit on pro-rata basis. In connection with the recognition of the impairment loss, the useful life of the depreciated asset is re-evaluated. An impairment loss recognised for an asset other than goodwill is reversed if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to no more than the carrying amount of the asset if no impairment loss had been recognised. An impairment loss recognised on goodwill is not reversed under any circumstances.

Impairment testing 2023

Metsä Board carries out impairment testing once a year, during the fourth quarter, based on the situation on 30 September, or more frequently if signs of a possible impairment are detected.

The group did not recognise impairments based impairment testing in 2023. In the testing carried out in 2023, a somewhat potential change in any individual key assumption would not lead to the recognition of an impairment.

The group's key impairment testing and key assumptions in the situation on 30 September 2023:

Cash-generating unit	Goodwill EUR million	Brand EUR million	Discount rate after taxes on 30 September 2023	Discount rate after taxes on 30 September 2022	Long-term growth rate on 30 September 2023	Long-term growth rate on 30 September 2022
Paperboard industry						
Folding boxboard ¹⁾	31.0	2.5	7.9	7.2	2.0	2.0
Liner ¹⁾	26.4	3.0	7.9	7.2	2.0	2.0
Market pulp ¹⁾			7.9	7.2	2.0	2.0

¹⁾ Metsä Board's share of Metsä Fibre's recoverable cash flow, the book value and the goodwill included in the balance sheet item "Investments in associates and joint ventures" (EUR 45.2 million) and other intangible assets with unlimited economic life (EUR 5.6 million), are allocated to cash flow generating units in proportion to their pulp purchases.

The recoverable amounts of the cash-generating units being tested are based on five-year forecasts and the resulting, steadily growing cash flows. The initial value used for the key assumptions of the cash flows – prices and variable costs – after the forecast period is the average of the five-year forecast period. The value used for delivery volumes and fixed costs is the value of the forecast period's fifth year. The key testing assumptions are management estimates and forecasts obtained from external sources of information.

The discount rate used is the weighted average cost of capital (WACC). When calculating the WACC, the cost of debt takes into account the market-based view of the credit risk premium.

■ 4.2 Property, plant and equipment

Accounting principles

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and impairment losses.

The acquisition cost includes costs that are directly incurred in the acquisition of an item of property, plant or equipment. Qualifying external borrowing costs resulting directly from the acquisition, construction or manufacture of an item of property, plant or equipment are capitalised as part of the acquisition cost of property, plant and equipment.

If a piece of property, plant or equipment consists of several components with differing useful lives, each component is handled as a separate item. In that case, the expenses related to replacing the component are capitalised, and any book value remaining at the time of replacement is derecognised on the balance sheet.

Spare parts, spare equipment and maintenance supplies are recognised in property, plant and equipment when they fulfill the criteria for recognition of property, plant and equipment. Otherwise, such commodities are classified as inventories.

Significant investments in refurbishments and improvements are capitalised on the balance sheet and depreciated over the remaining useful life of the main asset related to such investments.

Repair and maintenance costs are recognised as expenses when they are incurred.

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives. Depreciation is not recognised for owned land and water.

Estimated useful lives

Buildings and constructions	20–40 years
Machinery and equipment	
Heavy power plant machinery	20–40 years
Other heavy machinery	15–20 years
Lightweight machinery and equipment	5–15 years
Other tangible assets	5–20 years

The residual value of an asset, the financial useful life and depreciation method are reviewed at least annually, at the end of each financial period, and adjustments are made when necessary to reflect changes in the expected financial benefit of the asset.

Gains and losses arising from the sale and decommissioning of items of property, plant and equipment are recognised in other operating income and expenses. Sales gains or losses are calculated as the difference between the sales price and the remaining acquisition cost.

Government grants related to the acquisition of assets are presented as adjustments of the acquisition cost on the balance sheet and recognised as income in the form of lower depreciation during the useful life of the asset.

Leases

The Group has leased various land areas, properties, equipment and vehicles. When the leased asset is available for the Group's use, A fixed asset item and a corresponding liability of the lease is recognised. Paid rents are divided into liabilities and finance costs. The finance cost is included in profit or loss over the lease term in such a way that the interest rate of the remaining debt balance is the same during each period. The leased fixed asset is subject to straight-line depreciations over the asset's economic life or the lease term, depending on which of them is shorter.

Assets and liabilities arising from leases are initially measured at the present value. Lease liabilities include fixed payments, less any lease incentives receivable; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate. The leased fixed assets are measured at cost, which includes the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred; and any costs incurred by restoring the site on which it is located.

Some of the leases include options to extend or terminate, which are largely available only for the Group, not the lessor.

Payments related to short-term leases or leases where the value of the underlying asset is low are recognised as costs on a straight-line basis. A lease with a lease term of 12 months or less is considered a short-term lease. Assets of a low value include mainly ICT and office equipment.

Key estimates and judgments

Aineelliset käyttöomaisuushyödykkeet

Estimates concerning the residual value and useful life of property, plant and equipment, as well as the selection of the depreciation method, require significant management judgement.

Leases

When determining the lease term, the management accounts for all relevant facts and circumstances that create an economic incentive to exercise the option to extend the lease, or not to exercise the option to terminate the lease. Options to extend the lease (or the time subsequent to an option to terminate) are accounted for in the lease term only if the extension of the lease (or the decision not to terminate the lease) is reasonably certain. The possible future cash flows of EUR 2.0 million have not been included in the lease liability because the extension of the lease (or the decision not to terminate it) is not reasonably certain. The Group will conduct a reassessment upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee and affects the assessment.

EUR million	Land and water areas		Buildings and constructions		Machinery and equipment	
	Owned	Leased	Owned	Leased	Owned	Leased
Acquisition cost, 1 Jan. 2023	12.4	2.4	472.4	12.2	2,782.3	17.5
Translation differences	0.0		0.7	0.0	8.8	0.0
Additions	4.8		16.2	3.1	222.6	2.6
Decrease	-1.1	-1.3	-1.8	-5.4	21.5	-3.2
Transfers between items			17.4		-37.6	
Acquisition cost, 31 Dec. 2023	16.1	1.1	504.9	9.9	2,997.6	16.9
Accumulated depreciation and impairment charges 1 Jan. 2023	-0.4	-0.7	-281.7	-8.4	-2,063.3	-8.3
Translation differences	0.0		-0.3	0.1	-2.3	0.0
Accumulated depreciation on deductions and transfers		0.1	1.6	5.2	47.5	3.2
Depreciation for the period		-0.2	-10.0	-2.3	-74.8	-4.3
Accumulated depreciation and impairment charges 31 Dec. 2023	-0.4	-0.8	-290.4	-5.3	-2,092.9	-9.4
Book value, 1 Jan. 2023	12.0	1.7	190.7	3.9	719.0	9.2
Book value, 31 Dec. 2023	15.7	0.4	214.6	4.5	904.7	7.4

EUR million	Other tangible assets	Construction in progress	Total	Total	Total
	Owned	Owned	Owned	Leased	Total
Acquisition cost, 1 Jan. 2023	23.0	163.2	3,453.3	32.1	3,485.5
Translation differences	0.2	-2.2	7.5	-0.1	7.4
Additions	4.6	-36.7	211.5	5.7	217.2
Decrease	-0.3	-73.1	-54.8	-9.9	-64.7
Transfers between items		20.1	-0.1		-0.1
Acquisition cost, 31 Dec. 2023	27.5	71.4	3,617.5	27.8	3,645.3
Accumulated depreciation and impairment charges 1 Jan. 2023	-14.8		-2,360.2	-17.4	-2,377.6
Translation differences	0.0		-2.6	0.1	-2.5
Accumulated depreciation on deduction and transfers	0.0		49.0	8.5	57.5
Depreciation for the period	-0.9		-85.6	-6.7	-92.4
Accumulated depreciation and impairment charges 31 Dec. 2023	-15.7		-2,399.4	-15.5	-2,414.9
Book value, 1 Jan. 2023	8.2	163.2	1,093.2	14.7	1,107.9
Book value, 31 Dec. 2023	11.8	71.4	1,218.1	12.3	1,230.4

EUR million	Land and water areas		Buildings and constructions		Machinery and equipment	
	Owned	Leased	Owned	Leased	Owned	Leased
Acquisition cost, 1 Jan. 2022	15.7	2.0	401.2	10.2	2,563.2	15.7
Translation differences	-0.1		-12.5	0.0	-113.1	-0.6
Additions	0.0	0.7	72.1	3.3	68.7	4.1
Acquired business			6.6		5.0	18.0
Decrease	-3.2	-0.2	2.1	-1.3	8.9	-19.6
Transfers between items	0.0		3.0		249.7	
Acquisition cost, 31 Dec. 2022	12.4	2.4	472.4	12.2	2,782.3	17.5
Accumulated depreciation and impairment charges 1 Jan. 2022	-0.5	-0.5	-280.0	-5.4	-2,093.5	-6.2
Translation differences	0.0		7.5	-0.1	82.6	0.2
Accumulated depreciation on deductions and transfers		0.0	-0.6	1.4	11.1	2.1
Depreciation for the period		-0.2	-8.5	-3.4	-63.5	-4.4
Impairments				-0.8	-0.1	0.0
Accumulated depreciation and impairment charges 31 Dec. 2022	-0.4	-0.7	-281.7	-8.4	-2,063.3	-8.3
Book value, 1 Jan. 2022	15.2	1.4	121.3	4.8	469.7	9.5
Book value, 31 Dec. 2022	12.0	1.7	190.7	3.9	719.0	9.2

EUR million	Other tangible assets	Construction in progress	Total	Total	Total
	Owned	Owned	Owned	Leased	
Acquisition cost, 1 Jan. 2022	23.0	306.1	3,309.2	27.8	3,337.0
Translation differences	-0.7	-15.0	-141.3	-0.6	-141.9
Additions	1.4	121.9	264.1	8.1	272.2
Acquired business	0.1		11.6	18.0	29.6
Decrease	-1.3	3.3	9.8	-21.1	-11.3
Transfers between items	0.4	-253.1			
Acquisition cost, 31 Dec. 2022	23.0	163.2	3,453.3	32.1	3,485.5
Accumulated depreciation and impairment charges 1 Jan. 2022	-15.9		-2,389.8	-12.1	-2,401.9
Translation differences	0.6		90.8	0.1	90.9
Accumulated depreciation on deduction and transfers	1.3		11.8	3.5	15.3
Depreciation for the period	-0.8		-72.9	-8.0	-80.9
Impairments			-0.1	-0.9	-0.9
Accumulated depreciation and impairment charges 31 Dec. 2022	-14.8		-2,360.2	-17.4	-2,377.6
Book value, 1 Jan. 2022	7.2	306.1	919.4	15.7	935.0
Book value, 31 Dec. 2022	8.2	163.2	1,093.2	14.7	1,107.9

Acquired businesses in 2022 include the property, plant and equipment of Hämeenkyrön Voima Oy. More information on the acquired businesses can be found in note 7.2.

Leases

EUR million	2023	2022
Costs related to short-term leases	0.3	0.8
Costs of leases in which the underlying asset is of low value	2.2	1.5
Interest expenses	0.4	0.5
Cash outflow for leases	7.6	25.6

Disclosures on lease liabilities are presented in Note 5.5 (Financial liabilities) and 5.6 (Management of financial risks).

Impairments

Year 2022 impairments include EUR 0.3 million of impairments related to the discontinuation of Russian business operations and EUR 0.7 million related to the restructuring of customer service and supply chain management.

Borrowing costs

Borrowing costs capitalised totalled to EUR 2.0 million (8.3). The average interest rate used in capitalisation was 1.9 % (2.2%).

■ 4.3 Other investments

Accounting principles

Other investments consist of listed and unlisted equity investments. The most significant of these is the Group's holding in Pohjolan Voima. This investment is unlisted and strategic in nature, serving the Group's long-term energy sourcing needs. This being the case, the Group classifies its shares in Pohjolan Voima as financial assets at fair value recognised under other items of comprehensive income. Changes in their fair value are presented in the fair value reserve, accounting for the tax effect. When the investment is abandoned, the fair value changes accumulated in the equity are transferred to the retained earnings from the fair value fund.

The Group classifies its other equity financial assets as financial assets at fair value to be recognised as financial assets through profit and loss.

The fair values of publicly listed shares are based on the share price on the balance sheet date. The fair values of shares other than listed shares are determined using various valuation models, such as the price levels of recent transactions and valuation methods based on the present value of discounted cash flows. As far as possible, the valuation methods are founded on market-based valuation factors.

Key estimates and judgements

Fair value measurement

The application of valuation models to measuring fair value requires judgement concerning the selection of the method to be applied, as well as valuation factors required by the chosen method that are based on the price and interest levels prevailing in the market on the end date of each reporting period. The most significant item of other investments that has been valued by using a valuation model is the Group's investment in the shares of Pohjolan Voima Oyj.

The price of these shares is determined based on the present value of discounted cash flows. Key factors affecting cash flows include the price of electricity, inflation expectations and the discount rate. The 12-month moving average of electricity futures prices has been used as the energy price for the first eight years. Subsequent prices are based on a long-term market price forecast.

The carrying amount of the Group's shares in Pohjolan Voima was EUR 253.0 million on the balance sheet on 31 December 2023. The carrying value of other investments is estimated to change by EUR -9.9 million and EUR 10.3 million should the rate used for discounting the cash flows change by 0.5 percentage points from the rate estimated by the management. The carrying value of other investments is estimated to change by EUR 61.6 million should the energy prices used in calculating the fair value differ by 10% from the prices estimated by the management.

EUR million	2023	2022
Pohjolan Voima Oyj	253.0	344.1
Other unlisted shareholdings	1.4	1.3
Other investments total	254.4	345.4

The most important unlisted shareholding under other investments consists of a 2.6 per cent stake in Finnish energy company Pohjolan Voima Oyj, which produces electricity and heat for its shareholders in Finland. Pohjolan Voima trades with its shareholders at prices based on production costs, which generally are lower than market prices. The Group is entitled, through the B shares of Pohjolan Voima, to a share of approximately 5.2% of the energy generated by the Olkiluoto 1 and Olkiluoto 2 nuclear power plants and, through the B2 shares of Pohjolan Voima, to a share of 1.5% of the energy generated by the Olkiluoto 3 nuclear power plant, now being deployed.

On 1 January 2022, Metsä Board acquired the entire share capital of Hämeenkyrön Voima Oy from Pohjolan Voima Oyj (84%) and from DL Power Oy, part of Leppäkoski group (16%). In this connection, Metsä Board sold its series G10 shares, which corresponded to an 84% holding in Hämeenkyrön Voima Oy, to Pohjolan Voima Oyj for EUR 12.0 million. Hämeenkyrön Voima Oy was merged later during the financial year to the parent company.

The ownership is measured quarterly at fair value on share series basis by using the average of discounted cash flow method and valuation based on earlier transactions. The weighted average cost of capital used was 5.35 (5.42) per cent.

The acquisition cost of shares in Pohjolan Voima Oyj is EUR 28.3 million (28.3) and the fair value EUR 253.0 million (344.1). The change in fair value was due to an updated long-term price forecast for the electricity used in the shares' valuation model.

Shareholder agreement restricts sale of shares of Pohjolan Voima to buyers that are not existing shareholders.

■ 4.4 Inventories

Accounting principles

Inventories are measured at the lower of acquisition cost or net realisable value. In measuring inventories, the FIFO principle is observed or, alternatively, the weighted average price method, depending on the nature of the inventories. The acquisition cost of finished products acquired comprises all purchase costs, including direct transport, handling and other expenses. The acquisition cost of finished and semi-finished products of own manufacture includes raw materials, direct production costs, and the systematically allocated portion of variable manufacturing overheads and fixed overheads at the normal level of operation. Borrowing cost is not included in the acquisition cost.

Net realisable value is the estimated sales price in ordinary business operations less the estimated cost of completion and the necessary sales costs.

Key estimates and judgements

The Group regularly reviews its inventories for situations where the inventories contain non-marketable items or items with net realisable value below the acquisition cost. When necessary, the Group reduces the book value of the inventories accordingly. This review requires the management's estimates of the sales prices of products, the cost of completion and the costs necessary to make the sale. Any changes in these estimates might lead to an adjustment in the book value of the inventories in future periods.

EUR million	2023	2022
Raw materials and consumables	174.9	211.6
Finished goods	219.4	276.1
Advance payments	0.0	19.0
Inventories total	394.4	506.7

At the end of 2023, the inventory has been written down to a net realisable value of EUR 1.0 million. In 2022, no write-downs were recorded for inventory.

■ 4.5 Trade receivables and other receivables

Accounting principles

Trade receivables are initially measured at fair value and later at amortised cost, taking into account impairment. The Group applies a model based on expected credit losses to the determination of the impairment of trade receivables. Provisions are furthermore set up on a case-by-case basis when there is a justifiable reason to assume that the Group will not receive payment for the invoiced amount according to the original terms.

Trade receivables and other non-interest bearing receivables

EUR million	2023	2022
From Group companies		
Trade receivables	19.3	40.8
Prepayments and accrued income	0.5	0.4
Total	19.8	41.2
From associated companies and joint ventures		
Trade receivables	0.2	0.1
From others		
Trade receivables	190.3	272.5
Impairment	-0.6	-1.2
Total	189.7	271.4
Other receivables	36.1	34.3
Prepayments and accrued income	5.9	7.5
From others total	231.7	313.2
Trade receivables and other receivables total	251.7	354.5

Receivables from Group companies are receivables from parent company Metsäliitto Cooperative and from other subsidiaries of the parent company. Derivative receivables are from Metsä Group Treasury Oy, a wholly owned subsidiary of Metsäliitto Cooperative.

In 2022 as a consequence of the discontinuation of Russian business operations, the Group made a write-down of all its trade receivables and other receivables related to operations in Russia, totalling EUR 0.1 million.

Case-specific impairments and impairments determined by applying the model based on expected credit losses deducted from trade receivables are as follows:

EUR million	2023	2022
Value 1 Jan	1.2	2.5
Increase	0.6	0.6
Decrease	-1.2	-1.9
Value 31 Dec	0.6	1.2

Credit losses recognised were EUR 0.1 million (0.2).

Age distribution of trade receivables less impairments

EUR million	2023	2022
Not overdue	153.8	251.2
Overdue		
Less than 30 days	25.0	17.3
Between 31 and 60 days	8.0	2.1
Between 61 and 90 days	0.5	-0.3
Between 91 and 180 days	0.2	
Over 180 days	2.2	1.0
Total	189.7	271.4

4.6 Other non-current liabilities

EUR million	2023	2022
Advance payments received	8.2	1.1
Subsidies		2.4
Accruals and deferred income	0.5	0.5
Total	8.7	3.9

4.7 Trade payables and other liabilities

EUR million	2023	2022
Advance payments received	5.4	5.1
Trade payables	206.5	223.0
Trade payables, Supply Chain Finance schemes	55.3	91.0
Other liabilities	13.1	28.1
Accruals and deferred income		
Customer discounts	20.4	23.2
Purchase-related items	20.8	46.3
Employee costs	31.6	31.7
Other accrued expenses	24.3	34.2
Total	377.5	482.7

With financing banks, Metsä Group has established Supply Chain Finance (SCF) schemes aimed at a few key suppliers. In the schemes, the suppliers are offered the option of selling their Metsä Group receivables to a bank providing the SCF scheme. The SCF schemes partly replace the earlier advance payment arrangements, and their aim is not to cause a significant deviation from Metsä Group's normal payment terms.

■ 4.8 Provisions

Accounting principles

A provision is recognised when, as a result of an earlier event, the Group has a legal or actual obligation, the realisation of a payment obligation is likely, and the amount of the obligation can be reliably estimated. Any reimbursement from a third party is presented as an asset separate from the provision if it is practically certain that reimbursement will be received.

Restructuring

A restructuring provision is recorded when the Group has incurred a legal or constructive obligation to make a payment. Termination payments are recorded when a detailed plan has been made for the restructuring and the Group has raised valid expectations in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. If the Group makes an offer to employees concerning voluntary resignation against benefits determined in the offer, the liability arising from this is recorded when the Group can no longer withdraw its offer. The obligation arising from such an offer is based on the number of employees that the Group expects to accept the offer. Benefits falling due in twelve months' time or later are measured at their present value.

Environmental obligations

Costs arising from environmental remediation that do not increase present or future revenue are recorded as expenses. An environmental obligation is recognised if, based on the current interpretation of environmental legislation, an obligation has likely arisen and its amount can be reliably estimated. The obligation is recorded at the current value of estimated future expenses. A sum corresponding to the obligation is also recognised in property, plant and equipment.

Other provisions

Other provisions mainly consist of provisions arising from estimated cost of future restoration of leased sites.

Key estimates and judgements

The determination of the criteria for the recognition of provisions involves the management's judgement. The amounts recognised as provisions are based on the management's best assessment of the expenses required to handle the obligation. As the timing and amount of these expenses are not fully certain, the actual expenses may differ significantly from the original estimate. The book value of provisions is regularly reviewed and adjusted as required, taking into account changes in cost assessments, regulation, technology and conditions.

Provisions

EUR million	Restructuring	Environmental	Other	Total
1 Jan 2023	4.9	2.0	0.0	6.9
Translation differences		0.0		0.0
Increases		0.0		0.0
Utilised during the year	-3.8			-3.8
31 Dec 2023	1.1	2.0	0.0	3.2
Non-current		1.7	0.0	1.7
Current	1.1	0.3		1.4
Total	1.1	2.0	0.0	3.2
1 Jan 2022	0.2	2.7	0.0	3.0
Translation differences	0.0		0.0	0.0
Increases	4.9			4.9
Utilised during the year		-0.7	0.0	-0.7
Unused amounts reversed	-0.2	-0.1		-0.3
31 Dec 2022	4.9	2.0	0.0	6.9
Non-current		2.0	0.0	2.0
Current	4.9			4.9
Total	4.9	2.0	0.0	6.9

Provisions are estimated to be utilised within five years.

The Group companies have environmental responsibilities related to former industrial activities at sites that have since been closed, sold or leased, and from decommissioned landfill sites. Provisions for the costs of land rehabilitation work have been made in cases where it has been possible to measure the Group's liability for land contamination and any post-treatment obligations.

5. Capital structure and financial risks

5.1 Shareholders' equity

Changes in share capital

EUR million	Share capital		
	Series A	Series B	Total
1 Jan 2022	51.5	506.4	557.9
Conversion of A shares into B shares			
31 Dec 2022	51.5	506.4	557.9
Conversion of A shares into B shares			
31 Dec 2023	51.5	506.4	557.9

Each series A share confers to its holder twenty (20) votes at the General Meeting of Shareholders, and each series B share confers to the holder one (1) vote. All shares carry the same right to receive a dividend. Metsä Board's A shares can be converted to B shares if shareholder or representative of the nominee registered shares makes a written request for the conversion to the company. No monetary consideration is paid for the conversion.

Number of shares

shares	Outstanding shares			Treasury shares	
	Series A	Series B	Total	Series B	Total
1 Jan 2022	32,802,175	322,710,571	355,512,746		355,512,746
Acquisition of treasury shares		-1,000,000	-1,000,000	1,000,000	
31 Dec 2022	32,802,175	321,710,571	354,512,746	1,000,000	355,512,746
Disposal of treasury shares		298,785	298,785	-298,785	
31 Dec 2023	32,802,175	322,009,356	354,811,531	701,215	355,512,746

The share has no nominal value. All shares have been paid in full. The weighted average number of shares, which does not include Metsä Board Oyj's treasury shares, is 354 750 822 (355,359,331) pieces.

Translation differences

Translation differences include translation differences arising from translation of subsidiaries in other currencies than euro and gains and losses arising on hedging of net investments in these subsidiaries less deferred tax, when requirements of hedge accounting have been fulfilled. Net investments were not hedged in Metsä Board Group in 2023 or in 2022.

EUR million	Cumulative translation		Translation differences in other comprehensive income	
	2023	2022	2023	2022
SEK	-74.7	-77.5	2.8	-49.9
RUB *				7.0
USD	8.3	13.1	-4.7	6.5
GBP	0.4	-0.6	0.2	-0.5
Others	-0.1	1.0	-0.2	-0.1
Total	-66.0	-64.0	-1.9	-36.9

* RUB denominated translation difference arises mostly from associate company Metsä Fibre.

In June 2022, as a consequence of the discontinuation of Russian business operations, the Group recognised an expense of EUR 0.6 million for accumulated Russian ruble-denominated translation differences. The Russian ruble-denominated translation differences accumulated since June 2022 have been reported in the financial items in the income statement. Since March 2022, the rate used for the Russian ruble is the closing rate for EUR/RUB published by Refinitiv.

Fair value and other reserves

EUR million	2023	2022
Fair value reserve	207.4	282.2
Legal reserve and reserves stipulated by the Articles of Association	1.7	1.7
Total	209.1	283.9

Fair value reserve

Fair value changes in derivatives designated as cash flow hedges are recorded to fair value reserve deducted by deferred tax effect. Additionally, the fair value change of Pohjolan Voima Oyj shares recognised by the Group as other investments is moved to the reserve with deferred tax effect deducted.

Legal reserve and reserves stipulated by the Articles of Association
Legal reserve and reserves stipulated by the Articles of Association have been created and accumulated on resolutions by the General Meeting of Shareholders.

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity fund includes other investments of an equity nature and the subscription price of the shares to the extent that it is not recognised to the share capital according to the specific decision.

EUR million	2023	2022
Reserve for invested unrestricted equity	208.9	208.9

Treasury shares

Accounting principles

When treasury shares are acquired, the equity belonging to the owners of the parent company is reduced by an amount that consists of the consideration paid, including immediate transaction costs after taxes, until the treasury shares are canceled or reissued. If the purchased treasury shares are reissued, the consideration received, less transaction costs after taxes, is recorded in the equity belonging to the owners of the parent company.

At the end of the year, the group held 701,215 treasury shares (1,000,000), which corresponds to 0.2% (0.3) of the number of shares. The average purchase price of the shares was 7.82 euros (7.82) per share.

EUR million	Shares		Shares	
	2023	2023	2022	2022
Treasury shares 1.1.	-7.8	1,000,000		
Acquisition of treasury shares			-7.8	1,000,000
Disposal of treasury shares	2.3	-298,785		
Treasury shares 31.12.	-5.5	701,215	-7.8	1,000,000

Dividend

Dividends payable by the company are recorded as deductions to equity in the period during which the shareholders in a general meeting have declared the dividend.

The Board of Directors has proposed that a dividend of EUR 0.25 per share be distributed for the 2023 financial year.

Other comprehensive income after taxes 2023

Milj. euroa	Equity attributable to members of parent company				Non-controlling interest	Total equity
	Translation differences	Fair value and other reserves	Retained earnings	Total		
Items that will not be reclassified to profit or loss						
Actuarial gains/losses on defined benefit pension plans			-1.0	-1.0		-1.0
Financial assets at fair value through other comprehensive income		-87.8		-87.8		-87.8
Share of profit from other comprehensive income of associated company		-3.4	0.0	-3.4		-3.4
Income tax relating to items that will not be reclassified		18.2	0.2	18.5		18.5
Total		-72.9	-0.7	-73.6		-73.6
Items that may be reclassified to profit or loss						
Cash flow hedges						
Currency hedges						
Gains and losses recorded in equity		7.6		7.6	-0.7	6.8
Transferred to adjust Sales		6.6		6.6		6.6
Interest hedges						
Gains and losses recorded in equity		-1.7		-1.7		-1.7
Commodity hedges						
Gains and losses recorded in equity		-14.2		-14.2	0.0	-14.3
Transferred to adjust purchases		10.6		10.6	0.0	10.7
Share of profit from other comprehensive income of associated company		-5.7		-5.7		-5.7
Cash flow hedges total		3.2		3.2	-0.7	2.5
Translation differences	-1.9			-1.9	-0.8	-2.8
Translation differences total	-1.9			-1.9	-0.8	-2.8
Income tax relating to items that may be reclassified		-1.8		-1.8	0.2	-1.6
Total	-1.9	1.4		-0.5	-1.4	-1.9
Other comprehensive income, net of tax	-1.9	-71.5	-0.7	-74.1	-1.4	-75.6

Other comprehensive income after taxes 2022

Milj. euroa	Equity attributable to members of parent company				Non-controlling interest	Total equity
	Translation differences	Fair value and other reserves	Retained earnings	Total		
Items that will not be reclassified to profit or loss						
Actuarial gains/losses on defined benefit pension plans			-4.7	-4.7		-4.7
Financial assets at fair value through other comprehensive income		178.5		178.5		178.5
Share of profit from other comprehensive income of associated company		3.0	0.0	3.0		3.0
Income tax relating to items that will not be reclassified		-35.7	1.8	-33.9		-33.9
Total		145.8	-2.9	142.9		142.9
Items that may be reclassified to profit or loss						
Cash flow hedges						
Currency hedges						
Gains and losses recorded in equity		-63.0		-63.0	0.5	-62.5
Transferred to adjust Sales		87.4		87.4	-0.1	87.3
Interest hedges						
Gains and losses recorded in equity		4.4		4.4		4.4
Transferred to adjust net financial items						
Commodity hedges						
Gains and losses recorded in equity		46.6		46.6	0.8	47.4
Transferred to adjust purchases		-78.6		-78.6	-1.1	-79.7
Share of profit from other comprehensive income of associated company		22.4		22.4		22.4
Cash flow hedges total		19.1		19.1	0.2	19.3
Translation differences	-42.6			-42.6	-13.7	-56.3
Share of profit from other comprehensive income of associated company	5.8			5.8		5.8
Translation differences total	-36.9			-36.9	-13.7	-50.6
Income tax relating to items that may be reclassified		0.7		0.7	0.0	0.6
Total	-36.9	19.8		-17.1	-13.6	-30.6
Other comprehensive income, net of tax	-36.9	165.6	-2.9	125.8	-13.6	112.2

■ 5.2 Financial income and expenses

Accounting principles

Interest income and expenses are recognised using the effective interest rate method.

Dividend income is recognised when the right to receive a payment is established.

Borrowing costs are generally recognised as an expense in the period in which they are incurred. When an item of property, plant or equipment is involved in a major and long-term investment project, the borrowing costs directly due to the acquisition, construction or production of the asset are included in the asset's acquisition cost.

The Group presents net interest income and expenses related to defined benefit plans as financial income and expenses.

EUR million	2023	2022
Exchange differences		
Commercial items	1.5	5.8
Hedging, hedge accounting not applied	1.3	-10.1
Other items	-0.2	-0.6
Exchange differences total	2.6	-5.0
Other financial income		
Interest income on loans, other receivables and cash and cash equivalents	9.8	2.6
Dividend income	0.0	0.3
Other financial income total	9.9	3.0
Other financial expense		
Interest expenses on financial liabilities carried at amortised cost using the effective interest method	-12.0	-3.8
Other financial expenses	-0.4	-0.8
Interest and other financial expenses, total	-12.4	-4.7
Valuation of financial assets and liabilities and interest and other financial expenses, total	-12.4	-4.7

The Russian ruble-denominated translation differences accumulated since June 2022 as a consequence of the discontinuation of Russian business operations, amounting to EUR -0.3 million (-0.5), have been reported in other exchange rate differences in the income statement. Interest expenses have been capitalized as a part of the acquisition costs of investments in the amount of EUR 2.0 million (8.3).

■ 5.3 Other financial assets

EUR million	2023	2022
Loan receivables	2.5	2.3
Defined benefit pension plans (Note 3.5)	3.4	3.4
Other receivables and accrued income	0.4	0.3
Total	6.3	6.0

■ 5.4 Cash and cash equivalents

Accounting principles

Cash and cash equivalents consist of cash and other short-term, highly liquid investments that can be easily converted into an amount of cash known in advance and that carry a minimal risk of value changes. Metsä Board has classified as cash and cash equivalents the short-term money market investments made in accordance with its treasury policy and interest-bearing receivables comparable to cash funds and available immediately from Metsä Group's internal bank Metsä Group Treasury Oy.

When determining the impairment of monetary assets, a model based on expected credit losses is applied. The expected credit losses are reviewed for the following 12 months.

EUR million	2023	2022
Cash at hand and in bank	13.2	17.6
Deposits to Metsä Group Treasury Oy	278.4	338.6
Total	291.6	356.2

■ 5.5 Borrowings and net debt

Accounting principles

Financial liabilities are categorised initially recognised at fair value. The Group has classified all financial liabilities under "Amortised cost". Transaction costs are included in the original book value of financial liabilities measured at amortised cost. Subsequently, all financial liabilities are measured at amortised cost using the effective interest method.

Interest-bearing Liabilities

EUR million	2023	2022
Non-current interest-bearing financial liabilities		
Bonds	249.2	249.0
Loans from financial institutions	164.4	175.9
Lease liabilities	7.5	9.5
Total	421.0	434.4
Current interest-bearing financial liabilities		
Current portion of non-current debt	17.1	18.2
Current liabilities to group companies		0.4
Total	17.1	18.6
Interest-bearing financial liabilities total	438.1	453.0

Interest-bearing assets

EUR million	2023	2022
Non-current interest-bearing financial assets		
Loan receivables	2.5	2.3
Current interest-bearing financial assets		
Cash at hand and in bank	13.2	17.6
Deposits to Metsä Group Treasury Oy	278.4	338.6
Total	291.6	356.2
Interest-bearing financial assets total	294.0	358.5
Interest-bearing net debt	144.0	94.5

Metsä Board has classified interest-bearing receivables comparable to cash funds and available immediately from Metsä Group's internal bank Metsä Group Treasury Oy as Cash and cash equivalents.

Changes in liabilities and current interest-bearing receivables reported in the cash flow from financing activities in 2023

EUR million	1 Jan 2023	Cash flows	Non-cash changes				31 Dec 2023
			Acquired / Sold businesses	Changes in foreign exchange rates	New finance leases	Other changes	
Non-current interest-bearing liabilities incl. Current portion							
Bonds	249.0					0.2	249.2
Loans from financial institutions	187.6	-11.8				0.3	176.1
Finance lease liabilities	15.9	-7.1		0.0	4.0		12.8
Other	0.0	0.0					0.0
Total	452.6	-18.9		0.0	4.0	0.5	438.1
Non-current non-interest bearing liabilities	3.9	4.7		0.0			8.7
Current interest-bearing liabilities	0.4	-0.4		0.0			
Total	456.9	-14.6		0.0	4.0	0.5	446.8

Changes in liabilities and current interest-bearing receivables reported in the cash flow from financing activities in 2022

EUR million	1 Jan 2022	Cash flows	Non-cash changes				31 Dec 2022
			Acquired / Sold businesses	Changes in foreign exchange rates	New finance leases	Other changes	
Non-current interest-bearing liabilities incl. Current portion							
Bonds	248.8					0.2	249.0
Loans from financial institutions	182.3	5.0				0.3	187.6
Finance lease liabilities	15.9	-25.1	18.0	-0.5	7.0	0.7	15.9
Total	447.0	-20.1	18.0	-0.5	7.0	1.1	452.6
Non-current non-interest bearing liabilities	1.5	2.4		-0.0		0.0	3.9
Current interest-bearing liabilities	0.0	-0.5	0.0	0.0	0.0	0.9	0.4
Total	448.6	-18.1	18.0	-0.5	7.0	2.0	456.9

Other changes consists of Oy Hangö Stevedoring Ab's liabilities transferred to assets held for sale in 2022 and of accrual of effective interest during the financial year on financial liabilities valued.

Bonds

EUR million	Interest %	2023	2022
2017–2027	2.75	249.2	249.0
Total		249.2	249.0

Metsä Board Corporation issued in September 2017 a bond of EUR 250 million. The bond carries a fixed coupon rate of 2.75 per cent, and the maturity date is 29 September 2027. The bond ranks senior and is unsecured.

■ 5.6 Management of financial risks

The financial risks associated with business operations are managed in accordance with the financial policy endorsed by the Board of Directors and the senior management of the company. The policy defines focal instructions on the management of foreign currency, interest rate, liquidity and counterparty risks, and for the use of derivative financial instruments. Correspondingly, commodity risks are managed according to the company's commodity risk policy. The purpose is to protect the company against major financial and commodity risks, to balance the cash flow and to allow the business units time to adjust their operations to changing conditions.

Metsä Group Treasury Oy is specialized in finance and functions as the Group's internal bank. Metsäliitto Cooperative's holding is 100 per cent of the company. Financial operations have been centralised to Metsä Group Treasury, which is in charge of managing the Group companies' financial positions according to the strategy and financial policy, providing necessary financial services and acting as an advisor in financial matters.

Foreign currency risk

The Group's foreign currency exposure consists of the risks associated with foreign currency flows, translation risk of net investments in foreign entities and economic currency exposure. Most of the Group's costs are incurred in the euro zone and to some extent in Sweden, but a significant part of the sales is received or priced in other currencies. Sales may therefore vary because of changes in exchange rates, while production costs remain unchanged. The foreign currency transaction exposure is consisting of foreign currency denominated sales and costs. The exposure is including foreign currency denominated balance sheet exposure consisting of accounts receivable and accounts payable and 50 per cent share of the annual contracted or estimated net currency cash flow.

The main currencies of the Group's foreign currency transaction exposure are the US dollar, the Swedish krona and the British pound. The share of dollar is 54 per cent (2022: 60), share of Swedish krona is 35 per cent (32) and share of pound is 9 per cent (6). A strengthening of the dollar and the pound has a positive impact on the financial result and a weakening a negative impact. A weakening of the Swedish krona has a positive impact on the result of the Group. From other currencies Metsä Board has currency risk in Canadian dollar. The hedging policy is to keep the balance sheet exposure and 50 per cent of annual cash flow of contracted or estimated currency flows consistently hedged. The amount of hedging may deviate from the normal level by 40 per cent in either direction. The Board of Directors of Metsä Board is deciding on hedging levels significantly deviating from the norm set out in the financial policy. The amount of currency-specific hedging depends on current exchange rates and market expectations, on the interest rate differences between the currencies and the significance of the exchange rate risk for the financial result of the Group. The transaction exposure is mainly hedged by forward transactions but also by the use of foreign currency loans and currency options.

At the end of the financial period, the foreign exchange transaction exposure had been hedged 8.6 months on average (8.9) being 123 per cent of the hedging norm (122). During the financial period, the hedging level has varied between 8 and 10 months (8–9) being between 114 and 127 per cent of the norm (113–128). The dollar's hedging level was 8.3 months (8.4) being 121 per cent of the norm (119). The Swedish krona's hedging level was 9.4 months (10.4) being 135 per cent of the norm (135). The pound's hedging level was 7.8 months (7.7) being 100 per cent of the norm (100).

Hedge accounting has been applied to hedging of transaction exposure and forwards and options allocated to hedge accounting have been used to hedge the portion of highly probable forecast sales of the currency transaction exposure.

The translation risk of a net investment in a foreign entity is generated from the consolidation of the equity of subsidiaries outside the euro area into euros in the consolidated financial statements. Hedging of equity has been discontinued.

Metsä Board applies the average deviation vs. hedging norm key figure to assess the risk of its open foreign currency positions. The Metsä Board Group average deviation vs. hedging norm was 23.7 percentage (1.6 months) at the end of financial period and has been on average 19.6 (1.4 months) percentage during year 2023

Interest rate risk

The interest rate risk is related in the interest bearing receivables and loans, working capital financing and currency hedging. The most significant currencies in risk management are the euro, the US dollar, the Swedish krona and British pound. The objective of the interest rate risk policy is to minimise the negative impact of interest rate changes on the Group's and group companies' result and the financial position, and to optimise financing costs within the framework of risk limits. The effect of interest rate changes on financial costs depends on the average interest fixing time of interest bearing assets and liabilities, which is measured in the Group by duration. As duration is lengthening the rise of interest rates affects more slowly the interest expenses of financial liabilities. The maturity of the loan portfolio can be influenced by adjusting between floating-rate and fixed-rate loans and by using interest rate swaps.

The average interest duration norm based on the Group's financial policy is 24 months. The duration can, however, deviate between 6 to 36 months from the hedging policy norm so that the decision of a larger deviation has to be made by the Board of Directors. The average duration of loans was high 30.6 months at the end of the year (36.1). During the reporting period duration has varied between 31 and 36 months (36–44). Duration is lengthened by the bond of EUR 250 million. Of interest-bearing liabilities 15 per cent (14) is subjected to variable rates and the rest to fixed rates and the average interest rate at the end of 2023 is 2.6 per cent (2.2). At the end of 2023, an increase of one per cent in interest rates would decrease net interest rate costs of the next 12 months by 1.8 million euros (decrease 2.3).

The Group has applied cash flow hedge accounting to interest rate swaps by which floating-rate financing has been converted to fixed-rate financing. The gross nominal volume of interest rate derivative at the time of financial statements is EUR 50.0 million (100.0) and the interest rate swap matures in April 2025.

Commodity risk

In the hedging of commodity risks the Group applies risk management policies defined separately for each selected commodity. According to the policy, the management of commodity risks with regard to financial hedges is accomplished centralized by Metsä Group Treasury based on the strategy approved by Board of Directors of Metsä Board. The commodity hedging policy is applied to the management of the natural gas, light and heavy fuel oil and also transactions related to Emission allowances are managed by Metsä Group Treasury. Hedge accounting has been applied to

all commodity hedging. According to the commodity hedging policy an 80 per cent hedge level of the estimated net position during the first 12 month period has been set as a hedging norm and the hedge ratio can vary by 20 per cent in either direction. The Group Board of Directors makes significant strategic decisions.

Part of Metsä Board's mills' purchase of fuel is based on natural gas and the company is hedging the price risk of natural gas purchases by using financial hedges. Metsä Board is hedging also the gas oil, heavy fuel oil and 0.5% fuel oil price risk related to logistics costs (sea freights) based on commodity risk policy by using financial hedges. Metsä Board is not hedging its pulp price risk.

Liquidity risk

Liquidity risk is defined as the risk that funds and available funding become insufficient to meet business needs, or costs that are incurred in arranging the necessary financing are unreasonable high. Liquidity risk is monitored by estimating the need for liquidity needs 12 – 24 months ahead and ensuring that the total liquidity available will cover a main part of this need. According to the financial policy, the liquidity reserve must at all times cover 100 per cent of the Group's liquidity requirement for the first 12 months and 50 – 100 per cent of the following 12 – 24 months liquidity requirement. The objective is that at the most 20 per cent of the Group's loans, including committed credit facilities, are allowed to mature within the next 12 months and at least 25 per cent of the total debt must have a maturity in excess of four years. The target is to avoid keeping extra liquidity as liquid funds and instead maintain a liquidity reserve as committed credit facilities outside the balance sheet.

The cornerstone of liquidity risk management is to manage the Group's operative decisions in such a way that targets concerning indebtedness and sufficient liquidity reserve can be secured in all economic conditions. Liquidity risk is also managed by diversifying the use of capital and money markets to decrease dependency on any single financing source and the optimisation of the maturity structure of loans is also emphasized in financial decisions. Metsä Board is using short-term working capital financing related to accounts receivables and accounts payables.

At the end of the financial period, available liquidity was EUR 491.6 million (556.2), consisting of following items: liquid assets and investments of EUR 291.6 million (356.2), a syndicated credit facility (revolving credit facility) of EUR 200.0 million (200.0), and other committed credit facilities of EUR 0.0 million (191.8). Of the liquid assets, EUR 278.4 million consisted of short-term deposits with Metsä Group Treasury (338.6), and EUR 13.2 million were cash funds and investments (17.6). Other interest-bearing receivables amounted to EUR 2.5 million (2.3). In addition, Metsä Board's liquidity reserve is complemented by Metsä Board commercial paper program of EUR 200 million signed in December 2023, Metsä Group's internal undrawn short-term credit facility of EUR 150.0 million (150.0) and undrawn pension premium (TyEL) funds of EUR 229.7 million (227.6). At the end of 2023, the liquidity reserve covers the forecasted financing need of 2024–2025. 3 per cent (3) of long-term loans and committed facilities fall due in a 12 month period and 5 per cent (75) have a maturity of over four years. The average maturity of long-term loans is 3.1 years (4.0). The share of short-term financing of the Group's interest bearing liabilities is 4.0 per cent (0.1).

Counterparty risk

Financial instruments carry the risk that the Group may incur losses should the counterparty be unable to meet its commitments. The Group is managing this risk by entering into financial transactions only with most creditworthy counterparties and within pre-determined limits. Cash and cash equivalents, and other investments have been spread to several banks, commercial papers of several institutions and money market funds. During the reporting period, credit risks of financial instruments did not result in any losses. Counterparty limits have been revised during the year by taking into account the needs of the company and the view on the financial position of the used counterparties. Derivatives trading is regulated by the standardised ISDA contracts made with the counterparties. The Group has applied expected credit loss model to calculate the impairment of financial assets.

The Group's accounts receivable carry a counterparty risk that the Group may incur losses should the counterparty be unable to meet its commitments. Credit risk attached to accounts receivable is managed on the basis of the credit risk management policies approved by operative management. Accounts receivable performance is followed by Group Credit Risk Management Team and reported monthly to Customer Credit & Compliance Committee and operative management. Credit quality of customers is assessed at regular intervals based on the customers' financial statements, payment behaviour and credit ratings agencies. Credit limits are approved according to credit risk management policy with approval limits of varying values across the Group. Individual credit limits are reviewed at least annually. Letters of Credits, bank and parent company guarantees, and Credit insurance are used to mitigate credit risk according to management decisions. The Customer Credit & Compliance Committee reviews and sets all major credit limits which are not supported by credit insurance and / or other security.

Metsä Board implements regular impairment tests for customer accounts receivables. Credit loss impairment is booked when a customer enters legal bankruptcy or becomes past due for more than 6 months (180 days) without a valid payment plan or other acceptable reasons. New net credit loss provisions for the year were 22 thousand euros (2022: 239). The portion of overdue client receivables of all accounts receivable is at the time of financial statements 19.0 per cent (7.4), of which 0.2 per cent (0.0) is overdue between 90 - 180 days and 1.2 per cent (0.4) over 180 days. The specification of doubtful receivables is in the Notes. Expected credit losses on accounts receivables are calculated by using a provision matrix. Expected credit loss expense is recognized by applying expected credit loss percentages based on five-year historic losses on accounts receivables from external debtors, net of credit insurance outstanding at period end. The expected credit loss percentage is 0.2 per cent of receivables (0.2).

The geographical structure of the accounts receivable is diversified and is reflecting the external sales structure presented in the Segment information. The top ten largest sources of credit risk exist in USA, Italy, United Kingdom, Poland, Turkey, Germany, Spain, Sweden, Netherlands and Hungary (around 70 per cent of total external receivables (67)). The share of largest individual customer (individual companies or groups of companies under common ownership) credit risk exposure of Metsä Board at the end of 2023 represented 9 per cent (7) of total external accounts receivable. 36 per cent (32) of accounts receivable was owed by ten largest customer groups (individual companies or groups of companies under

common ownership). At the end of 2023, there was around 1.0 per cent (1.0) shortfall of credit insurance limits beyond usual policy deductibles and exclusions.

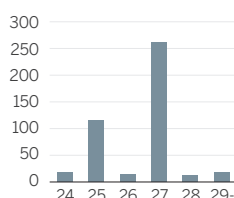
Managing the capital

Terms capital and capital structure are used to describe investments made in the company by its owners and retained earnings (together equity) and debt capital (liabilities) as well as the relation between them. In managing its capital structure, the Group aims at maintaining an efficient capital structure that ensures the Group's operational conditions in financial and capital markets in all circumstances despite the fluctuations typical to the sector. The company has a credit rating for its long-term financing. Certain central target values, which correspond to standard requirements set by financing and capital markets, have been defined for the capital structure. No target level has been defined for the credit rating. The Group's capital structure is regularly assessed by the Group's Board of Directors and its Audit Committee.

Metsä Board's long-term financial target for the comparable return on capital employed is minimum 12 per cent. According to the company's target, the ratio of interest-bearing net liabilities to comparable EBITDA (last 12 months) is a maximum of 2.5. In 2023 the long-term financial targets have been kept constant.

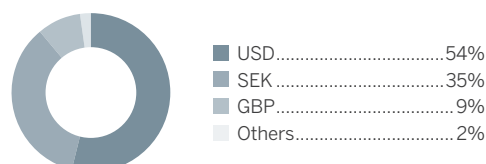
REPAYMENT OF NON-CURRENT LOANS

EUR million



BREAKDOWN OF CURRENCY EXPOSURE

%



The key ratios describing the capital structure and the capital amounts used for the calculation of the key ratio were on 31.12.2023 and 31.12.2022 the following.

EUR million	2023	2022
Interest-bearing net liabilities/comparable EBITDA	0.7	0.2
Net gearing ratio, %	7	4
Interest-bearing borrowings	438.1	453.0
./ Liquid funds	291.6	356.2
./ Interest-bearing receivables	2.5	2.3
Net interest bearing liabilities	144.0	94.5
Equity attributable to shareholders of parent company	1,897.0	2,082.0
+ Non-controlling interest	155.6	173.2
Total Equity	2,052.6	2,255.2

Financial covenants of external loans

In Group's certain financial contracts the financial covenants have been set regarding financial performance and capital structure. Other covenants in the Group's loan agreements are customary terms and conditions including for example a negative pledge, restrictions on major asset disposals, limitations on subsidiary indebtedness, restrictions on changes of business and mandatory prepayment obligations upon a change of control of the Group. Metsä Board loan agreements and credit facility agreement include a financial covenant that is related to net gearing. The Group has been in compliance with its covenant during the accounting periods 2023 and 2022. In case the company could not meet its obligations as defined in financial contracts and in order to avoid a breach of contract that could have an adverse effect on the company's financial position, it would need to renegotiate its financial arrangements, payback its loans or get its debtors to give up their claims to meet these obligations.

Hedging of foreign exchange transaction exposure 31.12.2023

EUR million	Annual transaction exposure							Total
	USD	GBP	SEK	AUD	CAD	Other long	Other short	
Transaction exposure, net (mill. currency units)	763	102	-4,969	5	37			
Transaction exposure, net (EUR million)	691	117	-448	3	25	5		1,289
Transaction exposure hedging (EUR million)	-478	-76	352		-14			-921
Hedging at the end of the year (months)	8.3	7.8	9.4		6.6			8.6
Average hedging in 2023 (months)	7.9	7.6	10.5		6.6			8.7
Average rate of hedging at the end of the year	1.0898	0.8707	11.6454					

Hedging of foreign exchange transaction exposure 31.12.2022

EUR million	Annual transaction exposure							Total
	USD	GBP	SEK	AUD	CAD	Other long	Other short	
Transaction exposure, net (mill. currency units)	1,069	96	-5,941		33			
Transaction exposure, net (EUR million)	1,003	108	-534		23	9		1,676
Transaction exposure hedging (EUR million)	-698	-69	462		-12			-1,242
Hedging at the end of the year (months)	8.4	7.7	10.4		6.6			8.9
Average hedging in 2022 (months)	8.0	7.8	9.8		5.5			8.5
Average rate of hedging at the end of the year	1.0403	0.8709	10.7134					

Net investments in a foreign entity 31.12.2023

EUR million	Equity exposure				
	USD	GBP	SEK	Others	Total
Equity exposure (mill. currency units)	124	4	7,745		
Equity exposure (EUR million)	112	4	698	3	817

Net investments in a foreign entity 31.12.2022

EUR million	Equity exposure				
	USD	GBP	SEK	Others	Total
Equity exposure (mill. currency units)	109	3	7,769		
Equity exposure (EUR million)	103	4	699	3	808

Interest rate risk / duration and re-pricing structure of loans (incl. interest rate derivatives) 31.12.2023

Loan amount (EUR million)	Duration (months)	Average interest rate (%)	Interest rate sensitivity ¹⁾ (EUR million)	Re-pricing structure of interest rates of loans						
				1-4/2024	5-8/2024	9-12/2025	2025	2026	2027	>2027
438	30.6	2.6	-1.8	53	7	7	64	14	12	280

Interest rate risk / duration and re-pricing structure of loans (incl. interest rate derivatives) 31.12.2022

Loan amount (EUR million)	Duration (months)	Average interest rate (%)	Interest rate sensitivity ¹⁾ (EUR million)	Re-pricing structure of interest rates of loans						
				1-4/2023	5-8/2023	9-12/2023	2024	2025	2026	>2026
453	36.1	2.2	-2.3	54	8	2	14	63	14	299

¹⁾ Interest rate sensitivity is an estimate of the effect of an interest rate change of one percent in one direction on net interest cost based on year end exposure

Hedging of natural gas price risk exposure

Tons	31 Dec 2023	31 Dec 2022
Natural Gas exposure, net	377	315
Natural Gas hedging	211	306
Hedging at the end of the year (%)	56	97
Average price of hedging at the end of the year (€/tons)	51.09	70.45

Natural Gas price risk is hedged based on defined risk management policy by financial contracts. Metsä Board position is hedged using TTF financial contracts.

Hedging of logistics oil price risk exposure

Tons	31 Dec 2023	31 Dec 2022
Oil exposure, net	65,322	56,257
Oil hedging	39,660	49,248
Hedging at the end of the year (%)	61	88
Average price of hedging at the end of the year (€/tons)	468.84	558.08

Logistic oil price risk is hedged based on defined risk management policy by financial contracts. Metsä Board logistic oil exposure includes positions with bunker clause. Metsä Board is hedging gas oil, heavy fuel oil and marine fuel oil purchases.

Market risk sensitivity 2023

MEUR	Impact on equity exposure and annual transaction exposure			
	Impact on financial assets and liabilities	Impact on net equity of foreign entities	Impact on annual transaction exposure (cash flow)	Impact on annual transaction exposure (cash flow) incl. hedging
Interest rate risk (100 bp rise in interest rates)				
Effect on profit			1.8	2.3
Effect on other change in equity	0.5			
Commodity risk (electricity price + 20%)				
Effect on profit			-8.6	-3.3
Effect on other change in equity	5.3			
FX risk (USD - 10%)				
Effect on profit	3.9		-69.1	-21.2
Effect on other change in equity	51.3	-11.2		
FX risk (GBP - 10%)				
Effect on profit	0.1		-11.7	-4.1
Effect on other change in equity	5.8	-0.4		
FX risk (SEK - 10%)				
Effect on profit	-3.1		44.8	9.5
Effect on other change in equity	-31.6	-69.8		

Market risk sensitivity 2022

MEUR	Impact on equity exposure and annual transaction exposure			
	Impact on financial assets and liabilities	Impact on net equity of foreign entities	Impact on annual transaction exposure (cash flow)	Impact on annual transaction exposure (cash flow) incl. hedging
Interest rate risk (100 bp rise in interest rates)				
Effect on profit			2.3	3.1
Effect on other change in equity	0.9			
Commodity risk (electricity price + 20%)				
Effect on profit			-17.6	-7.4
Effect on other change in equity	10.2			
FX risk (USD - 10%)				
Effect on profit	0.1		-100.3	-30.4
Effect on other change in equity	64.9	-10.3		
FX risk (GBP - 10%)				
Effect on profit	0.1		-10.8	-3.8
Effect on other change in equity	5.3	-0.4		
FX risk (SEK - 10%)				
Effect on profit	-10.0		53.4	7.3
Effect on other change in equity	-38.6	-69.9		

Items with + sign = positive effect = increase of assets / decrease of liabilities / increase of cash flow
Items with - sign = negative effect = decrease of assets / increase of liabilities / decrease of cash flow

An entity is required to disclose a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. The Group has recognised interest rates, electricity prices and foreign exchange rates as its key market risks and has set 1 per cent interest rate rise, 20 per cent rise in electricity price and 10 per cent weakening of USD, GBP and SEK as reasonably possible risk variables. These currencies represent over 97 per cent of Group's annual transaction exposure. The nature of the market price risk is relatively linear so that the size of effects of opposite market price changes do not essentially differ from the presented figures. The scenarios have been calculated by using regular principles of calculating market values of financial instruments described in the Group Accounting policies. Figures at the reporting date reflect quite well the average market risk conditions throughout the reporting period.

Additionally the Group is presenting figures describing the effects of the risk variables to its equity exposure and annual transaction exposure (cash flow) to present a broader picture about market risks of interest rates, electricity prices and foreign exchange rates. Annual cash flows are based on estimates, and not on existing commercial contracts. The weakening of USD and GBP has a negative impact on annual cash flow and the weakening of SEK has a positive impact. Hedges reduce this impact depending on hedging strategy. The impact on net equity of foreign entities is arising from the consolidation of subsidiaries to the Group consolidated accounts. The rise of electricity price has a negative impact on cash flow. As according to hedging policy the electricity price risk of the nearest year has mostly been hedged, the impact including hedges remains minor.

Cash flows of installments and interest payments of financial liabilities 2023

EUR million	2024	2025	2026	2027	2028	2029–	Total
Bonds				249.2			249.2
Loans from financial institutions	11.8	111.5	11.8	11.8	11.8	17.5	176.1
Finance lease liabilities ¹⁾	5.7	3.8	1.8	1.1	0.3	0.7	13.5
Non-current interest-bearing liabilities total	17.5	115.4	13.6	262.0	12.1	18.3	438.9
Financial liabilities total	17.5	115.4	13.6	262.0	12.1	18.3	438.9
Financial expenses total	12.5	8.9	7.4	7.3	0.3	0.2	36.5
Financial liabilities and expenses total	30.0	124.3	21.0	269.3	12.4	18.5	475.4
Guarantee agreements	0.2	0.2				1.3	1.6
Derivatives							
Currency derivative, liabilities	1,144.3						1,144.3
Currency derivative, receivables	-1,168.1						-1,168.1
Interest rate swaps, liabilities	1.3	0.1					1.5
Interest rate swaps, receivables	-2.0	-1.0					-3.0
Commodity derivatives, liabilities	4.1						4.1
Commodity derivatives, receivables	-0.2						-0.2
Derivatives, net	-20.5	-0.9					-21.4

Cash flows of installments and interest payments of financial liabilities 2022

EUR million	2023	2024	2025	2026	2027	2028–	Total
Bonds					249.0		249.0
Loans from financial institutions	11.8	11.8	111.3	11.8	11.8	29.3	187.6
Finance lease liabilities ¹⁾	6.7	4.3	2.8	1.0	0.5	2.0	17.3
Non-current interest-bearing liabilities total	18.5	16.1	114.0	12.7	261.3	31.3	453.9
Current interest-bearing liabilities	0.4						0.4
Financial liabilities total	18.9	16.1	114.0	12.7	261.3	31.3	454.3
Financial expenses total	9.8	9.7	8.1	7.4	7.3	0.5	42.8
Financial liabilities and expenses total	28.7	25.8	122.2	20.1	268.6	31.7	497.1
Guarantee agreements	0.4	0.1	0.3			1.2	2.1
Derivatives							
Currency derivative, liabilities	1,815.3						1,815.3
Currency derivative, receivables	-1,823.6						-1,823.6
Interest rate swaps, liabilities	-1.7	-1.1	-0.4				-3.1
Commodity derivatives, liabilities	5.0						5.0
Commodity derivatives, receivables	-6.7						-6.7
Derivatives, net	-11.7	-1.1	-0.4				-13.2

¹⁾ Cash flows from lease liabilities include both debt repayment and financing expense.

The balance sheet value of lease liabilities on was EUR 12.8 million (15.9). The balance sheet value of currency derivative liabilities on was EUR 6.0 million (31.3) and the value of currency derivative receivables was EUR 29.8 million (25.0).

■ 5.7 Classification and fair values of financial assets and liabilities

Classification and fair values of financial assets and liabilities 2023

EUR million	Note	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Financial assets					
Other non-current investments	4.3	1.4	253.0		254.4
Other non-current financial assets	5.3			6.3	6.3
Trade receivables and other receivables	4.5			251.7	251.7
Cash and cash equivalents	5.4			291.6	291.6
Derivative financial instruments	5.7	1.2	30.3		31.5
Total carrying amount		2.6	283.3	549.6	835.5
Total fair value		2.6	283.3	549.6	835.5
Financial liabilities					
Non-current interest-bearing financial liabilities	5.3			421.0	421.0
Other non-current financial liabilities	4.7			0.5	0.5
Current interest-bearing financial liabilities	5.5			17.1	17.1
Trade payables and other liabilities	4.7			338.9	338.9
Derivative financial instruments	5.7	0.4	9.8		10.2
Total carrying amount		0.4	9.8	777.5	787.6
Total fair value		0.4	9.8	767.2	777.3

Classification and fair values of financial assets and liabilities 2022

EUR million	Note	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Financial assets					
Other non-current investments	4.3	1.3	344.1		345.4
Other non-current financial assets	5.3			6.0	6.0
Trade receivables and other receivables	4.5			354.5	354.5
Cash and cash equivalents	5.4			356.2	356.2
Derivative financial instruments	5.7	4.2	39.3		43.4
Total carrying amount		5.5	383.4	716.8	1,105.6
Total fair value		5.5	383.4	716.7	1,105.6
Financial liabilities					
Non-current interest-bearing financial liabilities	5.3			434.4	434.4
Other non-current financial liabilities	4.7			2.9	2.9
Current interest-bearing financial liabilities	5.5			18.6	18.6
Trade payables and other liabilities	4.7			444.3	444.3
Derivative financial instruments	5.7	0.7	29.5		30.2
Total carrying amount		0.7	29.5	900.1	930.3
Total fair value		0.7	29.5	879.3	909.5

Trade receivables and other receivables do not include advance payments, accrued tax receivables and periodisations of employee costs (Note 4.5). Trade payables and other financial liabilities do not include advance payments, accrued tax liabilities and periodisations of employee costs (Note 4.7).

In Metsä Board, all interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method.

Fair values are based on present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 1.9–4.3 per cent (2.2–4.6). The fair values of accounts and other receivables and trade payables and other liabilities do not materially deviate from their carrying amounts in the balance sheet.

Fair value hierarchy of financial assets and liabilities

Accounting principles

Financial assets and liabilities measured at fair value have been categorised as follows:

- Level 1 Fair value is based on quoted prices in active markets.
- Level 2 Fair value is determined by using valuation techniques that use observable price information from market.
- Level 3 Fair value are not based on observable market data, but on company's own assumptions.

The fair value measurement of financial assets at fair value recognised under other items of comprehensive income is described in Note 4.3.

The fair values of electricity, natural gas and fuel oil derivatives are determined by using public price quotations in an active market (Level 1).

The fair values of currency forwards and options are determined by using the market prices of the closing date of the reporting period. The fair values of interest rate swaps are determined by using the present value of expected payments, discounted using a risk adjusted discount rate, supported by market interest rates and other market data of the closing date of the reporting period (Level 2).

For financial instruments not traded on an active market, the fair value is determined by valuation techniques. Judgment is used when choosing the different techniques and making assumptions, which are mainly based on circumstances prevailing in the markets on each closing date of the reporting period (Level 3).

Fair value hierarchy of financial assets and liabilities 2023

31 Dec 2023					
EUR million	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value					
Other non-current investments	4.3			254.4	254.4
Derivative financial assets	5.7	0.2	31.4		31.5
Financial liabilities measured at fair value					
Derivative financial liabilities	5.7	4.1	6.0		10.2
Financial assets not measured at fair value					
Cash and cash equivalents	5.4		291.5		291.5
Financial liabilities not measured at fair value					
Non-current interest-bearing financial liabilities	5.5		411.1		411.1
Current interest-bearing financial liabilities	5.5		16.7		16.7

Fair value hierarchy of financial assets and liabilities 2022

31 Dec 2022					
EUR million	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value					
Other non-current investments	4.3			345.4	345.4
Derivative financial assets	5.7	6.7	36.7		43.4
Financial liabilities measured at fair value					
Derivative financial liabilities	5.7	5.0	25.2		30.2
Financial assets not measured at fair value					
Cash and cash equivalents	5.4		356.2		356.2
Financial liabilities not measured at fair value					
Non-current interest-bearing financial liabilities	5.5		413.6		413.6
Current interest-bearing financial liabilities	5.5		18.6		18.6

Other non-current investments measured at fair value based on level 3 valuation

EUR million	2023	2022
Value 1 Jan	345.4	181.0
Total gains and losses in profit and loss		2.8
Total gains and losses in other comprehensive income	-91.1	178.5
Purchases	0.0	0.0
Sales	0.0	-16.9
Value Dec 31.	254.4	345.4

Financial derivatives and hedge accounting

Accounting principles

Derivative contracts are initially recognised on the balance sheet at fair value at cost, and thereafter during their term-to-maturity revalued at their fair value at each reporting date. The fair value of derivatives is presented in non-interest-bearing receivables or liabilities. Gains and losses resulting from recognition at fair value are treated in accounting as required with regard to the intended use of the derivative contract in question. Derivatives are initially classified as either

1. Hedges of the exposure to changes in the fair value of receivables, liabilities or firm commitments;
2. Hedges of the cash flow from a highly probable forecast transaction;
3. Hedges of a net investment in a foreign entity, or
4. Derivatives to which it has been decided not to apply hedge accounting.

Metsä Board currently applies hedge accounting only to cash flow hedging. When applying hedge accounting at the inception of a hedging relationship, the Group has documented the relationship between the hedged item and the hedging instruments, as well as the hedging strategy observed. To meet the requirements of hedge accounting, the Group has also continuously carried out effectiveness testing to verify that changes in the fair value of the hedging instrument for each hedging relationship cover any changes in the fair value of the hedged item effectively enough, with respect to the hedged risk. Changes in the fair value of the effective portion of derivative instruments that meet the criteria for cash flow hedging are recognised in other items of comprehensive income. The gains and losses recognised in equity are transferred to the income statement when the forecast sale or purchase is realised, and are recognised as an adjustment to the hedged item. If the forecast transaction is no longer expected to occur, the gain or loss accrued in equity is recognised immediately in the income statement.

Derivatives not subject to hedge accounting, as well as the ineffective portion of derivatives subject to hedge accounting, are measured at fair value, and changes in the value of interest rate and currency derivatives are recognised in financial items and changes in the value of commodity derivatives are recognised in other income and expenses.

Hedge accounting is applied as cash flow hedging to highly probable cash flows from sales denominated in foreign currencies and contractual cash flows from floating interest rates of loans. In the management of price risks related to commodities, hedge accounting is applied to cash flows from highly probable purchases of electricity, liquefied natural gas (LNG), natural gas, propane, light, heavy and 0.5% fuel oil. The fair values of forward foreign exchange contracts are based on the forward prices prevailing on the balance sheet date, and currency options are measured at fair value in accordance with the

Black–Scholes model. Interest rate swaps are measured at the current value of cash flows, with the calculation being based on the market interest rate yield curve. The fair values of derivatives are measured on the basis of publicly quoted market prices.

Management of financial risks and hedge effectiveness

The management of the Group's currency, interest rate and commodity risks is described in more detail in Note 5.6, Management of financial risks. Note 5.7., Fair values of financial assets and liabilities, includes the fair values and grouping of derivatives. Note 5.1, Equity, includes itemisations of hedge accounting entries in the fair value reserve.

The hedging of the currency flow position is effective, given that there is a direct financial relationship between the hedged sale and the hedging derivative. The spot rate component of a forward contract or the reference value component of a currency option has been determined as the hedged item, and the forward points or the option's time value are treated as hedging costs subject to amortisation based on the period. Currency flow forecasts are fairly stable, invoicing steady within quarters and months, and forward deals are allocated to each month, due to which the ineffectiveness of hedging usually remains very low. Changes in production or the structure of sales may sometimes lead to ineffectiveness during the validity of a hedging relationship, in which case the hedging is adjusted accordingly.

The hedge accounting of the cash flow from interest rates is primarily effective, given that there is a direct financial relationship between the long-term loans subject to hedging and the hedging interest rate swaps. Ineffectiveness in the hedge relationship derives from any possible differences between the loans and the swaps' interest rate periods as well as from differences in the reference rates of contract terms. The ineffective portion of interest rate hedging is recognised through profit and loss. Premature loan withdrawals or premature repayment of loans may result in a state of ineffectiveness, in which case the hedging interest rate swaps are reversed or derecognised from hedge accounting, and the change in fair value is recognised in financial items under income.

The hedging of commodity purchases is effective, given that, in lieu of the total purchase price, the hedged item is the same, identical risk component of pricing applied in the hedging derivative. In the hedging of the price risk of electricity, the hedged item is what is referred to as the portion of the system price and the hedging takes place with a system-priced electricity swap. Correspondingly, the price components of the purchases and the hedging derivative in the hedging of natural gas, propane and fuel oil are identical. Commodity purchases are fairly steady and hedges are allocated to each month, due to which the ineffectiveness of the hedging usually remains low. Changes in the use of various commodities may sometimes lead to ineffectiveness during the validity of a hedging relationship, in which case the hedging is adjusted accordingly.

Hedging for electricity, propane and liquefied natural gas (LNG) ended at the end of 2022.

Derivatives 2023

EUR million	Nominal value		Fair value			
		Derivative assets	Derivative liabilities	Fair value net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	50.0	1.5		1.5		1.5
Interest rate derivatives	50.0	1.5		1.5		1.5
Currency forward contracts	1,138.3	27.7	5.7	21.9	0.9	21.0
Currency option contracts	488.7	2.2	0.3	1.9		1.9
Currency derivatives	1,627.0	29.8	6.0	23.8	0.9	22.9
Oil derivatives	18.7	0.2	0.6	-0.5		-0.5
Natural gas and propane derivatives	10.8		3.5	-3.5		-3.5
Commodity derivatives	29.5	0.2	4.1	-4.0		-4.0
Derivatives total	1,706.4	31.5	10.2	21.4	0.9	20.5

Derivatives 2022

EUR million	Nominal value		Fair value			
		Derivative assets	Derivative liabilities	Fair value net	Fair value through profit and loss	Fair value through other comprehensive income
Interest rate swaps	100.0	3.1		3.1		3.1
Interest rate derivatives	100.0	3.1		3.1		3.1
Currency forward contracts	1,790.1	31.3	25.0	6.3	1.4	4.9
Currency option contracts	281.3	2.2	0.1	2.1		2.1
Currency derivatives	2,071.4	33.5	25.2	8.4	1.4	7.0
Oil derivatives	27.5	0.5	3.9	-3.3		-3.3
Natural gas and propane derivatives	32.7	6.2	1.2	5.0	2.1	2.9
Commodity derivatives	60.2	6.7	5.0	1.7	2.1	-0.4
Derivatives total	2,231.5	43.4	30.2	13.2	3.5	9.7

Changes in the value of hedge accounting and the effects on profit or loss are presented in Note 5.1 Equity.

Economic effect of the net settlement of instruments under master netting agreements executed

	2023			2022		
	Financial derivatives on-balance sheet	Assets and liabilities related to master netting agreements	Net risk	Financial derivatives on-balance sheet	Assets and liabilities related to master netting agreements	Net risk
Derivative assets	31.5		31.5	43.4		43.4
Derivative liabilities	-10.2		-10.2	-30.2		-30.2

Metsä Board enters into derivative contracts only with Metsä Group Treasury Oy.

Cash flow hedge maturities 2023

EUR million	1–6 months	7–12 months	1–5 years	over 5 years	Hedged cash flow total
Interest rate derivatives, hedge accounting			50.0		50.0
Currency rate derivatives, hedge accounting	613.5	200.3			813.8
Currency derivatives, no hedge accounting	79.9				79.9
Commodity derivatives, hedge accounting	14.7	14.7			29.5

Cash flow hedge maturities 2022

EUR million	1–6 months	7–12 months	1–5 years	over 5 years	Hedged cash flow total
Interest rate derivatives, hedge accounting	50.0		50.0		100.0
Currency rate derivatives, hedge accounting	834.2	230.7			1,064.9
Currency derivatives, no hedge accounting	137.8				137.8
Commodity derivatives, hedge accounting	30.1	30.1			60.2

6. Income taxes

Accounting principles

Tax expenses in the income statement consist of taxes based on the taxable income for the period, taxes for previous periods, and deferred tax assets and liabilities. The tax effect related to the items recorded in the comprehensive income statement is recognised in the comprehensive income statement. Taxes based on the taxable income for the period are calculated based on taxable income in accordance with the tax rate as it stands in each country at that time.

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount and the tax base in accordance with the tax rates enacted as at the balance sheet date.

No deferred taxes are recognised for non-deductible goodwill, and no deferred taxes are recognised for subsidiaries' undistributed profits to the extent that the difference will not likely realise in the predictable future. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes are related to the same taxation authority.

The most significant temporary differences arise from depreciation of property, plant and equipment; the measurement of other investments and derivatives contracts at fair value; defined benefit plans; unused tax losses; and measurement at fair value in conjunction with acquisitions of business operations.

Key estimates and judgement

The management's judgement is required for determining the taxes based on the result for the period, deferred tax assets and liabilities, and the extent to which deferred tax assets are recorded. The Group is subject to income taxation in several countries, and the final amount of tax is uncertain for several business operations and calculations. The Group anticipates future tax audits and recognises liabilities based on estimates of whether further taxes will need to be paid. If the associated final tax differs from the originally recorded amounts, the difference has an effect on both the taxes based on the taxable income for the period, and on deferred tax receivables and liabilities.

EUR million	2023	2022
Income taxes for the financial period	-12.8	-36.4
Income taxes from previous periods	-0.1	-0.5
Deferred taxes	-6.4	-26.7
Income taxes total	-19.3	-63.5

Income tax reconciliation

EUR million	2023	2022
Result before tax	120.9	524.9
Calculated tax at Finnish statutory rate of 20.0%	-24.2	-105.0
Effects of differences between Finnish and non-Finnish tax rates	-0.6	-2.4
Tax exempt income	0.5	4.9
Non-deductible expenses	-0.2	-0.4
Restatement of deferred taxes recognised for temporary differences and tax losses in previous years	-0.4	0.0
Use of unrecognised tax losses	0.7	
Share of result from associate companies and joint ventures	4.8	32.6
Income taxes from previous periods	-0.1	-0.5
Other	0.2	7.2
Income taxes total	-19.3	-63.5
Effective tax rate, %	16.0	12.1

Taxes for the current period include a 7.1 million euros of tax support to be applied for in the 2022 taxation of the investments of the Swedish subsidiary.

Taxes reported in other comprehensive income are specified in Note 5.1.

Developed in the context of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, Pillar II concerns a global minimum tax rate on the income of international corporations. The change involves a new top-up corporate tax, the goal of which is to ensure a minimum tax rate of 15% worldwide. If in any of a group's countries of operation, the aggregate effective tax rate, calculated in accordance with the provisions concerning minimum taxation, remains below 15%, a top-up tax will be imposed to raise the effective tax rate to 15%. The change will apply to financial periods beginning after 31 December 2023. According to Metsä Board's current estimates, the global minimum tax rate under Pillar II will have no impact or no material impact on the taxes paid by Metsä Board.

Deferred tax assets and liabilities 2023

EUR million	1 Jan 2023	Charged to income statement	Charged to other comprehensive income	Translation differences	31 Dec 2023
Deferred tax assets					
Rental agreements	2.3	1.8		0.0	4.1
Pension obligations and provisions	3.5	-0.4	0.2	0.2	3.5
Intercompany margins	8.2	-3.2		-0.2	4.8
Unused tax loss carry-forwards	0.8	28.0		1.0	29.7
Other temporary differences	2.6	1.0		0.2	3.8
Total	17.3	27.2	0.2	1.2	45.9
Netting against liabilities	-7.9	-26.8		-1.6	-36.4
Deferred tax assets in balance sheet	9.4	0.4	0.2	-0.4	9.5
Deferred tax liabilities					
Rental agreements	2.5	1.4			3.9
Pension obligations	0.1	0.1	-0.1	0.2	0.3
Depreciation differences and appropriations	79.0	31.2		3.9	114.1
Other investments recognised at fair value	62.9		-18.2		44.7
Financial instruments	3.9	-0.2	1.6	0.5	5.9
Other temporary differences	9.0	0.7		-3.1	6.6
Total	157.4	33.6	-16.7	1.2	175.5
Netting against receivables	-7.9	-26.8		-1.6	-36.4
Deferred tax liabilities in balance sheet	149.5	6.8	-16.7	-0.4	139.2

Deferred tax assets and liabilities 2022

EUR million	1 Jan 2022	Charged to income statement	Charged to other comprehensive income	Translation differences	31 Dec 2022
Deferred tax assets					
Rental agreements	2.5	-0.2			2.3
Pension obligations and provisions	3.8	-0.2	-0.2	0.0	3.5
Intercompany margins	3.4	4.9		-0.2	8.2
Unused tax loss carry-forwards	4.8	-3.9		-0.1	0.8
Other temporary differences	2.1	0.3		0.1	2.6
Total	14.2	1.2	-0.2	-0.1	15.1
Netting against liabilities	-8.3	-2.0		2.3	-7.9
Deferred tax assets in balance sheet	8.4	-1.0	-0.2	2.2	9.4
Deferred tax liabilities					
Rental agreements	2.9	-0.4			2.5
Pension obligations	3.3	0.0	-3.0	-0.2	0.1
Depreciation differences and appropriations	62.6	19.1		-2.8	79.0
Other investments recognised at fair value	27.2		35.7		62.9
Financial instruments	4.8	0.4	-0.5	-0.7	3.9
Other temporary differences	3.7	5.5	-0.1	-0.1	9.0
Total	102.0	27.8	32.1	-6.7	155.2
Netting against receivables	-8.3	-2.0		2.3	-7.9
Deferred tax liabilities in balance sheet	96.2	25.6	32.1	-4.4	149.5

The Group has recognised deferred tax assets related to operating loss carry-forwards for EUR 0.7 million (0.8) in Germany. Management assesses that taxable profit will be available against which loss carry-forward can be utilised. Taxable loss carry-forwards do not expire.

The taxable loss carry-forwards of business operations, for which deferred tax assets have not been recognised due to uncertainty of amount or utilisation possibilities, amounted approximately to EUR 93 million (91) in Germany. The unrecognised deferred tax assets for these loss carry forwards is about EUR 29 million (29). Taxable loss carry-forwards do not expire.

7. Group structure

7.1 Group companies

Accounting principles

Subsidiaries

The financial statements include all of the companies controlled by the Group. Intra-Group shareholding is eliminated using the acquisition method. Intra-Group business transactions, receivables, liabilities and unrealised gains, as well as internal distribution of profits, are eliminated on consolidation. Unrealised losses arising from impairment are not eliminated. When necessary, the accounting principles applied by subsidiaries have been adjusted to comply with the Group's principles.

The parent company's owners' and non-controlling interests' shares of the result for the period and comprehensive income are presented in the comprehensive income statement. The non-controlling interests' share of equity is presented as a separate item under equity on the balance sheet.

Joint operations

A joint operation is a joint arrangement in which parties who have joint control in the arrangement have rights concerning the assets related to the arrangement and obligations concerning liabilities. The Group consolidates its proportion of the assets, liabilities, income and expenses of the joint operation in its financial statements.

Subsidiaries and joint operations 31 December 2023

Metsä Board Oyj's holdings in Group companies

	Country	Holding, %	Number of shares	Book value EUR
Holdings in parent company				
Metsäliitto Cooperative	Finland	-	674 892	674,892.00
Subsidiary shares in Finland				
Kotimaiset				
Metsä Board International Oy	Finland	100.00	10,000	23,347,464.13
in other countries				
Metsä Board Americas Corporation ¹⁾	USA	99.00	17,820	12,209,018.39
Metsä Board Benelux n.v./s.a ¹⁾	Belgium	0.08	2	0.00
Metsä Board Deutschland GmbH	Germany	100.00	1	0.00
Metsä Board Ibéria S.A. ¹⁾	Spain	1.00	100	1,561.63
Metsä Board Sverige Ab	Sweden	100.00	10,000,000	493,721,059.95
Subsidiary shares total				529,279,104.10
Shares and holdings in Group companies				529,953,996.10

¹⁾ Total Group holding 100.0%

Subgroup in Finland

Metsä Board International Oy

Metsä Board Benelux n.v./s.a ¹⁾	Belgium	99.92	2,919	140,001.71
OOO Metsä Board Rus	Russia	100.00	1	0.00
Metsä Board France SAS	France	100.00	8,211	418,951.75
Metsä Board Ibéria S.A. ¹⁾	Spain	99.00	147,771	155,316.78
Metsä Board Italia S.r.l.	Italy	100.00	100,000	1,250,691.84
Metsä Board (Middle East & Africa) Ltd	Cyprus	100.00	742,105	214,000.00
Metsä Board Polska Sp. Z o.o.	Poland	100.00	232	54,458.58
Metsä Board Singapore Pte Ltd	Singapore	100.00	10,000	4,036.51
Metsä Board Singapore Pte Ltd Indian Branch	India	100.00	-	-
Metsä Board Turkey LLC	Turkey	100.00	400	1,201.25
Metsä Board UK Ltd	United Kingdom	100.00	2,400	264,172.02
Metsä Board Americas Corporation ¹⁾	USA	1.00	180	4,435.15
Metsä Board Australia and New Zealand Pty Ltd	Australia	100.00	1	41,827.54
Total				2,549,093.13

	Country	Holding, %	Number of shares	Book value EUR
Subgroup in other countries				
Metsä Board Sverige Ab				
Husum Pulp Ab	Sweden	70.00	85,664	190,688,553.55

Material subsidiaries

Metsä Board has two material subsidiaries:

- **Metsä Board Sverige AB**

Metsä Board Sverige AB is located in Örnsköldsvik, Sweden. Metsä Board Sverige AB produces folding boxboard and kraftliner. Metsä Board Sverige AB's sales were EUR 396 million (642). The company's capacity is 250,000 tonnes of liner and 600,000 tonnes of folding boxboard.

- **Husum Pulp AB**

Husum Pulp AB produces pulp for Metsä Board Sverige Ab and to the market. The company's sales were EUR 370 million (560) and capacity 730,000 tonnes of chemical pulp.

Non-controlling interest's shares

Principal non-controlling interest's shares

EUR million	Country	Non-controlling interest Holding, %		Non-controlling interest Share of result, EUR million		Non-controlling interest Share of equity, EUR million	
		2023	2022	2023	2022	2023	2022
Husum Pulp AB	Sweden	30.0%	30.0%	6.8	51.4	155.6	173.2

Accounting principles

Associated companies include all companies over which the Group has considerable influence but no control. Significant influence is usually based on a shareholding conferring 20–50 per cent of the voting rights. A joint venture is a joint arrangement in which the parties that have joint control of the arrangement have rights to its net assets. Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The Group's shares in associated companies and joint ventures also include the goodwill measured at the time of acquisition, less any impairment.

The Group's share of the profits or losses of associated companies and joint ventures is recognised in the income statement as a separate line item above the operating result in case of associate company Metsä Fibre and below the operating result in case of other associate companies. Correspondingly, the Group's share of other comprehensive income in associated companies and joint ventures is recognised in its items of other comprehensive income. A proportion corresponding to the Group's shareholding is eliminated from unrealised profits between the Group and its associate companies and joint ventures. Unrealised losses arising from impairment are not eliminated. When necessary, the accounting principles applied by associated companies and joint ventures have been adjusted to comply with the Group's principles.

Investments in associate companies and joint ventures

EUR million	2023	2022
Value 1 Jan	614.2	479.0
Share of results from associated companies and joint ventures		
Share of result from Metsä Fibre	24.2	163.1
Share of results from other associated companies and joint ventures	0.0	0.0
Dividends received	-82.8	-58.8
Share of other comprehensive income from associated companies and joint ventures		
Fair value reserve		25.4
Translation differences and other changes in equity	-5.7	5.6
Investments in associated companies and joint ventures 31 Dec	549.9	614.2

Amounts recognised in income statement

EUR million	2023	2022
Associate companies	24.2	163.1
Amounts recognised in income statement total	24.2	163.1

Amounts recognised in balance sheet

EUR million	2023	2022
Associate companies	549.9	614.2
Amounts recognised in balance sheet total	549.9	614.2

The carrying amount of associated companies at 31 December 2023 includes goodwill of EUR 45.2 million (45.2). None of the associate companies or joint ventures are listed companies. Transactions with associate companies and joint ventures are detailed in Note 7.3.

Financial information summary of essential associated companies

According to management's view, the only essential associated company is Metsä Fibre Group, which produces chemical pulp and sawn timber. Metsä Board owns 24.9 per cent of Metsä Fibre. Metsä Board's parent company, Metsäliitto Cooperative, owns 50.1 per cent, and Itochu Corporation from Japan owns 25.0 per cent. Metsä Fibre has operations primarily in Finland, and its production capacity is approximately 3.3 million tonnes of chemical pulp. In Addition Metsä Fibre has five sawmills in Finland.

Summarised financial information for Metsä Fibre

Metsä Fibre Group

EUR million	2023	2022
Sales	2,498.6	3,070.7
Result for the period	78.7	664.7
Other comprehensive income	-22.9	125.1
Total comprehensive income for the period	55.8	789.8
Dividend received	82.8	58.8
Non-current assets	3,467.3	2,976.9
Current assets	980.9	835.6
Non-current liabilities	1,378.4	781.0
Current liabilities	1,054.3	739.6
Net assets	2,015.5	2,291.8

Reconciliation of financial information for Metsä Fibre to the value recognised in consolidated balance sheet

EUR million	2023	2022
Group's share of net assets	501.9	570.7
Goodwill	45.2	45.2
Other purchase price allocations at acquisition	4.1	4.6
Other adjustments	-1.3	-6.5
Carrying value of associated company in consolidated balance sheet	549.8	614.0

Metsä Fibre has been consolidated according to equity method based on its consolidated financial statements prepared under IFRS.

Financial information summary of other than essential associated companies

EUR million	2023	2022
Share of result from other associated companies	0.0	0.0
Carrying value in consolidated balance sheet	0.2	0.2

■ 7.2 Acquisitions and operations disposed of

Accounting principles

Acquired business operations are consolidated from the time when control is transferred to the Group, and divested operations are consolidated until the time when control is transferred away from the Group.

The consideration paid, including the contingent sales price and the identifiable assets and liabilities of the acquired business operations, are measured at fair value at the time of acquisition. Expenses related to acquisitions are recognised as costs. Depending on the acquisition, the non-controlling interests' share in the object of the acquisition is recognised at fair value or the amount that corresponds to the non-controlling interests' proportion of the net assets of the object of the acquisition.

The amount by which the sum of the consideration paid, the fair value of the non-controlling interests' share and the fair value of the assets previously owned in the object of the acquisition exceed the fair value of the identifiable net assets is recognised as goodwill.

Acquired businesses

On 1 January 2022, Metsä Board acquired the entire share capital of Hämeenkyrön Voima Oy from Pohjolan Voima Oyj (84%) and from DL Power Oy, part of Leppäkoski group (16%). Hämeenkyrön Voima Oy was merged to Metsä Board Oyj on 31 July 2022.

Hämeenkyrön Voima Oy

EUR million	2023	2022
Intangible assets		1.3
Property, plant and equipment		29.6
Trade receivables and other receivables		3.2
Cash and cash equivalent		0.9
Total assets		35.0
Deferred tax liabilities		0.0
Financial liabilities, non-current		16.7
Financial liabilities, current		1.3
Trade payables and other liabilities		2.8
Total liabilities		20.8
Net assets		14.2
Acquisitions cost		14.5
Goodwill / Other operating expenses		0.2
Acquisition price		-14.5
Cash and cash equivalents in subsidiaries		0.9
Net cash flow arising on acquisitions		-13.6

Divested operations

Metsä Board and Euroports signed an agreement on 16 December 2021, according to which Metsä Board Corporation sold the entire share capital of its fully owned subsidiary Oy Hangö Stevedoring Ab to Euroports Finland Oy. Transaction was completed on 31 March 2022. The group recognised a capital gain of EUR 19.2 million and realised a EUR 24.5 million positive cash flow effect.

■ 7.3 Related party transactions

Related parties include Metsä Board's ultimate parent company Metsäliitto Cooperative, which owns 52.0 per cent of Metsä Board's shares and 68.9 per cent of the voting rights, other subsidiaries of Metsäliitto, associated companies and joint ventures. The members of the Board of Directors, Metsä Group's Executive Management Team and Metsä Board's Corporate Management Team as well as their close family members are also included in related parties.

The management's salaries, remuneration and pension expenses are presented in Note 3.2.

The most significant subsidiaries of Metsäliitto, with which Metsä Board has business transactions, are as follows:

Metsä Tissue Group
Metsä Fibre Group
Metsä Forest Sverige Ab

Metsä Fibre has been consolidated by using equity method according to Investments in associates standard (IAS 28). Related party transactions with Metsä Fibre are presented as transactions with sister companies.

Financial operations of the Group have been centralised to Metsä Group Treasury Oy, which is a wholly-owned subsidiary of Metsäliitto Cooperative and in charge of managing the Group companies' financial positions according to the strategy and financial policy defined by the Group, providing necessary financial services and acting as a competence center in financial matters. Financial transactions with Metsä Group Treasury Oy are carried out at market prices.

The value of wood purchases from Metsäliitto Cooperative was EUR 171.3 million (129.0) and pulp purchases from Metsä Fibre Oy EUR 255.8 million (416.0). The purchases were carried out at market prices.

Metsä Board is participating in the supplementary pension arrangement of Metsä Group executives. Payments to the arrangement amounted to EUR 0.5 million in 2023 (0.6).

Transactions with parent company and sister companies

EUR million	Transactions with parent company		Transactions with sister companies	
	2023	2022	2023	2022
Sales	9.6	24.8	112.3	172.9
Other operating income	5.0	5.4	-3.4	1.2
Purchases	213.4	167.0	460.4	693.9
Share of result from associated companies			163.1	30.8
Dividend income			0.0	0.0
Interest income			9.4	2.3
Interest expense	-0.1	0.0	0.4	0.9
Receivables				
Trade receivables and other receivables	1.6	4.2	49.8	80.4
Cash equivalents			278.4	338.6
Liabilities				
Trade payables and other liabilities	23.8	9.5	46.6	76.8

Transactions with associated companies and joint ventures

EUR million	2023	2022
Sales	0.5	0.7
Purchases	0.1	4.2
Receivables		
Trade receivables and other receivables	0.2	0.1

Metsä Board has classified interest-bearing receivables comparable to cash funds and available immediately from Metsä Group's internal bank Metsä Group Treasury Oy as Cash and cash equivalents.

The receivables from group companies do not include doubtful receivables, and no bad debt was recognised during the period. No security or collateral has been provided for group liabilities.

8. Other notes

8.1 Contingent liabilities, assets and commitments

Key estimates and judgementsa

Disputes and claims

Metsä Board companies have been sellers in several share transactions in recent years. In these divestments, the companies have issued regular seller's assurances. Claims presented against Metsä Board companies and costs incurred by the companies due to these assurances cannot be ruled out.

Commitments

EUR million	2023	2022
Leases not yet commenced to which the Group is committed	1.6	1.5
Other commitments		3.8
Total	1.6	5.3

Commitments include granted pledges, mortgages and floating charges as well as guarantees.

Investment commitments

EUR million	2023	2022
Payments due in following 12 months	69.7	132.0
Payments due later	0.8	1.6
Total	70.5	133.5

Commitments related to property, plant and equipment mainly concern the development programme of the Kemi mill and an investment to increase Husum's folding boxboard capacity.

Other information

Metsä Board has investment grade credit ratings from S&P Global and Moody's Investor Service. Metsä Board's rating by S&P Global is BBB-, with a stable outlook. The company's rating by Moody's is Baa2, with a stable outlook.

8.2 Events after the financial period

The Group has no events after the financial period.

Parent company's financial statements

■ Income statement

EUR	NOTE	1.1.–31.12.2023	1.1.–31.12.2022
Sales	2	1,239,168,327.91	1,572,707,178.40
Change in stocks of finished and unfinished products	3, 4	-59,575,562.56	43,724,591.06
Other operating income		81,035,662.81	91,648,078.56
Materials and services			
Materials, consumables and goods			
Purchases during the financial period		-735,583,407.40	-1,091,988,355.22
Changes in stocks		11,327,074.69	3,368,182.68
External services	5	-204,945,195.88	-255,741,958.55
Employee costs	5	-101,494,562.44	-106,360,648.15
Depreciations and impairment charges	3, 6	-50,438,167.30	-48,392,956.43
Other operating expenses	3, 5	-117,576,834.01	-112,597,632.50
		-1,198,711,092.34	-1,611,713,368.17
Operating profit/loss		61,917,335.82	96,366,479.85
Financial income and expenses	7		
Income from group companies		103,927,858.98	68,282,404.82
Income from investments in other non-current assets		945.00	323,118.23
Other interest and financial income		301,640.04	37,044.13
Exchange rate differences		-5,398,633.64	-24,823,074.91
Interest expenses and other financial expenses		-13,215,197.30	-11,243,159.60
		85,616,613.08	32,576,332.67
Profit/loss before appropriations and taxes		147,533,948.90	128,942,812.52
Appropriations			
Change in depreciation differences	6	-24,354,472.54	-11,697,827.98
Group contribution			
Income taxes	8	-7,843,257.95	-5,624,167.05
Profit/loss for the financial period		115,336,218.41	111,620,817.49

Parent company

■ Balance sheet

EUR	Note	31.12.2023	31.12.2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible assets		11,089,921.66	11,360,766.54
Other intangible assets		512,038.25	432,011.17
Advance payment and construction in progress		8,256,659.20	133,093.84
		19,858,619.11	11,925,871.55
Property, plant and equipment	9		
Land and water areas		30,046,780.31	26,340,436.42
Buildings and constructions		142,309,889.82	127,095,989.94
Machinery and equipment		259,941,625.99	239,929,037.57
Other tangible assets		6,835,013.27	7,629,729.80
Advance payment and construction in progress		43,361,374.25	60,459,586.34
		482,494,683.64	461,454,780.07
Investments	10		
Shares in group companies		529,953,996.10	534,406,191.31
Receivables from group companies		288,654,833.04	290,412,859.87
Shares in associated companies		86,429,409.33	86,429,409.33
Other shares and holdings		253,698,707.84	344,817,070.84
		1,158,736,946.31	1,256,065,531.35
Total non-current assets		1,661,090,249.06	1,729,446,182.97
CURRENT ASSETS			
Inventories			
Materials and consumables		64,903,754.79	53,576,680.10
Finished products		138,086,563.02	197,662,125.58
Advance payments			15,432,257.27
		202,990,317.81	266,671,062.95
Receivables from group companies			
Receivables from group companies		37,596,485.20	38,878,585.67
		37,596,485.20	38,878,585.67
Current receivables	11		
Trade receivables		115,699,537.58	156,737,059.46
Receivables from group companies		196,956,199.22	182,648,251.13
Receivables from associated companies		195,710.12	98,183.87
Other receivable		15,553,670.54	23,337,352.03
Prepayments and accrued income		5,097,591.69	41,637,891.74
		333,502,709.15	404,458,738.23
Total receivables		371,099,194.35	443,337,323.90
Cash and cash equivalents		10,327,192.96	13,371,673.53
Total current assets		584,416,705.12	723,380,060.38
TOTAL ASSETS		2,245,506,954.18	2,452,826,243.35

EUR	Note	31.12.2023	31.12.2022
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
	12		
Share capital		557,881,540.40	557,881,540.40
Other reserves			
Reserve for invested unrestricted equity		210,639,481.81	210,639,481.81
Value adjustment reserve		195,273,187.14	259,659,751.43
Profit/loss for previous financial periods		192,906,977.09	287,026,854.12
Profit/loss for the financial period		115,336,218.41	111,620,817.49
		1,272,037,404.85	1,426,828,445.25
APPROPRIATIONS			
Accumulated depreciation difference	6	200,356,593.10	176,002,120.56
PROVISIONS			
	13	2,758,948.00	2,729,857.00
LIABILITIES			
Non-current liabilities			
	15		
Bonds		249,685,345.02	249,601,391.02
Loans from financial institutions		164,705,882.36	176,470,588.24
Advance payments		7,354,456.51	1,082,432.07
Deferred tax liability	8, 14	48,266,450.66	64,368,909.96
Other liabilities		865,945.59	2,399,500.74
		470,878,080.14	493,922,822.03
Current liabilities			
	16		
Pension premium loans		11,764,705.88	11,764,705.88
Advance payments		4,687,512.48	3,756,180.63
Trade payables		122,711,978.74	175,417,664.49
Liabilities to group companies		94,701,965.84	88,896,086.27
Other liabilities		6,832,689.40	7,699,014.97
Accruals and deferred income		58,777,075.75	65,809,346.27
		299,475,928.09	353,342,998.51
Total liabilities		770,354,008.23	847,265,820.54
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			
		2,245,506,954.18	2,452,826,243.35

Parent company accounts

■ Cash flow statement

EUR	1.1.–31.12.2023	1.1.–31.12.2022
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/loss before appropriations and taxes	147,533,948.90	128,942,812.52
Adjustments to profit/loss a)	-85,927,509.95	-47,715,398.92
Interest received	21,422,500.02	9,472,006.62
Interest paid	-12,275,116.16	-10,680,827.37
Dividends received	82,767,207.10	59,142,897.83
Other financial items, net	-3,570,452.49	-10,999,779.03
Income taxes paid	29,642,145.48	-49,996,551.31
Change in net working capital b)	79,748,470.25	-109,960,671.71
Net cash flow from operating activities	259,341,193.15	-31,795,511.37
INVESTMENTS		
Acquisition of other shares		-15,767,840.00
Investments in tangible and intangible assets	-87,896,874.00	-78,185,167.01
Proceeds from disposal of shares in affiliated companies,	4,757,354.04	25,241,080.85
Proceeds from other investments		16,878,690.70
Proceeds from sale of tangible and intangible assets	59,000,151.81	40,771,107.52
Increase and decrease of non-current receivables, net		-19,342,971.29
Total cash flow from investing activities	-24,139,368.15	-30,405,099.23
CASH FLOW BEFORE FINANCIAL ACTIVITIES	235,201,825.00	-62,200,610.60
Cash flow from financial activities		
Acquisition of own shares		-7,838,135.79
Dividends paid and other profit distribution	-205,740,701.92	-145,782,413.01
Increase in non-current liabilities		60,899,777.40
Payment of non-current interest bearing liabilities	-11,764,705.88	-55,889,483.28
Change in other non-current liabilities	4,738,469.29	2,399,500.72
Change in current non-interest bearing liabilities, net	30,000,000.00	
Increase or decrease in interest bearing current receivables, net	-55,479,374.52	197,037,841.22
Group contribution		391,363.11
Net cash flow arising from financing activities	-238,246,305.63	50,827,087.26
CHANGES IN CASH AND CASH EQUIVALENTS	-3,044,480.63	-10,982,160.23
Cash and cash equivalents opening balance	13,371,673.53	24,353,833.76
Change in cash and cash equivalents	-3,044,480.63	-10,982,160.23
Cash and cash equivalents closing balance	10,327,192.90	13,371,673.53
a) Adjustments to profit/loss		
Depreciations and impairment charges	50,438,167.30	48,392,956.43
Financial income and expenses	-85,616,613.08	-32,576,332.67
Gains or losses on sale of fixed assets	-50,778,155.17	-62,501,763.33
Change in provisions	29,091.00	-1,030,259.35
Total	-85,927,509.95	-47,715,398.92
b) Change in net working capital		
Inventories	63,680,745.14	-57,800,939.75
Change in current receivables, non-interest bearing	84,830,229.14	-39,982,068.72
Change in current liabilities, non-interest bearing	-68,762,504.03	-12,177,663.24
Total	79,748,470.25	-109,960,671.71

Parent company accounting policies

1. Accounting policies

Metsä Board Oyj belongs to Metsä Group, whose parent company is Metsäliitto Cooperative. Metsäliitto Cooperative's registered office is in Helsinki. The Metsä Group prepares consolidated financial statements which are available at the Group's main office at Revontulenpuisto 2 A, FIN-02100 Espoo, Finland.

Metsä Board Oyj's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS).

Metsä Board Oyj has related party transactions in the Metsä Group. Those are described in more detail in the Metsä Board Annual report in section 7.3. Transactions with related parties are based on market prices.

Foreign currency transactions

Foreign exchange gains and losses have been booked to exchange gains/losses under financial income and expense. Open and actual foreign exchange differences hedging sales are recorded immediately to financial income and expenses in the income statement. Exchange rate differences are recorded in the financial statements with effect on profit.

Derivative financial instruments

The company uses derivatives only for hedging against currency, interest rate and commodity risks. Derivatives are valued at fair value in accordance with the alternative treatment permitted by Chapter 5, Section 2a of the Accounting Act. The management of financial risks and the principles applied to derivatives are explained in Notes 5.6 and 5.7 to the consolidated financial statements.

The unrealised fair value of cash flow hedges in hedge accounting is recognised in the fair value reserve of the balance sheet to the extent that they are effective. The unrealised fair value of derivatives not in hedge accounting is recognised in the income statement. In addition, the company has recognised deferred tax assets and liabilities as a separate item in the income statement and balance sheet during the financial year.

Metsä Board Oyj applies the fair value option under Chapter 5, Section 2a of the Accounting Act also to the other shares and holdings. Accordingly, the company has classified its shares in Pohjolan Voima Oyj as financial assets at fair value through equity in accordance with IFRS 9 and other equity instruments in financial assets valued at fair value through profit or loss. The principles applied in determining the fair value of shares and the sensitivity of fair value to various valuation factors are described in Note 4.3 to the consolidated financial statements.

Sales

Sales are calculated after deduction of indirect sales taxes, trade discounts and other items adjusting sales.

Share-based payments

Share-based payments are booked on the fiscal year when the non cancelable right of the shares for the employee is issued.

Pensions and pension funding

Statutory pension security is handled by pension insurance companies outside the Group. In addition to statutory pension security, some salaried employees have supplementary pension arrangements which are either insured at Pohjola or are arranged through Metsäliitto Employees' Pension Foundation or are Metsäliitto Employees' Pension Foundation or are an unfunded liability of the company. Pension insurance premiums have been accrued to correspond to the accrual-based wages and salaries given in the financial statements.

Leasing

Lease payments are treated as rental expenses.

Income taxes

Tax expenses in the income statement consists of taxes based on the taxable income for the period, taxes for the previous periods and deferred tax assets and liabilities. Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount and the tax base in accordance with the tax rate issued as at the balance sheet date. Deferred taxes are calculated on the basis of the enacted tax rate.

Property, plant and equipment and depreciation

The carrying values of property, plant and equipment are based on original acquisition costs less depreciation according to plan and impairment losses.

Depreciation according to plan is based on the estimated useful life of the asset as follows:

Buildings and constructions	20–40 years
Heavy machines of power plants	20–40 years
Other heavy machines	15–20 years
Lightweight machinery and equipment	5–15 years
Other tangible assets	5–10 years

Depreciation is not recorded on the purchase cost of land and water.

Inventories

Inventories are measured at the lower of cost or net realisable value. FIFO principle is observed in measuring inventories or, alternatively, the weighted average cost method. Value of finished and semi-finished goods comprises raw materials, direct wages and salaries, depreciation and amortisation and other direct cost as well as a reasonable share of variable and fixed production overhead cost calculated at normal level of production. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

Provisions

Contingent costs and losses that are no longer generate corresponding income and for which the parent company is obliged or committed and whose monetary value can be reasonably estimated are recognized in the income statement in line with the nature of the expense item and in the mandatory provisions of the balance sheet.

EUR	2023	2022
2. Sales by region		
Finland	71,957,904.99	65,103,945.73
Other EU-countries	634,651,668.85	785,329,475.63
Other European countries	155,584,591.86	221,181,415.75
Other countries	376,974,162.21	501,092,341.29
Total	1,239,168,327.91	1,572,707,178.40
3. Exceptional items		
Other operating income		
Oy Hangö Stevedoring Ab Proceeds from selling shares		22,955,409.24
Proceeds of selling land	2,707,107.12	6,533,675.05
Encore Ympäristöpalvelut Oy Proceeds of selling shares		4,892,703.24
Merger profit		632,637.88
Environmental reservation		93,187.59
Total	2,707,107.12	35,107,613.00
4. Other operating income		
Rental income	1,195,943.71	1,053,865.71
Service revenue	18,372,566.27	16,868,639.19
Gains on disposal	50,797,267.91	62,127,817.78
Government grants and allowances	6,060,823.02	3,214,154.64
Scrap and waste sale	234,025.33	219,922.43
Others	4,375,036.57	8,163,678.81
Total	81,035,662.81	91,648,078.56
5. Operating expenses		
External services		
Distribution costs	134,631,795.07	178,928,268.89
Other external services	70,313,400.81	76,813,689.66
Total	204,945,195.88	255,741,958.55
Employee costs		
Wages and salaries for working hours	61,525,003.31	64,823,548.60
Osakeperusteiset maksut	-2,183,679.64	-495,369.86
Social security expenses		
Pension expenses	14,621,870.25	15,531,896.13
Other social security expenses	27,531,368.52	26,500,573.28
Total	101,494,562.44	106,360,648.15
Share-based fee arrangement is concerning 31.12.2023 18 persons of mother entity Metsä Board Oyj. From earning period 2021–2023 it is possible to earn total 344,109 (brutto), from earning period 2022–2024 total 351,398 (brutto) and from earning period 2023–2025 total 359,415 (brutto) Metsä Board B-series shares.		
Additional information of salaries, rewards and pension plans to management are presented in Group's Note 3.2.		
Additional information of share-based payments are presented in Group's Note 3.3.		
The average number of personnel during the financial period in the parent company	1,227	1,222
Other operating expenses		
Rental and other property costs	15,494,361.54	13,469,651.58
Purchases of services	80,399,030.53	73,671,626.62
Losses on disposal of non-current assets	19,112.74	258,692.33
Other expenses		
Voluntary social costs	2,454,527.45	4,080,223.14
Fixed energy costs	6,118,227.77	8,938,239.16
Traveling expenses	1,532,327.66	897,984.13
Insurances	3,427,277.87	3,283,249.15
Advertising and marketing expenses	2,755,110.69	1,858,792.58
Others	5,376,857.76	6,139,173.81
Total	117,576,834.01	112,597,632.50
Fees of principal auditor		
Audit fees	224,000.00	221,447.49
Auditor's opinions	12,359.30	49,612.51
Total	236,359.30	271,060.00
The principal auditor is KPMG Oy Ab.		

EUR	2023	2022
6. Depreciation and impairment charges		
Planned depreciation		
Intangible rights	961,615.18	754,573.95
Other intangible assets	100,208.89	85,985.10
Buildings and constructions	9,289,313.76	8,496,098.14
Machinery and equipment	38,747,838.08	38,298,727.98
Other tangible assets	819,224.47	757,571.26
Total	49,918,200.38	48,392,956.43
Impairment on tangible and intangible assets		
Intangible assets	519,966.92	
Total	519,966.92	
Total depreciation and impairment	50,438,167.30	48,392,956.43
Change in depreciation difference	24,354,472.54	11,697,827.98
Total depreciation	74,792,639.84	60,090,784.41
Depreciation difference at the beginning of the financial year	176,002,120.56	164,304,292.58
Change in depreciation differences	24,354,472.54	11,697,827.98
Depreciation difference at the end of the financial year	200,356,593.10	176,002,120.56
7. Financial income and expenses		
Income from investments in non-current assets		
Dividend income		
From Group companies	82,806,999.00	58,847,155.62
From others	945.00	323,118.23
Total	82,807,944.00	59,170,273.85
Interest income on investments in non-current assets		
From Group companies	16,261,117.45	8,273,801.16
Total	16,261,117.45	8,273,801.16
Total income from non-current assets	99,069,061.45	67,444,075.01
Other interest and financial income		
Interest income from Group companies	4,859,742.53	1,161,448.04
Other interest income	301,640.04	36,757.42
Other financial income		286.71
Total	5,161,382.57	1,198,492.17
Exchange rate differences recognised in financial income and expenses		
Exchange rate differences on sales	-450,166.38	1,127,532.45
Exchange rate differences on purchases	-872,017.52	-513,406.61
Exchange rate differences on financing	-4,076,449.74	-25,437,200.75
Total	-5,398,633.64	-24,823,074.91
Interest and other financial expenses		
Interest expenses for the same group companies	1,157,772.68	-794,579.90
Other interest expenses	-13,962,089.81	-9,631,591.72
Other financial expenses	-410,880.17	-816,987.98
Total interest expenses and other financial expenses	-13,215,197.30	-11,243,159.60
Financial income and expenses total	85,616,613.08	32,576,332.67
8. Income taxes		
Taxes for the financial year	7,849,008.63	5,596,020.86
Taxes for previous financial years	67.52	-177,905.68
Deferred taxes	-5,818.20	206,051.87
	7,843,257.95	5,624,167.05

EUR	2023	2022
9. Intangible and tangible assets		
Intangible rights		
Acquisition costs 1.1.	51,304,534.70	111,057,990.95
Increases	8,566,067.13	8,019,339.65
Decreases	-9,071,775.42	-68,792,929.00
Transfers between items	8,120.09	1,020,133.10
Acquisition costs 31.12.	50,806,946.50	51,304,534.70
Accumulated depreciation and impairment charges 1.1.	-39,943,768.16	-106,192,061.63
Accumulated depreciation of deductions and transfers	1,708,325.42	67,002,867.42
Depreciation and write-downs for the financial period	-961,615.18	-754,573.95
Impairments	-519,966.92	
Accumulated depreciation and impairment 31.12.	-39,717,024.84	-39,943,768.16
Book value 31.12.	11,089,921.66	11,360,766.54
Goodwill		
Acquisition costs 1.1.		24,970,634.39
Decreases		-24,970,634.39
Acquisition costs 31.12.		
Accumulated depreciation and impairment charges 1.1.		-24,970,634.39
Accumulated depreciation of deductions and transfers		24,970,634.39
Accumulated depreciation and impairment on 31.12.		
Book value 31.12.		
Other intangible assets		
Acquisition costs 1.1.	8,665,493.18	7,846,976.75
Increases	132,558.44	245,460.55
Decreases	-8,005.74	-872,084.63
Transfers between items	46,937.50	1,445,140.51
Acquisition costs 31.12.	8,836,983.38	8,665,493.18
Accumulated depreciation and impairment charges 1.1.	-8,233,482.01	-7,568,232.07
Accumulated depreciation of deductions and transfers	8,745.77	-579,264.84
Depreciation and write-downs for the financial period	-100,208.89	-85,985.10
Accumulated depreciation and impairment 31.12.	-8,324,945.13	-8,233,482.01
Book value 31.12.	512,038.25	432,011.17
Advance payments and work in progress		
Acquisition costs 1.1.	133,093.84	1,020,133.10
Increases	8,123,565.36	133,093.84
Transfers between items		-1,020,133.10
Acquisition costs 31.12.	8,256,659.20	133,093.84
Intangible assets total		
Acquisition costs 1.1.	60,103,121.72	144,895,735.19
Increases	16,822,190.93	8,397,894.04
Decreases	-9,079,781.16	-94,635,648.02
Transfers between items	55,057.59	1,445,140.51
Acquisition costs 31.12.	67,900,589.08	60,103,121.72
Accumulated depreciation and impairment charges 1.1.	-48,177,250.17	-138,730,928.09
Accumulated depreciation of deductions and transfers	1,717,071.19	91,394,236.97
Depreciation and write-downs for the financial year	-1,061,824.07	-840,559.05
Impairments	-519,966.92	
Accumulated depreciation and impairment charges 31.12.	-48,041,969.97	-48,177,250.17
Book value 31.12.	19,858,619.11	11,925,871.55

EUR	2023	2022
Land and water areas		
Acquisition costs 1.1.	26,340,456.62	29,491,705.78
Increases	4,768,400.00	9,464.00
Decreases	-1,062,056.11	-3,164,398.52
Transfers between items		3,685.36
Acquisition costs 31.12.	30,046,800.51	26,340,456.62
Accumulated depreciation and impairment charges 1.1.	-20.20	-20.98
Accumulated depreciation of deductions and transfers		0.78
Accumulated depreciation and impairment on 31.12.	-20.20	-20.20
Book value 31.12.	30,046,780.31	26,340,436.42
Buildings and constructions		
Acquisition costs 1.1.	326,310,652.31	311,087,587.69
Opening balance correction		11,134,125.36
Increases	8,832,311.77	4,330,072.64
Decreases	-1,492,068.30	-3,256,608.92
Transfers between items	15,670,901.87	3,015,475.54
Acquisition costs 31.12.	349,321,797.65	326,310,652.31
Accumulated depreciation and impairment charges 1.1.	-199,214,662.37	-187,383,727.72
Opening balance correction		-4,868,791.86
Accumulated depreciation of deductions and transfers	1,492,068.30	1,533,955.35
Depreciation and write-downs for the financial year	-9,289,313.76	-8,496,098.14
Accumulated depreciation and impairment on 31.12.	-207,011,907.83	-199,214,662.37
Book value 31.12.	142,309,889.82	127,095,989.94
Machinery and equipment		
Acquisition costs 1.1.	1,312,182,737.66	1,281,155,098.82
Opening balance correction		6,979,604.01
Increases	33,111,908.38	34,987,919.86
Decreases	-13,461,281.06	-17,313,443.78
Transfers between items	25,708,599.67	6,373,558.75
Acquisition costs 31.12.	1,357,541,964.65	1,312,182,737.66
Accumulated depreciation and impairment charges 1.1.	-1,072,253,700.09	-1,044,241,480.62
Opening balance correction		-6,744,936.04
Accumulated depreciation of deductions and transfers	13,401,199.51	17,031,444.55
Depreciation and write-downs for the financial year	-38,747,838.08	-38,298,727.98
Accumulated depreciation and impairment on 31.12.	-1,097,600,338.66	-1,072,253,700.09
Book value 31.12.	259,941,625.99	239,929,037.57
Other tangible assets		
Acquisition costs 1.1.	14,657,784.12	14,204,781.97
Increases	24,507.94	1,363,101.25
Decreases		-1,296,226.73
Transfers between items		386,127.63
Acquisition costs 31.12.	14,682,292.06	14,657,784.12
Accumulated depreciation and impairment charges 1.1.	-7,028,054.32	-7,566,709.79
Accumulated depreciation of deductions and transfers		1,296,226.73
Depreciation and write-downs for the financial year	-819,224.47	-757,571.26
Accumulated depreciation and impairment on 31.12.	-7,847,278.79	-7,028,054.32
Book value 31.12.	6,835,013.27	7,629,729.80
Advance payments and work in progress		
Acquisition costs 1.1.	60,459,586.34	18,957,755.83
Increases	24,337,087.07	51,280,677.79
Decreases	683.00	
Transfers between items	-41,435,982.16	-9,778,847.28
Acquisition costs 31.12.	43,361,374.25	60,459,586.34

EUR	2023	2022
Total property, plant and equipment		
Acquisition costs 1.1.	1,739,951,217.05	1,654,896,930.09
Opening balance correction		18,113,729.37
Increases	71,074,215.16	91,971,235.54
Decreases	-16,014,722.47	-25,030,677.95
Transfers between items	-56,480.62	
Acquisition costs 31.12.	1,794,954,229.12	1,739,951,217.05
Accumulated depreciation and impairment charges 1.1.	-1,278,496,436.98	-1,239,191,939.11
Opening balance correction		-11,613,727.90
Accumulated depreciation of deductions and transfers	14,893,267.81	19,861,627.41
Depreciation and write-downs for the financial year	-48,856,376.31	-47,552,397.38
Accumulated depreciation and impairment on 31.12.	-1,312,459,545.48	-1,278,496,436.98
Book value 31.12.	482,494,683.64	461,454,780.07
10. Investments		
Shares in Group companies		
Acquisitions costs 1.1.	534,406,191.31	535,378,815.29
Increases		14,495,216.02
Decreases	-4,452,195.21	-15,467,840.00
Acquisitions costs 31.12.	529,953,996.10	534,406,191.31
Shares in participating companies		
Acquisitions costs 1.1.	86,429,409.33	86,429,409.33
Acquisitions costs 31.12.	86,429,409.33	86,429,409.33
Other shares and holdings		
Acquisitions costs 1.1.	344,817,070.84	178,311,058.30
Increases		178,492,000.00
Decreases	-91,118,000.00	-11,985,987.46
Impairments	-363.00	
Acquisitions costs 31.12.	253,698,707.84	344,817,070.84
Total investments and holdings		
Acquisitions costs 1.1.	965,652,671.48	800,119,282.92
Increases		192,987,216.02
Decreases	-95,570,195.21	-27,453,827.46
Impairments	-363.00	
Acquisitions costs 31.12.	870,082,113.27	965,652,671.48
Receivables from Group companies		
Acquisitions costs 1.1.	290,412,859.87	305,699,997.81
Increases	522,658.70	
Decreases	-2,280,685.53	-15,287,137.94
Acquisitions costs 31.12.	288,654,833.04	290,412,859.87
Other receivables		
Acquisitions costs 1.1.		5,002.00
Decreases		-5,002.00
Acquisitions costs 31.12.		
Receivables total		
Acquisitions costs 1.1.	290,412,859.87	305,704,999.81
Increases	522,658.70	
Decreases	-2,280,685.53	-15,292,139.94
Acquisitions costs 31.12.	288,654,833.04	290,412,859.87
Investments total		
Acquisitions costs 1.1.	1,256,065,531.35	1,105,824,282.73
Increases	522,658.70	192,987,216.02
Decreases	-97,850,880.74	-42,745,967.40
Impairments	-363.00	
Acquisitions costs 31.12.	1,158,736,946.31	1,256,065,531.35

EUR	2023	2022
11. Receivables		
Non-current receivables		
Receivables from group companies		
Loans receivables	36,049,026.68	35,965,401.28
Prepayments and accrued income		
Derivatives	1,547,458.52	2,913,184.39
Total	37,596,485.20	38,878,585.67
Total non-current receivables	37,596,485.20	38,878,585.67
Current receivables		
Receivables from group companies		
Trade receivables	38,105,756.72	72,118,873.10
Loans receivables	123,791,628.35	68,312,253.83
Other receivables	76,184.82	-1,012,541.57
Prepayments and accrued income	34,982,629.33	43,229,665.77
Total	196,956,199.22	182,648,251.13
Receivables from associated companies		
Trade receivables	195,710.12	98,183.87
Total	195,710.12	98,183.87
Receivables from others		
Trade receivables	115,621,193.18	156,297,636.15
Other receivables	15,632,014.94	23,776,775.34
Prepayments and accrued income	5,097,591.69	41,637,891.74
Total	136,350,799.81	221,712,303.23
Total current receivables	333,502,709.15	404,458,738.23
Accrued income from group companies, current, specification		
Derivatives	29,996,045.52	40,510,486.72
Accrued interests	4,975,124.48	2,719,179.05
Others	11,459.33	
Total	34,982,629.33	43,229,665.77
Accrued income from others, current, specification		
Tax accrual	336,276.00	33,516,269.26
Accrued personnel costs	-61,289.56	-40,370.38
Energy and other taxes	3,985,428.55	2,472,676.17
Others	837,176.70	5,689,316.69
Total	5,097,591.69	41,637,891.74
Total receivables	371,099,194.35	443,337,323.90

EUR	2023	2022
12. Shareholders' equity		
Restricted equity		
Share capital 1.1.		
A-shares	51,788,806.85	51,788,806.85
B-shares	506,092,733.55	506,092,733.55
Total	557,881,540.40	557,881,540.40
Share capital 31.12.		
A-shares	51,788,806.85	51,788,806.85
B-shares	506,092,733.55	506,092,733.55
Total	557,881,540.40	557,881,540.40
Fair value reserve 1.1.	259,659,751.43	116,464,042.72
Changes	-64,386,564.29	143,195,708.71
Fair value reserve 31.12.	195,273,187.14	259,659,751.43
Restricted equity total	753,154,727.54	817,541,291.83
Unrestricted equity		
Reserve for invested unrestricted equity 1.1.	210,639,481.81	210,639,481.81
Reserve for invested unrestricted equity 31.12.	210,639,481.81	210,639,481.81
Retained earnings 1.1.	398,647,671.61	440,647,402.92
Acquisition of own shares		-7,838,135.78
Dividends	-205,740,701.92	-145,782,413.01
Profit for the financial period	115,336,218.41	111,620,817.49
Retained earnings 31.12.	308,243,195.50	398,647,671.61
Unrestricted equity total	518,882,677.31	609,287,153.42
Equity total 31.12	1,272,037,404.85	1,426,828,445.25
Distributable funds		
Reserve for invested unrestricted equity	210,639,481.81	210,639,481.81
Profit from previous financial periods	192,906,977.09	287,026,854.12
Profit for the financial period	115,336,218.41	111,620,817.49
Distributable funds	518,882,677.31	609,287,153.42

EUR	2023	2022
13. Mandatory provisions		
Provisions for pension		
1.1.	738,948.00	843,168.00
Decrease		-104,220.00
31.12.	738,948.00	738,948.00
Provisions for unemployment pension costs		
1.1.		172,714.66
Decrease		-172,714.66
31.12.		
Provisions for environmental obligations		
1.1.	1,990,909.00	2,744,233.69
Increase	29,091.00	
Decrease		-689,228.10
Cancellation of unused provision		-64,096.59
31.12.	2,020,000.00	1,990,909.00
Total provisions		
1.1.	2,729,857.00	3,760,116.35
Increase	29,091.00	
Decrease		-966,162.76
Cancellation of unused provision		-64,096.59
31.12.	2,758,948.00	2,729,857.00
14. Deferred tax assets and liabilities		
Deferred tax assets		
Mandatory provisions	551,789.60	545,971.40
Total	551,789.60	545,971.40
Deferred tax liabilities		
Valuation of Pohjolan Voima Oyj shares at fair value	44,721,973.05	62,945,573.05
Financial instruments	4,096,267.21	1,969,308.31
Total	48,818,240.26	64,914,881.36
Deferred tax assets (+) and liabilities (-), net	-48,266,450.66	-64,368,909.96

The deferred tax liability for accrued depreciation in 2023 was EUR 40.1 million (35.2).

15. Non-current liabilities		
Other liabilities		
Bonds	249,685,345.02	249,601,391.02
Loans from financial institutions	164,705,882.36	176,470,588.24
Government grants	865,945.59	2,399,500.74
Deferred tax liabilities	48,266,450.66	64,368,909.96
Advance payments	7,354,456.51	1,082,432.07
Total	470,878,080.14	493,922,822.03
Non-current liabilities total	470,878,080.14	493,922,822.03

Bond and debentures

Bond	Nominal value	Interest %	2023	2022
2017–2027	250,000,000.00	2.75	249,685,345.02	249,601,391.02

Metsä Board Corporation issued in September 2017 a bond of EUR 250 million. The bond carries a fixed coupon rate of 2.75 per cent, and the maturity date is 29 September 2027. The bond ranks senior and is unsecured.

Non-current liabilities and repayment

	Liabilities to group companies	Bonds	Loans from financial institutions	Other loans	Total
2024					
2025			11,764,705.88		11,764,705.88
2026			111,764,705.88		111,764,705.88
2027		249,685,345.02	11,764,705.88		261,450,050.90
2028			11,764,705.88		11,764,705.88
2029–			29,411,764.72		29,411,764.72
Total		249,685,345.02	176,470,588.24		426,155,933.26

EUR	2023	2022
16. Current liabilities		
Liabilities from Group companies		
Borrowings	30,000,000.00	
Trade payables	52,695,613.31	56,142,768.77
Accruals and deferred income	12,006,352.53	32,753,317.50
Total	94,701,965.84	88,896,086.27
Liabilities from other		
Return loans from occupational pension insurance institutions	11,764,705.88	11,764,705.88
Advance payment	4,687,512.48	3,756,180.63
Trade payables	122,711,978.74	175,417,664.49
Other liabilities	6,832,689.40	7,699,014.97
Accruals and deferred income	58,777,075.75	65,809,346.27
Total	204,773,962.25	264,446,912.24
Total current liabilities	299,475,928.09	353,342,998.51
Accruals and deferred income to group companies, current, specification		
Derivatives	10,164,353.73	30,218,666.25
Others	1,841,998.80	2,534,651.25
Total	12,006,352.53	32,753,317.50
Accruals and deferred income, current, external		
Personnel expenses	22,384,791.06	26,666,808.07
Accruals of purchases	11,529,875.20	20,622,684.87
Discounts	14,866,702.16	16,000,244.15
Interests	2,914,301.17	2,275,783.41
Taxes	4,536,157.78	224,929.41
Others	2,545,248.38	18,896.36
Total	58,777,075.75	65,809,346.27

17. Financial Instruments

Financial derivatives 2023

EUR	Nominal value	Fair value			Fair value	
		Derivative assets	Derivative liabilities	Total	Fair value through profit and loss	Fair value through fair value reserve
Interest rate swaps	50,000,000.00	1,547,458.52		1,547,458.52		1,547,458.52
Total interest rate derivatives	50,000,000.00	1,547,458.52		1,547,458.52		1,547,458.52
Currency forward agreements	1,138,276,907.69	27,654,017.14	5,735,017.85	21,918,999.29	897,814.21	21,021,185.08
Currency option agreements	488,687,782.86	2,191,276.94	298,456.13	1,892,820.81		1,892,820.81
Currency derivatives total	1,626,964,690.55	29,845,294.08	6,033,473.98	23,811,820.10	897,814.21	22,914,005.89
Oil derivatives	18,709,442.40	150,751.44	645,197.37	-494,445.93		-494,445.93
Other commodity derivatives	10,770,062.40		3,485,682.38	-3,485,682.38		-3,485,682.38
Commodity derivatives	29,479,504.80	150,751.44	4,130,879.75	-3,980,128.31		-3,980,128.31
Derivatives total	1,706,444,195.35	31,543,504.04	10,164,353.73	21,379,150.31	897,814.21	20,481,336.10

Financial derivatives 2022

EUR	Nominal value	Fair value			Fair value	
		Derivative assets	Derivative liabilities	Total	Fair value through profit and loss	Fair value through fair value reserve
Interest rate swaps	100,000,000.00	3,147,221.92		3,147,221.92		3,147,221.92
Total interest rate derivatives	100,000,000.00	3,147,221.92		3,147,221.92		3,147,221.92
Currency forward agreements	1,790,092,903.51	31,341,614.74	25,038,674.98	6,302,939.76	1,378,520.10	4,924,419.66
Currency option agreements	281,267,579.22	2,200,385.60	137,976.17	2,062,409.43		2,062,409.43
Currency derivatives total	2,071,360,482.73	33,542,000.34	25,176,651.15	8,365,349.19	1,378,520.10	6,986,829.09
Oil derivatives	27,484,187.40	538,987.95	3,877,616.12	-3,338,628.17		-3,338,628.17
Other commodity derivatives	32,698,452.00	6,195,460.90	1,164,398.84	5,031,062.06	2,089,620.00	2,941,442.06
Commodity derivatives	60,182,639.40	6,734,448.85	5,042,014.96	1,692,433.89	2,089,620.00	-397,186.11
Derivatives total	2,231,543,122.13	43,423,671.11	30,218,666.11	13,205,005.00	3,468,140.10	9,736,864.90

All derivative agreements of Metsä Board Oyj have been entered into for hedging purpose, and cash flow hedge accounting has been applied in major part of the agreements. Only the part of currency derivatives designated as hedges of trade receivables and trade payables is not directed to hedge accounting. Interest rate derivatives are interest rate swaps maturing in 1–2 years and entered into to hedge the floating rate interest payments. Currency derivatives contracts concluded to hedge currency cash flows mature fully during 2024. Commodity derivatives are natural gas forwards and fuel oil forwards directed to hedge the cash flows arising from purchases of these commodities. Commodity forwards mature fully during 2024. A more detailed description of financial risk management and the principles applied to derivative contracts is included in note 5.6 and 5.7 of the consolidated Group accounts.

The fair value hierarchy of financial assets and liabilities 2023

EUR	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other shares and holdings			253,698,707.84	253,698,707.84
Derivative financial assets	150,751.44	31,392,752.60		31,543,504.04
Financial liabilities measured at fair value				
Derivative financial liabilities	4,130,879.75	6,033,473.98		10,164,353.73

The fair value hierarchy of financial assets and liabilities 2022

EUR	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Other shares and holdings			344,817,070.84	344,817,070.84
Derivative financial assets	6,734,448.85	36,689,222.26		43,423,671.11
Financial liabilities measured at fair value				
Derivative financial liabilities	5,042,014.96	25,176,651.15		30,218,666.11

The principles applied to classification of financial assets and liabilities valued at fair value are described in Notes 5.6 and 5.7 of the Metsä Board consolidated financial statements.

18. Disputes, legal proceedings and commitments

Disputes and legal proceedings

Disputes are presented in Note 8.1 of the consolidated financial statements.

Commitments and contingencies

EUR	2023	2022
For own and for affiliated companies		
Guarantees and counter-indemnities	2,069,254.00	2,061,906.00
For affiliated companies		
Other commitments		3,759,384.00
Leasing commitments		
Payments due in following 12 months	1,793,027.76	2,650,424.63
Payments due later than 1 year	2,411,125.89	5,180,159.98
Total		
Guarantees	2,069,254.00	2,061,906.00
Other commitments		3,759,384.00
Leasing commitments	4,204,153.65	7,830,584.61
Total commitments	6,273,407.65	13,651,874.61
Investment commitments		
Payments due in following 12 months	45,051,646.28	65,185,625.57
Payments due later than 1 year	833,123.64	1,595,315.50
Total	45,884,769.92	66,780,941.07

19. Shares and holdings

Shares and holdings are presented in Note 7.2. of consolidated financial statements.

Electricity business

Accounting principles

According to the Electricity Market Act, a company operating in the electricity market must separate its electricity business from its other business operations. Separation means that for each financial period, an income statement and balance sheet must be prepared for the separated electricity business operations. The Ministry of Trade and Industry's decree includes more detailed provisions regarding the separation.

■ Income statement / Electrical business

EUR	2023	2022
Sales	26,311,781.45	64,916,170.86
Materials and services		
Materials, consumables and goods		
Purchases during the financial period	27,474,421.14	67,478,642.70
Materials and services, Total	-27,474,421.14	-67,478,642.70
Other operating expenses		
Other operating expenses	83,132.86	76,485.44
Other operating expenses, total	-83,132.86	-76,485.44
Operating profit/loss	-1,245,772.55	-2,638,957.28
Financial income and expenses		
Other interest and financial income		
From Group companies	805,002.24	0.00
Financial income and expenses, Total	805,002.24	0.00
Profit/loss before appropriations and taxes	-440,770.31	-2,638,957.28
Profit/loss for the financial period	-440,770.31	-2,638,957.28

■ Balance sheet / Electrical business

EUR	2023	2022
ASSETS		
Current assets		
Receivables		
Current receivables		
Accounts receivables	391,157.51	10,404,765.79
Prepayments and accrued income	178,807.66	
Cash and cash equivalents	10,298,520.45	13,349,677.26
Total assets	10,868,485.62	23,754,443.05
EQUITY AND LIABILITIES		
Equity		
Profit/loss for previous financial periods	10,657,362.45	24,550,553.95
Profit/loss for the financial period	-440,770.31	-2,638,957.28
Total equity	10,216,592.14	21,911,596.66
Liabilities		
Current liabilities		
Current non-interest bearing liabilities		
Accounts payable	651,893.48	1,842,846.39
Total equity and liabilities	10,868,485.62	23,754,443.05

The Board’s proposal to the Annual General Meeting for the distribution of funds

The distributable funds of the company are EUR 518,882,677.31 of which retained earnings constitute EUR 192,906,977.09 and profit for the period EUR 115,336,218.41.

The Board of Directors proposes the following to the Annual General Meeting regarding the distribution of funds:

Dividend of EUR 0.25 per share be paid, or in total	88,702,882.75
To be left in the unrestricted shareholders' equity	430,179,794.56
Distributable funds of the company	518,882,677.31

The Board of Directors proposes that the dividend will be paid on 9 April, 2024.

No material changes have been taken place in respect of the company’s financial position after the balance sheet date. The liquidity of the company is good, and in the opinion of the Board of Directors, the proposed profit distribution would not compromise the liquidity of the company.

Espoo 7 February 2024

Ilkka Hämälä	Jussi Linnaranta	Hannu Anttila
Raija-Leena Hankonen-Nybom	Erja Hyrsky	Mari Kiviniemi
Jukka Moisio	Mikko Mäkimattila	Juha Vanhainen

Mika Joukio
CEO

Auditor's Report

To the Annual General Meeting of Metsä Board Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Metsä Board Corporation (business identity code 0635366-7) for the year ended 31 December, 2023. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.4 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing, and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of tangible and intangible assets (Refer to notes 4.1 and 4.2 to the consolidated financial statements)	
Tangible and intangible assets total EUR 1,259 million and represent 41 percent of the consolidated total assets. The group's business operations are capital intensive with valuation risk in tangible and intangible assets. Tangible and intangible assets are allocated to cash-generating units and tested for impairment annually or more frequently should there be an indication of impairment using discounted cash flow model. Determining the key assumptions used in the cash flow forecasts underlying the impairment tests requires management judgment. Due to the significant carrying values involved, valuation of tangible and intangible assets is determined a key audit matter.	Our audit procedures included evaluation of the appropriateness of the capitalization and depreciation principles applied as well as testing of the financial controls over investments. We also assessed the key assumptions used in the impairment tests by reference to the budgets approved by the parent company's Board of Directors, data external to the Group and our own views. We have tested the mathematical accuracy of the calculations, as well as comparing the assumptions to externally available market and industry data. In addition, we considered the appropriateness of the disclosures regarding the tangible and intangible assets.
Revenue recognition (Refer to note 2.2 to the consolidated financial statements)	
The Group's total revenue EUR 1,942 consist mainly of sales from produced paper board and pulp products. The Group has several pricing and discount principles, and incoterms in use. The revenue is recognized from the sales of goods in the period during which the control of the delivered products is transferred to the customer in accordance with the agreed term of delivery. Due to the significant volume and the risk of revenue recognized to incorrect period, revenue recognition is determined a key audit matter.	We obtained an understanding of the revenue recognition principles and practices. We evaluated the appropriateness of the accounting policies by reference to IFRS standards. Our audit procedures included testing of the effectiveness of controls and substantive procedures over revenue transactions and approvals. Our substantive procedures included revenue cut-off testing and vouching of sales invoices to received payments. In addition, we evaluated the appropriateness of the disclosures relating to revenue recognition principles and notes.
Valuation of inventories (Refer to note 4.4 to the consolidated financial statements)	
Inventory management, stocktaking routines and pricing of inventories are key factors in the valuation of inventories. The Group's carrying value of inventories was EUR 394 million at the end of the financial year. The valuation of inventories involves management estimates in relation to potentially obsolete inventory, as well as to fluctuations in the market prices of finished goods. The valuation of inventories has a significant impact on the profit and loss account and therefore it is determined as a key audit matter.	We evaluated the appropriateness of the accounting policies by reference to IFRS standards. We tested the controls over inventory management, accuracy of inventory amounts and valuation of inventories as well as performed substantive audit procedures relating to the valuation of inventories to test the accuracy of inventory valuation. We also followed the execution of stocktaking routines in selected inventory locations during the financial year.
ERP renewal process	
The consolidated financial statement is based on extensive number of data flows from multiple IT systems. The group has ongoing renewal process for IT systems, which will take several years to finish. New finance ERP was implemented at the beginning of the fiscal year, which is in use alongside with the existing production ERP. ERP takeover and incoherent system environment causes risks relating to access and change management, consequently the ERP renewal process is determined as a key audit matter.	We evaluated the system reconciliations prepared by the management and independently tested the accuracy of balance sheet migration relating to financial reporting during the takeover of the new finance ERP. As a part of testing the existing and new finance ERP, our audit procedures focused on the reconciliation and approval controls as well as on evaluating the administration of access rights.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 28 March 2012, and our appointment represents a total period of uninterrupted engagement of 12 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, February 8, 2024
KPMG Oy Ab

Kirsi Jantunen

Authorized Public Accountant, KHT

Shares and shareholders

Metsä Board's shares

Metsä Board's shares are listed on the Nasdaq Helsinki. The share capital of the company on 31 December 2023 was EUR 557,881,540.40. Metsä Board has two series of shares. At the end of 2023, there were 32,802,175 A shares and 322,710,571 B shares. Each series A share entitles its holder to twenty (20) votes at a General Meeting of Shareholders, and each series B share entitles the holder to one (1) vote. Metsä Board's A shares can be converted to B shares if a shareholder or a representative of the nominee registered shares makes a written request for a conversion to the company. In 2023, there were no share conversions.

Dividend policy

Metsä Board aims to distribute at least 50% of the result for the financial period in dividends every year. The Board of Directors proposes that a dividend of EUR 0.25 per share be paid for the 2023 financial period. The dividend payment, in total EUR 89 million, corresponds to 94% of the result for the 2023 financial period.

Board of Directors' authority to issue shares

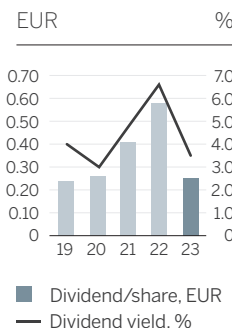
The Board of Directors is authorised to decide on an issue of shares and any special rights with an entitlement to shares as referred to in Chapter 10, section 1 of the Limited Liability Companies Act as follows. The maximum number of shares that can be issued on the basis of the authorisation is 35,000,000 B shares, which corresponds to approximately 10% of all shares in the company. The Board of Directors decides on all terms and conditions applicable to the issue of shares and the special rights with an entitlement to shares. The authorisation applies to both an issue of new shares and the assignment of own shares. The issue of shares and any special rights with an entitlement to shares may occur in departure from a shareholder's subscription right (private placement). The authorisation is valid until 30 June 2023. The authorisation was fully unused on 31 December 2023.

Impact of change in control

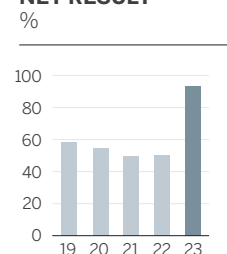
Some of Metsä Board's shareholder agreements concerning resource and associated companies include provisions under which Metsä Board

must offer its shares in an associated company for sale to the other shareholders in the case of a change of control of Metsä Board. Of these agreements, pursuant to the shareholders agreement of Metsä Fibre Oy, Metsä Fibre's shareholders should offer their shares for sale to the other shareholders in the case of a change of control. A decrease in the voting rights of Metsäliitto Cooperative in Metsä Board to below 50% would not, however, obligate Metsä Board to offer its shares in Metsä Fibre Oy for sale.

DIVIDEND



DIVIDEND / NET RESULT



Basic information on Metsä Board's shares

	Metsä Board's A share	Metsä Board's B share
Listing	Nasdaq Helsinki	Nasdaq Helsinki
Date of listing	2 January 1987	2 January 1987
Market cap segment	Large Cap	Large Cap
Ticker symbol	METSA	METSB
ISIN code	FI0009000640	FI0009000665
Reuters code	METSA.HE	METSB.HE
Bloomberg code	METSA FH	METSB FH
Number of shares 31 Dec 2023	32,802,175	322,710,571

Trading on the Nasdaq Helsinki in 2023 (2022)

	Metsä Board's A share	Metsä Board's B share
Closing price on 31 December, EUR	7.80 (10.15)	7.19 (8.77)
Lowest price, EUR	7.48 (7.66)	6.26 (7.09)
Highest price, EUR	13.05 (10.50)	8.96 (10.49)
Average daily trading volume, no. of shares	2,132 (3,357)	466 223 (347 165)
Total trading volume, no. of shares	535,219 (849,346)	117,021,973 (87,832,699)
Market capitalisation, EUR million	256 (333)	2,320 (2,829)

Share price development 2023



Source: Euroland <https://www.metsagroup.com/metsaboard/investors/share-tools/share-monitor/>

Major shareholders, 31 December 2023 ^{1) 2)}

Shareholders	A series	B series	No. of shares	Total shares	Votes
	No. of shares	No. of shares		%	%
1 Metsäliitto Cooperative	25,767,605	158,502,147	184,269,752	51.83	68.85
2 Varma Mutual Pension Insurance Company	2,203,544	15,041,485	17,245,029	4.85	6.04
3 Ilmarinen Mutual Pension Insurance Company	1,243,635	8,520,989	9,764,624	2.75	3.41
4 Etola Erkki Olavi	0	5,500,000	5,500,000	1.55	0.56
5 Elo Mutual Pension Insurance Company	0	5,291,000	5,291,000	1.49	0.54
6 The State Pension Fund	0	3,400,000	3,400,000	0.96	0.35
7 Evli Finnish Small Cap Fund	0	2,471,196	2,471,196	0.7	0.25
8 OP-Finland	0	2,012,887	2,012,887	0.57	0.21
9 Säästöpankki Small Cap Mutual Fund	0	1,454,211	1,454,211	0.41	0.15
10 OP-Henkivakuutus Ltd.	0	1,370,300	1,370,300	0.39	0.14
11 Etola Markus Eeriki	0	1,250,000	1,250,000	0.35	0.13
12 Etola Mikael Kristian	0	1,120,000	1,120,000	0.32	0.11
13 Danske Invest Finnish Equity Fund	0	1,078,362	1,078,362	0.3	0.11
14 OP-Finland Small Firms Fund	0	1,026,860	1,026,860	0.29	0.1
15 Säästöpankki Kotimaa Mutual Fund	0	957,600	957,600	0.27	0.1
16 Aktia Capital Mutual Fund	0	854,841	854,841	0.24	0.09
17 Arpera Oy	0	822,855	822,855	0.23	0.08
18 S-Stock Oy	0	822,855	822,855	0.23	0.08
19 Maa- ja Metsätaloustuottajain Keskusliitto MTK ry	576,543	201,852	778,395	0.22	1.2
20 Laakkonen Mikko Kalervo	0	750,000	750,000	0.21	0.08

¹⁾ Shareholders in the book entry system

²⁾ Ownership information is as recorded in the book-entry account, i.e. taking into account the settlement date (T+2)

Supplied by Euroland <https://www.metsagroup.com/metsaboard/investors/share-information/major-shareholders/>

Shares

Number of shares	A share				B share			
	Number of Shareholders	%	Number of shares	%	Number of Shareholders	%	Number of shares	%
1–10	2,290	21.7	11,987	0.04	4,736	7.58	28,866	0.01
11–100	4,277	40.53	212,336	0.65	17,715	28.34	927,054	0.29
101–1,000	3,463	32.82	1,239,299	3.78	28,644	45.83	11,368,565	3.52
1,001–10,000	497	4.71	1,153,058	3.52	10,390	16.62	28,653,858	8.88
10,001–100,000	21	0.2	394,168	1.2	919	1.47	20,426,142	6.33
100,001–	4	0.04	29,791,327	90.82	97	0.16	261,306,086	80.97
Total	10,552	100.00	32,802,175	100.00	62,501	100.00	322,710,571	100.00

Split of shareholdings and voting rights, 31 December 2023

SPLIT OF SHAREHOLDINGS

%



* includes nominee registered

SPLIT OF VOTING RIGHTS

%



* includes nominee registered

Shareholdings of the members of the Board of Directors and CEO on 31 December 2023

		Holding
Ilkka Härmälä	Chair of the Board of Directors	294,814 B shares
Jussi Linnaranta	Vice Chair of the Board of Directors	36,211 B shares
Hannu Anttila	Member of the Board of Directors	152,627 B shares
Raija-Leena Hankonen-Nybom	Member of the Board of Directors	13,131 B shares
Erja Hyrsky	Member of the Board of Directors	14,508 B shares
Mari Kiviniemi	Member of the Board of Directors	8,685 B shares
Jukka Moisio	Member of the Board of Directors	17,283 B shares
Mikko Mäkimattila	Member of the Board of Directors	5,052 B shares
Juha Vanhainen	Member of the Board of Directors	9,460 B shares
Mika Joukio	CEO	315,173 B shares

Share holdings of the Corporate Management Team members are presented on pages 168–169.

Price development and number of shares

		2023	2022	2021	2019	2018
Adjusted share prices, EUR						
A share	high	13.05	10.50	11.00	8.80	7.98
	low	7.48	7.66	8.50	4.80	5.46
	closing	7.80	10.15	9.38	8.64	6.14
	average	10.06	9.48	9.48	6.88	6.56
B share	high	13.05	10.49	11.01	8.79	6.65
	low	7.48	7.09	7.50	4.47	3.86
	closing	7.80	8.77	8.61	8.62	6.00
	average	10.06	8.73	9.14	6.12	5.26
Trading volume at Nasdaq Helsinki, number of shares						
A share		535,219	849,346	1,802,589	1,758,683	694,519
% of total number of shares		1.6	2.6	5.5	5.3	2.1
B share		117,021,973	87,832,699	98,057,575	155,232,570	220,170,829
% of average number of shares		36.3	27.2	30.4	48.1	68.3
Number of shares at year end						
A share		32,802,175	32,802,175	32,802,175	32,887,151	33,087,647
B share		322,710,571	322,710,571	322,710,571	322,625,595	322,425,099
Total		355,512,746	355,512,746	355,512,746	355,512,746	355,512,746
Number of shares at year end		354,750,822	355,359,331	355,512,746	355,512,746	355,512,746
Market capitalisation at year end, EUR million		2,576.1	3,161.5	3,086.2	3,065.2	2,136.1
Number of shareholders, B shares		62,501	56,887	54,904	48,165	50,420

Key figures

EUR million	2023	2022	2021	2019	2018
Earnings per share					
Result before tax	120.9	524.9	365.8	212.3	165.6
– Income taxes	-19.3	-63.5	-51.8	-42.2	-21.0
= Result for the period	101.6	461.4	314.0	170.1	144.6
– Average number of shares	354,750,822	355,359,331	355,512,746	355,512,746	355,512,746
Earnings per share, basic and diluted, EUR	0.27	1.15	0.82	0.48	0.41
Shareholders' equity per share, EUR	5.35	5.86	4.78	3.89	3.76
Dividend per share, EUR	0.25 ¹⁾	0.58	0.41	0.26	0.24
Payout ratio, %	93.5	50.4	49.9	54.3	58.5

Metsä Board shares have no nominal value.

Dividend yield, % of closing price					
A share	3.2 ¹⁾	5.7	4.4	3.0	3.9
B share	3.5 ¹⁾	6.6	4.8	3.0	4.0
Price/earning ratio (P/E ratio)					
A share	29.2	8.8	11.4	18.1	15.0
B share	26.9	7.6	10.5	18.0	14.6
Price to book value (P/BV), %					
A share	145.9	173.2	196.2	222.0	163.3
B share	134.5	149.6	180.1	221.5	159.6

¹⁾ The Board of Directors has proposed that a dividend of EUR 0.25 per share be distributed for the 2023 financial year.

Ten years in figures

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Income statement, eur million										
Sales	1,942	2,479	2,084	1,890	1,932	1,944	1,849	1,720	2,008	2,008
- change, %	-21.7	19.0	10.3	-2.2	-0.1	5.2	7.5	-14.3	-0.0	-0.5
EBITDA, comparable	216	603	472	316	279	344	289	231	283	236
- % of sales	11.1	24.3	22.7	16.7	14.4	17.7	15.6	13.4	14.1	11.8
Operating result	121	532	376	227	181	246	207	132	199	117
Operating result, comparable	122	521	387	221	184	252	193	137	180	137
- % of sales	6.3	21.0	18.6	11.7	9.5	13.0	10.5	8.0	9.0	6.8
Result for the period	102	461	314	170	145	203	150	90	137	69
Balance sheet, eur million										
Balance sheet total	3,055	3,403	2,922	2,302	2,270	2,284	2,226	2,194	2,220	2,149
Equity attributable to shareholders of parent company	1,897	2,082	1,699	1,384	1,338	1,323	1,167	1,052	1,029	841
Interest bearing net liabilities	-144	-94	-78	236	308	335	358	464	333	427
Key figures per share and distribution equity owners of the parent company										
Dividend and equity distribution, EUR million	88.7 ¹⁾	205.6	145.8	92.4	85.3	103.1	74.7	67.5	60.4	39.4
Dividend and equity distribution per share, EUR	0.27 ¹⁾	0.58	0.41	0.26	0.24	0.29	0.21	0.19	0.17	0.12
Payout ratio including equity distribution, %	93.5 ¹⁾	50.4	49.9	54.31	58.5	50.9	50.0	76.0	43.6	57.1
Dividend yield, %	3.5 ¹⁾	6.6	4.8	3.0	4.0	5.7	2.9	2.8	2.5	2.7
Key figures – profitability										
Return on capital employed (ROCE), comparable, %	5.1	20.9	18.7	12.2	10.4	14.4	11.2	8.1	11.3	9.1
Return on equity, comparable, %	4.8	22.0	20.2	12.1	11.0	16.7	12.4	9.0	12.9	10.4
Key figures – balance sheet and financing										
Interest bearing net liabilities / EBITDA, comparable	0.7	0.2	-0.2	0.7	1.1	1.0	1.2	2.0	1.2	1.8
Equity ratio, %	67.5	66.4	63.3	60.3	59.1	58.1	52.6	48.2	46.5	39.2
Net gearing, %	7	4	-4	17	23	25	31	44	32	51
Net cash flow from operations, EUR million	343	232	330	308	201	151	236	77	247	198
Net interest expense, EUR million	12	5	8	12	14	19	36	26	26	42
Interest cover	28.6	50.7	42.7	27.6	15.4	9.0	7.6	4.0	10.4	5.7
Other key figures										
Total investments, EUR million	229	304	220	166	99	70	65	162	178	44
Depreciation, amortisation and impairment losses, EUR million	94	83	90	95	114	92	92	102	104	126
R & D expenditure, EUR million ²⁾	7	6	6	9	9	6	6	6	8	6
- % of sales	0.4	0.2	0.3	0.5	0.4	0.3	0.3	0.4	0.4	0.3
Personnel, average	2,333	2,352	2,461	2,455	2,433	2,435	2,456	2,588	2,851	3,200
- in Finland	1,303	1,340	1,490	1,486	1,458	1,433	1,441	1,552	1,538	1,542
Paperboard deliveries, 1,000 t	1,373	1,817	1,922	1,810	1,791	1,830	1,803	1,568	1,404	1,256

Dividend and key figures per share for year 2014 have been issue-adjusted. The rights issue factor was 1.030627.

¹⁾ The Board of Directors has proposed that a dividend of EUR 0.25 per share be distributed for the 2023 financial year. Dividend yield for 2023 has been calculated including the proposed equity distribution and using the B share closing price as of 31 December 2023.

²⁾ The reporting of research and development expenses has been clarified and the figures for 2019–2023 are comparable.

Calculation of key ratios is presented on page 155.

Taxes

Metsä Board's business generates taxes that finance public society. In addition to taxes and tax-like payments we pay as a taxpayer our value chain generates various other taxes.

Considering all directly and indirectly generated taxes and tax-like payments arising from Metsä Board's operations, our economic contribution to surrounding society is material.

Metsä Board is committed to complying with international transfer pricing guidelines and local tax laws and regulations in all its operating countries. In accordance with the arm's length principle, majority of taxable income and corporate income taxes to be paid are allocated to the countries where the Group's most significant operations are located.

In accordance with its tax policy, Metsä Board's business models and legal structures must always be based on business reasons and real business substance. Metsä Board will refrain from artificial ways to reduce its taxes.

Metsä Board's cooperation with tax authorities is transparent and active. In Finland, Metsä Board participates in enhanced cooperation with Finnish Tax Administration.

Tax matters are managed by Metsä Board's tax function and taxes are in the scope of regular follow-up of Audit Committee of the Board of Directors of Metsä Board.

In order to increase the transparency of its tax matters, we voluntarily publish information on taxes and tax-like payments imposed on Group companies in our tax footprint.

Metsä Fibre's share of result

Metsä Board's consolidated result includes associated company Metsä Fibre's result share (24.9% ownership). Metsä Fibre pays corporate income taxes on its own results and Metsä Board consolidates the result share on post-tax basis.

Paid taxes

EUR million	Finland		Sweden		Other countries		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Corporate income taxes	8.3	5.7	0	26.7	4.7	4.5	13	36.9
Payroll related taxes and contributions	27.9	29.4	14.7	14.5	3.6	4.1	46.3	47.9
Operational taxes	2.2	4.1	2.4	6.2	0	0	4.7	10.4
Other taxes	0.5	0.6	0	0	0.2	0.2	0.6	0.8
Total	38.9	39.8	17.2	47.5	8.6	8.7	64.6	96.0

Production capacities

Metsä Board's board mills

Tonnes	Country	Machines	Folding boxboard	White kraftliner	Total
Tampere (Tako)	Finland	2	210,000		210,000
Kyröskoski (Kyro)	Finland	1	190,000		190,000
Äänekoski	Finland	1	260,000		260,000
Simpele	Finland	1	300,000		300,000
Kemi	Finland	1		465,000	465,000
Husum	Sweden	2	600,000	250,000	850,000
Total		8	1,560,000	715,000	2,275,000

Metsä Board's pulp and BCTMP mills

Tonnes	Country	Chemical pulp	BCTMP	Total
Husum	Sweden	730,000		730,000
Joutseno	Finland		360,000	360,000
Kaskinen	Finland		390,000	390,000
Kemi	Finland	180,000		180,000
Total		910,000	750,000	1,660,000

Metsä Fibre's pulp mills ¹⁾

Tonnes	Country	Chemical pulp	Total
Äänekoski	Finland	1,300,000	1,300,000
Kemi	Finland	1,500,000 ²⁾	1,500,000 ²⁾
Rauma	Finland	650,000	650,000
Joutseno	Finland	690,000	690,000
Total ²⁾		4,140,000 ²⁾	4,140,000 ²⁾

1) Metsä Board owns 24.9% of Metsä Fibre

2) The capacity includes production capacity of unbleached pulp, 180,000 t/y, owned by Metsä Board.

Quarterly data

EUR million	Full year		Quarterly							
	2023	2022	IV/2023	III/2023	II/2023	I/2023	IV/2022	III/2022	II/2022	I/2022
Sales	1,941.9	2,479.6	422.6	479.0	498.2	542.1	599.8	647.3	650.5	582.0
	2023	2022	IV/2023	III/2023	II/2023	I/2023	IV/2022	III/2022	II/2022	I/2022
Operating result, comparable	122.2	520.7	0.7	5.5	27.3	88.7	100.8	152.5	145.9	121.5
	2023	2022	IV/2023	III/2023	II/2023	I/2023	IV/2022	III/2022	II/2022	I/2022
Operating result	120.8	531.5	-0.2	3.1	29.5	88.4	94.7	153.4	142.6	140.7
Share of profit from associated companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange gains/losses	2.6	-5.0	1.8	2.1	-0.6	-0.8	-1.8	-0.5	-2.3	-0.4
Other financial income and expenses	-2.5	-1.7	-0.2	-1.0	-1.5	0.2	0.5	-0.6	-0.3	-1.2
Result before tax	120.9	524.9	1.4	4.3	27.5	87.7	93.4	152.4	140.0	139.1
	2023	2022	IV/2023	III/2023	II/2023	I/2023	IV/2022	III/2022	II/2022	I/2022
Operating result, % of sales	6.3	21.4	0.2	1.1	5.5	16.4	15.8	23.7	21.9	24.2

1,000 t	Full year		Quarterly							
	2023	2022	IV/2023	III/2023	II/2023	I/2023	IV/2022	III/2022	II/2022	I/2022
Deliveries										
Folding boxboard	1,373	1,208	299	340	353	380	285	308	308	307
White kraftliner	906	609	188	228	235	255	133	146	164	166
Metsä Fibre's pulp ¹⁾	467	503	111	112	118	126	105	124	152	122
Metsä Board's pulp	684	717	120	107	83	83	162	177	192	187
	2023	2022	IV/2023	III/2023	II/2023	I/2023	IV/2022	III/2022	II/2022	I/2022
Production										
Folding boxboard	1,289.4	1,272	280.0	307.2	331.6	370.5	264	337	336	335
White kraftliner	516.0	605	104.1	132.0	136.6	143.3	133	147	164	162
Metsä Fibre's pulp ¹⁾	136.5	1,409	38.6	39.7	30.0	28.2	319	360	362	368
Metsä Board's pulp	1,941.9	731	422.6	479.0	498.2	542.1	190	190	171	181

¹⁾ Corresponds to Metsä Board's ownership of 24.9 per cent in Metsä Fibre.

Calculation of key ratios

Alternative performance measures

Key figure	Definition	Justification for the use of the key figure
Profitability		
Operating result	= $\frac{\text{Result before income tax, financial income and expenses, exchange gains and losses and share of results from associated companies and joint ventures}}{\text{Shareholder's equity (average)}}$	The key figure describes the Group's ability to produce a profit from its business, and it is independent of the company's capital structure
EBITDA	= $\frac{\text{Operating result before depreciation, amortisation and impairment losses}}{\text{Shareholder's equity (average)}}$	The key figure shows how much margin is left over from the Group's sales after deducting the variable and fixed costs of business before depreciation, amortisation and impairment
Return on equity (%)	= $\frac{\text{Result before income tax - income taxes}}{\text{Shareholder's equity (average)}}$	The key figure describes the Group's ability to produce a profit with the assets invested in the Group by shareholders
Return on capital employed (%)	= $\frac{\text{Result before income taxes + net exchange differences and other financial expenses}}{\text{Balance total - non-interest bearing liabilities (average)}}$	The key figure describes the Group's ability to produce a profit on the capital invested, from the point of the party investing the capital
Financial position		
Equity ratio (%)	= $\frac{\text{Shareholder's equity}}{\text{Balance total - advance payments received}}$	The key figure describes the Group's capital structure, solvency and ability to take care of its commitments in the long run
Net gearing ratio (%)	= $\frac{\text{Interest-bearing net liabilities}}{\text{Shareholder's equity}}$	The key figure describes the Group's capital structure and financial position
Interest-bearing net liabilities	= $\text{Interest-bearing liabilities} - \text{cash and cash equivalents and interest-bearing receivables}$	The key figure describes the Group's indebtedness
Other		
Total investments	= $\frac{\text{Investments in owned and leased fixed assets and investments in business combinations}}{\text{Net cash flow arising from operating activities + net interest expenses}}$	The key figure describes the Group's application of funds for maintaining and renewing its production machinery and plants and for expanding its business with corporate acquisitions
Interest cover	= $\frac{\text{Net cash flow arising from operating activities + net interest expenses}}{\text{Net interest expenses}}$	The key figure describes the Group's ability to meet its debt obligations

Share performance indicators

Key figure	Definition
Earnings per share	= $\frac{\text{Profit attributable to shareholders of parent company}}{\text{Adjusted number of shares (average)}}$
Shareholders' equity per share	= $\frac{\text{Equity attributable to shareholders of parent company}}{\text{Adjusted number of shares at the end of the period}}$
Dividend per share	= $\frac{\text{Dividends}}{\text{Adjusted number of shares at 31 December}}$
Payout ratio (%)	= $\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Dividend yield (%)	= $\frac{\text{Dividend per share}}{\text{Share price at 31 December}}$
Price/earnings ratio (P/E ratio) (%)	= $\frac{\text{Share price at 31 December}}{\text{Earnings per share}}$
P/BV (%)	= $\frac{\text{Share price at 31 December}}{\text{Shareholders' equity per share}}$
Adjusted average share price	= $\frac{\text{Total traded volume per share (EUR)}}{\text{Average adjusted number of shares traded during the financial year}}$
Market capitalisation	= $\text{Number of shares} \times \text{market price at the end of period}$

The presentation of earnings per share is regulated by the Decree of the Ministry of Finance on the Regular Duty of Disclosure of an Issuer of a Security. In addition, the earnings per share ratio is regulated by the IAS 33 standard.

Comparable performance measures

European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures define alternative performance measures as a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined in the applicable financial reporting framework, in Metsä Board's case International Financial Reporting Standards as adopted in the EU pursuant to Regulation (EC) No 1606/2002. With the exception of Earnings per share defined in IAS 33 Earnings Per Share, performance measures provided in the interim report all qualify as alternative performance measures under the ESMA guidelines.

Metsä Board sees the presentation of alternative performance measures as providing users of financial statements with an improved view of the company's financial performance and position, including among other things the efficiency of its capital utilisation, operational profitability and debt servicing capabilities.

Exceptional and material items outside the ordinary course of business have been eliminated from the comparable operating result. Metsä Board has defined operating result as follows: Result for the period presented in IFRS income statement before income taxes, financial income and expense as well as share of result of associate companies and joint ventures.

Reconciliation of operating result under IFRS and comparable operating result as well as EBITDA and comparable EBITDA is presented below. Comparable return on capital employed has been calculated using the same adjustments as the comparable operating result, and it has been further adjusted with items of financial income affecting comparability when applicable. Metsä Board considers that key figures derived in this manner improve comparability between reporting periods.

None of these key figures with items affecting comparability eliminated are key figures used in IFRS reporting, and they cannot be compared with other companies' key figures identified with the same names. Items affecting comparability include material gains and losses on disposals of assets, impairment and impairment reversals in accordance with IAS 36 "Impairment of Assets", corporate divestments and acquisitions, adjustment measures and other restructuring measures and their adjustments, costs arising from extensive and unforeseeable interruptions in production and the compensation received for them as well as items arising from legal proceedings.

In Metsä Board's view, comparable performance measures better reflect the underlying operational performance of the company by eliminating the result effect arising from items and transactions outside ordinary course of business.

Reconciliation of items affecting comparability

EUR million	2023	2022
Operating result	120.8	531.5
Depreciation, amortisation and impairment charges	93.8	83.1
EBITDA	214.6	614.6
Items affecting comparability		
Other operating income	-2.7	-28.6
Employee costs		4.6
Share of results of associated companies	4.1	11.6
Other operating expense		0.6
Total	1.4	-11.7
EBITDA, comparable	216.0	602.8
Depreciation, amortisation and impairment charges	-93.8	-83.1
Items affecting comparability		
Impairment charges and reversals of impairments		0.9
Operating result, comparable	122.2	520.7
Share of results of associated companies and joint ventures		
Net financial items	0.1	-6.6
Items affecting comparability		
Financial items	0.3	0.5
Result before income tax, comparable	122.6	514.6
Income taxes	-19.3	-63.5
Income taxes related to items affecting comparability	0.5	0.3
Result for the period, comparable	103.8	451.4

"+" sign items = expense affecting comparability

"-" sign items = income affecting comparability

Items affecting operating result comparability in 2023 totalled EUR -1.4 million. They comprised Metsä Board's capital gains of EUR 2.7 million from the sale of a land area unrelated to business operations, and items related to the business of the associated company Metsä Fibre: A write-down related to the closure of the old Kemi pulp mill; translation differences from discontinued operations in Russia; the loss on sale of fixed asset items, and other items, totalling EUR -4.1 million.

Items affecting operating result comparability in 2022 totalled EUR 10.8 million. They comprised EUR 19.2 million from the sale of the share capital in Hangö Stevedoring Ab; a EUR 6.5 million capital gain from the sale of a land area unrelated to business operations; a EUR -5.5 million restructuring of customer service and supply chain management; a EUR 2.8 million valuation gain related to the divestment of shares; a EUR -1.0 million impairment recognised for the Russian operations; a EUR -10.5 million impairment recognised for the Russian operations of the associated company Metsä Fibre; a EUR -1.2 million impairment recognised in the assets of Metsä Fibre's Kyrö sawmill; and other items EUR 0.3 million.

Corporate governance statement

■ Introduction

This Corporate Governance Statement of Metsä Board Corporation (“Metsä Board” or the “Company”) has been prepared in accordance with the Finnish Corporate Governance Code 2020 (the “Corporate Governance Code”), published by the Finnish Securities Market Association, and has been issued separately from the Report of the Board of Directors and published simultaneously with the Company’s financial statements and the Board of Directors’ Report. The Corporate Governance Code is available at <https://cgfinland.fi/en/corporate-governance-code/>.

Metsä Board is a Finnish public limited company whose A and B series shares are publicly traded on the official list of NASDAQ Helsinki Ltd (Helsinki Stock Exchange). The governance of Metsä Board is based on, in particular, the Finnish Limited Liability Companies Act (“Companies Act”), the Company’s Articles of Association and regulations issued under the Finnish laws, the rules and recommendations of Helsinki Stock Exchange applicable to listed companies, as well as the regulations and guidelines issued by the Finnish Financial Supervisory Authority. Metsä Board complies with the Corporate Governance Code and does not currently deviate from any specific recommendations of the Code.

This Statement has been reviewed by the Audit Committee of the Board of Directors. The Company’s auditor has verified that this Statement has been issued, and that the description of the main features of the internal control and risk management systems relating to the financial reporting process contained in the report is consistent with the financial statements.

■ Corporate governance in Metsä Board

The Company’s statutory bodies are the General Meeting, the Board of Directors and the CEO, whose duties and responsibilities are determined in accordance with the Companies Act. The coordination of the Company’s operations and operational management is also ensured by a Management Team assisting the CEO, whose members (including the CEO) are not members of the Board of Directors.

General Meeting

The General Meeting is the highest decision-making body, at which shareholders exercise their decision-making power. Each shareholder has the right to participate in the General Meeting by following the procedure described in the notice of the General Meeting. The General Meeting decides on the matters that fall within

the competence of General Meeting under the Companies Act and the Articles of Association, such as:

- approval of the financial statements;
- distribution of profits;
- granting discharge to the members of the Board of Directors and the CEO;
- election of the members of the Board of Directors and the remuneration of the members of the Board of Directors;
- advisory approval of the remuneration policy and the remuneration report;
- the appointment and remuneration of the auditor and the sustainability auditor;
- other matters proposed to the General Meeting.

A shareholder has the right to have a matter before the General Meeting of Shareholders if they request the Board of Directors in writing in sufficient time to allow the matter to be included in the notice of the meeting. In 2024, the deadline was 12 January 2024. The Annual General Meeting of the Company is held no later than June each year. The notice of the Annual General Meeting shall be given no earlier than three months and no later than three weeks before the meeting, but at least nine (9) days before the record date of the Annual General Meeting, by means of a stock exchange release and publication on the Company’s website and in full or in summary in at least one newspaper published in Finland.

An Extraordinary General Meeting will convene if the Board of Directors considers it necessary, or if the auditor or shareholders representing at least 10% of all shares request it in writing to deal with a specific matter.

Board of Directors

The duties of Metsä Board’s Board of Directors are determined in accordance with the Finnish Limited Liability Companies Act, the Company’s Articles of Association and the written rules of procedure approved by the Board of Directors. Metsä Board’s Board of Directors is responsible for the management of the Company and the proper organisation of its operations. The Board of Directors is responsible for the proper organisation of the Company’s financial management and accounting control. The Board is also

METSÄ BOARD’S GOVERNANCE MODEL



responsible for the direction and supervision of Metsä Board Group. Taking into account the scope and nature of the Company's activities, the Board of Directors is responsible for matters that are economically, commercially or principally significant and far-reaching and thus not part of the day-to-day management of the business. Among other things, the Board decides on the Company's strategy, major investments, organisational structure and important financial matters. The Board of Directors ensures that the Company operates responsibly and takes the interests of the Company's other stakeholders, as well as the collective interests of shareholders, into account.

Metsä Board's Board of Directors has written rules of procedure for its activities. Accordingly, the Board of Directors shall, among other things:

- nominate and dismiss the CEO and the deputy CEO and decide on the CEO's terms of engagement;
- organise the Company's accounting, financial and risk management, and the supervision of the financial and sustainability reporting process, as well as analyse the risks that are the most significant for the group;
- supervise the CEO's management of the Company's operative management in line with the Board's instructions and orders;
- adopt the Company's values and the Board's diversity policy;
- monitor and guide the Company's contribution to sustainable development;
- review and adopt the Company's long-term action plan, strategy, annual action plan and budget;
- decide on significant investments, corporate transactions, and take decisions on acquisitions, mergers, divestments and closures of business operations;
- decide on significant financing arrangements, including debt financing, the provision of securities and subsidiary capitalisation;
- decide on the assignment or pledging as securities of the Company's significant fixed assets;
- decide on the granting of donations to the extent that they do not fall within the competence of the General Meeting;
- decide on the delegation of its powers, subject to express limits of approval and rules of delegation, and the granting and revoking of representation rights;

- convene an Annual General Meeting and supervise the implementation of resolutions it passes;
- sign and present to the Annual General Meeting the financial statements and the Board of Directors' annual review, including the sustainability statement, and prepare a proposal for dividend distribution;
- approve and publish a financial statement bulletin, half-year financial report and interim reports for each quarter;
- adopt the key policies guiding the Company's business operations; insider guidelines and disclosure policy governing communications, and supervise their application;
- decide on remuneration schemes, their criteria and conditions, as well as monitor their implementation.

The Board of Directors' rules of procedure are available in their entirety on the Company's website at <https://www.metsagroup.com/globalassets/metsa-board/documents/investors/corporate-governance/en/general/metsa-board-board-working-order.pdf>. The Board of Directors may delegate within its general competence to the CEO and, conversely, may take a decision on a matter within the general competence of the CEO.

On an annual basis, the Board of Directors assesses its own operation and the Company's corporate governance principles and makes any necessary changes to them.

Composition, diversity and independence of the Board of Directors

The composition and number of members of the Board of Directors must enable it to carry out its duties effectively. The composition of the Board of Directors takes into account the stage of development of the Company, the ownership base, the specific requirements of the industry and the needs of the Company's operations. The Board's objective is to create a diverse Board, but with the proviso that those elected to the Board must have the necessary qualifications and be able to devote the time required to perform their duties. The Board of Directors is composed of female and male members.

The Board of Directors has adopted a Diversity Policy, which is available on the Company's website. The Board of Directors recognises the benefits that a diverse Board composition brings to the Company and its shareholders. Diversity

supports the Board's open working atmosphere, independent role and decision making. The Board's key role is also to proactively and consistently support and challenge the Company's executive management from a wide range of perspectives. The successful performance of the duties of the Board and its Committees requires a diversity of composition, skills and experience, as well as consideration of the personal qualities of individual Board members. Furthermore, diversity must support the current stage of development of the Company and meet its future needs and business development.

Metsä Board has identified experience in different industries and the international operating environment as essential for the diversity of the Board of Directors, in addition to knowledge of the Company's industry. The Board members' complementary educational backgrounds, management experience in different areas of the business, and diverse age and gender distribution have also been identified as factors contributing to diversity. Metsä Board's objective is to have both women and men represented on the Board. The Nomination and HR Committee of the Board takes the diversity principles into account when proposing the composition of the Board to the Annual General Meeting each year. The achievement of the Board's diversity objectives is monitored as part of the normal activities of the Board and its Nomination and HR Committee.

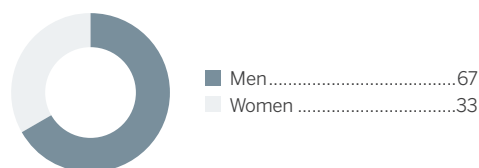
According to the Articles of Association, the Board of Directors shall consist of at least five and at most ten ordinary members elected by the shareholders at the Annual General Meeting for a term of office starting from the end of the General Meeting that elected the member and continuing until the end of the next Annual General Meeting. There is no limit to the number of consecutive terms of office. The Board of Directors shall elect a Chair and Vice Chair from among its members.

In 2023, the Board of Directors had nine (9) members, of whom 66.67% were men (6) and 33.33% were women (3). The age range of the Board members was 44–68 years.

Of the nine (9) members of the Board of Directors, 88.89% of the members (8) were independent of the Company, and 66.67% (6) were independent of a major shareholder of the Company.

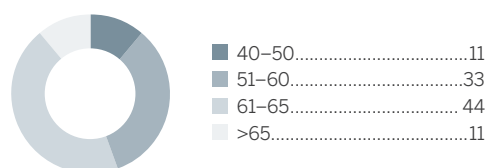
GENDER DISTRIBUTION

%



AGE DISTRIBUTION

%



No members of the Board of Directors are executive officers of the Company.

The representation of employees in the management of the Company is organised so that the management team of each of the Company's production facility includes one employee representative.

The Board as a whole has extensive experience in good corporate governance, international business and management, either in operational or fiduciary positions in various industries, including the forest industry, forestry, engineering, the food industry and auditing. In addition, the majority of the Board members have experience in pulp, board and/or paper products. The Board also has years of experience in managing sustainability issues and assessing the risks and opportunities involved. The composition of the Board of Directors and a summary of the Board members' work history and positions of trust can be found below in the Board members' introduction and on the Company's website, <https://www.metsagroup.com/metsaboard/investors/corporate-governance/board-of-directors/>.

In financial year 2023, the Board held a total of 14 meetings. Board members attended 97% of the meetings (97% attendance in 2022 and 99% in 2021).

Attendance at Board and committee meetings by member

Member of the Board of Directors	Number of Board meetings	Attendance rate (%)	Independence from the Company	Independence from the major shareholder
Ilkka Härmälä (Chair of the Board)	14/14	100	No	No
Jussi Linnaranta	14/14	100	Yes	No
Hannu Anttila	13/14	92	Yes	Yes
Raija-Leena Hankonen-Nyblom	13/14	92	Yes	Yes
Erja Hyrsky	14/14	100	Yes	Yes
Mari Kiviniemi	14/14	100	Yes	Yes
Mikko Mäkimattila (as of 23 March 2023)	14/14	100	Yes	No
Jukka Moisio	11/11	100	Yes	Yes
Timo Saukkonen (until 23 March 2023)	3/3	100	Yes	No
Veli Sundbäck (until 23 March 2023)	3/3	100	Yes	Yes
Juha Vanhainen (as of 23 March 2023)	11/11	100	Yes	Yes

Board of Directors' Committees

The Board of Directors may decide to set up committees, if necessary, to prepare and discuss matters falling within its competence, with the assistance of the Board of Directors. The Board has appointed an Audit Committee and a Nomination and HR Committee from among its members. The Board of Directors appoints the chair and members of each committee annually after the Annual General Meeting. The Board and its committees may also be assisted by external advisors.

Based on the proposals of the committees, the final decisions on matters within the scope of the committees' duties are taken by the Board of Directors, with the exception of proposals on the composition and remuneration of the Board of Directors made directly to the General Meeting by the Nomination and HR Committee.

Audit Committee

The role of the Audit Committee is to assist the Board in ensuring the accuracy, balance, transparency and clarity of the Company's financial reporting, accounting methods, financial statements, and other financial information as well as sustainability reporting disclosed by the Company. The Audit Committee regularly reviews the internal control and governance systems and monitors the progress of the reporting of

financial and sustainability risks and the financial and sustainability audit. The Audit Committee assesses the effectiveness and scope of internal audit, the Company's risk management, key risk areas, and compliance with laws and regulations. It assesses the independence of the auditor and audit firm and makes a recommendation to the Board on the election of the Company's auditor. The Audit Committee also reviews the internal audit's half-yearly action plans and reports on significant audits.

The members of the committee must have sufficient expertise in accounting and financial reporting. The Audit Committee meets regularly, at least four times a year. In connection with its meetings, the committee shall consult the Company's auditor. The Chair of the committee shall report to the Board of Directors on each meeting of the Audit Committee. The duties and responsibilities of the Audit Committee are set out in its charter, which is approved by the Board of Directors (<https://www.metsagroup.com/globalassets/metsa-board/documents/investors/corporate-governance/en/general/metsa-board-rules-of-procedure-for-audit-committee.pdf>).

The Company's auditor, the CEO and CFO, as well as other management representatives and external advisors, are also represented at the Audit Committee meetings when invited by the committee.

The board members listed below have acted as members of the Audit Committee since the Annual General Meeting 2023. The members of the Audit Committee are independent of the Company and its major shareholder.

The Audit Committee met five times during 2023. The attendance rate of Committee members was 92% (100% in 2022 and 2021).

Audit Committee member	Number of meetings	Attendance rate (%)
Raija-Leena Hankonen-Nyborn (Chair)	5/5	100
Hannu Anttila	5/5	100
Mari Kiviniemi	5/5	100
Jukka Moisio	4/5	80
Juha Vanhainen (as of 23 March 2023)	4/4	100

Nomination and HR Committee

The purpose of the Nomination and HR Committee is to assist the Board of Directors in matters related to the appointment and remuneration of the Company's CEO, any Deputy CEO and senior management, and prepare matters related to the incentive schemes for management and employees. In addition, the committee prepares a proposal for the Annual General Meeting on the number of Board members, the Board composition and the remuneration for Board members. The committee also recommends, prepares and presents for the Board's approval the appointment of the CEO (and any Deputy CEO), as well as their salary and compensation. The committee also prepares and provides recommendations to the Board and the CEO concerning matters related to the remuneration and incentive schemes of management and employees.

The committee consists of five Board members. It convenes on a regular basis, at least four times a year. The Chair of the committee presents the committee's proposals to the Board. The tasks and responsibilities of the Nomination and HR Committee are specified in the committee's rules of procedure approved by the Board of Directors (<https://www.metsagroup.com/globalassets/metsa-board/documents/investors/corporate-governance/en/general/metsa-board-nomination-and-hr-committee-charter.pdf>).

The board members listed below have acted as members of the Nomination and HR Committee since the Annual General Meeting 2023.

The Nomination and HR Committee met four times during 2023. All members attended all meetings (100% attendance also in 2022 and 2021).

Members of the Nomination and HR Committee	Number of meetings	Attendance rate (%)
Ilkka Hämälä (Chair)	4/4	100
Erja Hyrsky	4/4	100
Jussi Linnaranta	4/4	100
Timo Saukkonen (until 23 March 2023)	1/1	100
Veli Sundbäck (until 23 March 2023)	1/1	100
Mikko Mäkimattila (as of 23 March 2023)	3/3	100

Chief Executive Officer

Chief Executive Officer Mika Joukio (born in 1964), M.Sc. (Eng.), MBA, is responsible for the daily management of the Company's administration in accordance with the guidelines and instructions provided by the Board. The CEO is also responsible for ensuring that the Company's accounting has been carried out in

accordance with applicable legislation, 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 businesses.

The CEO has a written CEO contract approved by the Board of Directors. The Board of Directors supervises the CEO's performance

and provides a performance evaluation once a year. The CEO is covered by the Employees Pensions Act, which provides for a pension compensation based on service years and earnings. In the Finnish earnings-related pension system, basic salary, remuneration and taxable fringe benefits are included in earned income, whereas income from options and share-based incentive schemes for management are not. The Company has commissioned an extra pension insurance policy for the CEO, entitling the CEO to retire at the age of 62. The maximum level of the CEO's pension is 60% of the total salary under the Employees Pensions Act, calculated on the basis of the five-year period preceding retirement.

The Board of Directors appoints and dismisses the CEO. The CEO may be discharged by the Board of Directors' without a specific reason. The CEO can also resign from their assignment. The mutual period of notice is six months. However, the Board may decide to discharge the CEO without a notice period. If the Board terminates the CEO's contract, the CEO is entitled to discharge compensation equal to their 12-month salary.

Deputy to the CEO

The Board of Directors may appoint a deputy to the CEO. The Deputy CEO shall be responsible for the duties of the CEO in the event of the CEO's absence. Currently, no deputy has been appointed for the CEO.

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, with function heads Markku Leskelä (Development), Jussi Noponen (Sales and Supply Chain), Harri Pihlajaniemi (Production and Technology), Henri Sederholm (Finance) and Camilla Wikström (Human Resources), who all report to the CEO. Ari Kiviranta, the Company's Chief Technology Officer, retired on 31 October 2023. Ari Kiviranta's responsibilities were transferred to Harri Pihlajaniemi as of 1 November 2023.

The tasks and responsibilities of the Corporate Management Team include investment planning, the development and preparation of the Company's strategic guidelines, the allocation of resources, the supervision of day-to-day operations and the preparation of several matters for the Board of Directors. As a rule, the Corporate Management Team meets once a

month at the invitation of the CEO, and whenever necessary.

The members of the Corporate Management Team have written employment or service contracts. With the exception of the CEO, they have no pension arrangements other than the statutory pension scheme. The period of notice for members of the Executive Board is six months on either side.

■ Internal control, internal audit and risk management

Effective business requires that operations are monitored continuously and effectively. Metsä Board's internal management and control procedure is based on the Companies Act, other laws and regulations applicable to listed companies, the Articles of Association, the rules and recommendations of the Helsinki Stock Exchange, the recommendations of the Good Corporate Governance Code and the Company's own approved policies and principles. The effectiveness of internal control is assessed by the Company's Internal Audit function. Internal control is implemented throughout the organisation. Internal control methods include internal guidelines and reporting systems that support controls. External control is the responsibility of Metsä Board's auditor and the authorities. Metsä Board's internal control, risk management and internal audit principles, operational objectives, and responsibilities are described below. Internal control and risk management for sustainability reporting is described in the Sustainability Report included in the Company's Annual Review in the Risk management and internal control for sustainability reporting section.

Internal control

At Metsä Board, internal control includes financial reporting, sustainability reporting and other operational controls. Internal control is carried out by the Board of Directors and the acting management, as well as the entire staff. Internal control aims to ensure the achievement of the Company's goals and objectives, the economical, appropriate and efficient use of resources, the reliability and accuracy of financial and other management information and sustainability data, compliance with external regulations and internal procedures, adequate safeguarding of operations, data and assets, and adequate and properly organised manual and IT systems to support operations.

Internal control is divided into (i) preventive control such as establishing the Company's values, general operating and business principles, (ii) day-to-day control such as directing and monitoring activities, including operating systems and work instructions, and (iii) ex-post control such as management assessments and reviews, and comparisons and verifications to ensure the achievement of objectives and to monitor compliance with agreed operating and control principles. The Company's corporate culture, management style and approach to control together form the basis of the overall internal control framework.

Monitoring of the financial reporting process, credit control and authorisation rights

The financial organisations of the different functions and central administration are responsible for financial reporting. The units report their financial figures each month. The units' controller functions check their units' monthly performance and submit a performance report to central administration. The functions' profitability development and business risks and opportunities are discussed at monthly meetings attended by the Company's and each function's management. The result is reported to the Board and Corporate Management Team monthly. The Board presents the financial statements to the Annual General Meeting for approval, approves the financial statement bulletin and interim reports, and decides on their publication. The rules for reporting and control, as well as the reporting process, are described in greater detail in the Company's internal guidelines.

Credit control in Metsä Board has been centralised to a Credit Committee, which convenes at least quarterly. Credit controllers monitor the trend in trade receivables in each sales company under the supervision of the Metsä Group's Director, Credit Management. Counterparty-specific credit limits are set within the boundaries of the credit policy confirmed by the Board in cooperation with centralised credit control, sales and financial management. The development of credit risks is regularly reported to the Board of Directors.

Authorisation rights concerning expenses, significant contracts and investments have been specified progressively 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 Metsä Group's financial administration in accordance with the investment policy confirmed by the Board. After pre-approval, investments are handled by the functions' Management Teams and the Corporate Management Team within the framework of the annual investment plan. The most significant investments are separately submitted to the Board for approval. Investment follow-up reports are compiled quarterly.

Internal auditing

Internal auditing is an independent and objective assessment, assurance and consulting activity designed to add value to Metsä Board and improve its operations.

Internal auditing assists the Board of Directors in its supervisory role and supports Metsä Board and its management in achieving the Company's objectives by providing a systematic approach to assessing and improving the effectiveness of risk management, control, governance and management processes.

Metsä Board's internal auditing is carried out by Metsä Group's internal audit unit. Audit work is carried out in compliance with the internal audit guidelines approved by the Audit Committee. The internal audit function reports to the Audit Committee on operations and to Metsä Group's President and CEO on administration.

Internal auditing draws up a six-monthly action plan which is approved by the Audit Committee. Auditing is risk-based and focuses on the Company's activities and units that are considered to be key to achieving the objectives set for operations. In cooperation with the audit function, internal auditing sees to the coordination of plans to ensure adequate coverage of auditing and avoid overlapping work. Similarly, cooperation is carried out with Metsä Group's other assurance functions such as risk management, internal controls and compliance.

The results of the audit are compiled in an audit report, which is shared with Metsä Board's CEO and CFO, the management of the audited entity, and the persons in charge. The audit reports are submitted to Metsä Group's President and CEO, CFO, auditor and to other Group management if required for the purposes of information.

Internal auditing provides the Audit Committee with a six-monthly summary report on the audits carried out, the main findings and

recommendations, and the management action plans and their implementation. The Chair of the Audit Committee and the Audit Director also meet regularly without the presence of management.

Risk management

Risk management is an essential part of Metsä Board's standard business planning and leadership. Risk management is part of daily decision making, operations follow-up and internal control, helping promote and ensure the achievement of the Company's objectives.

The effective coordination of business management and risk management is based on the operating principles approved by the Board of Directors, which are designed to keep the overall risk management system clear, understandable and sufficiently practical. Risks and their evolution are regularly reported to the Audit Committee of the Board of Directors.

The key objective of risk management is to identify and evaluate the risks, threats and opportunities that may have an impact on the implementation of the strategy and the achievement of short- and long-term objectives. The businesses regularly evaluate and monitor the risk environment and related changes as part of their normal operational planning. The risks identified and their management are reported to the Audit Committee and the Board at least twice a year. Business risks also involve opportunities, and they can be capitalised on 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 matters. Such an evaluation must be conducted before any pre-engineering and execution phases of projects and investments.

Responsibilities for risk management are shared between the different governing bodies. The Board of Directors is responsible for risk management and approves the risk management policy, while the Audit Committee assesses the Company's risk management levels and practices and key risk areas and makes proposals to the Board of Directors in this regard.

The CEO and the Corporate Management Team are responsible for defining and implementing risk management policies and are also responsible for ensuring that risks are taken into account in the Company's planning processes,

and that they are adequately and appropriately reported. Reporting to Metsä Group's Business Process Development Director, the Chief Risk Officer is responsible for the development, coordination and implementation of the Company's risk management process. The Chief Insurance Officer, reporting to Metsä Group's CFO, is responsible for key insurance solutions. The Risk Committee conducts a risk mapping twice a year, which is presented by the President and CEO to the Board after the Management Team meeting. The Risk Committee consists of the CFO, who leads the committee, with the Chief Production Officer, the Chief Development Officer, the Chief Risk Officer and the Chief Accounting Officer. The business and support functions identify and assess the material risks in their respective areas of responsibility in their planning processes, prepare for them, take the necessary preventive measures and report on the risks as agreed.

The key elements of Metsä Board's risk management include implementing a comprehensive risk management process that supports the entire business, protecting assets and ensuring business continuity, corporate security and its continuous improvement, as well as crisis management and continuity and recovery plans. In line with the Risk Management Policy and Principles, adequate risk assessment is part of the pre-appraisal and implementation phases of projects that are financially or otherwise significant.

Metsä Board's risk management function is to:

- ensure that all identified risks affecting personnel, customers, products, property, information assets, corporate image, corporate responsibility or operational capacity are managed in accordance with the law and on the basis of the best available information;

- ensure the achievement of the objectives set for the Company;
- meet the expectations of stakeholders;
- protect assets and ensure business continuity;
- optimise the profit/loss potential ratio; and
- ensure the management of the Company's overall risk exposure and the minimisation of overall risks.

The most significant risks and uncertainties known to the Company are described in the Report of the Board of Directors.

Auditing

According to Metsä Board's Articles of Association, the Company has one auditor, which must be an auditing firm approved by the Finnish Patent and Registration Office, with the principal auditor being a Chartered Accountant. The auditor is elected annually by the General Meeting of Shareholders at the Annual General Meeting. The Company's audit services have been tendered for the financial years 2011 and 2021 under the guidance of the Audit Committees of the Company and the parent company Metsäliitto Cooperative. Based on the 2011 tender, PricewaterhouseCoopers Oy, the Company's long-term auditor, was replaced by KPMG Oy Ab at the Annual General Meeting in the spring of 2012. The audit was put out to tender in 2021, and in accordance with the decision of the Annual General Meeting in the spring of 2023, the Company's auditor will be KPMG Oy Ab, which appointed Kirsi Jantunen, KHT, as its principal auditor. The Audit Committee oversees the auditor selection procedure and makes recommendations to the Board of Directors on the proposal to the Annual General Meeting regarding the selection of the auditor and the auditor's remuneration.

In 2023, audit fees were paid as follows:

Audit fees	2023	2022
Audit fees to KPMG Oy Ab	EUR 260,000	EUR 232,000
International fees	EUR 251,000	EUR 223,000
For services unrelated to the audit proper, incl. certification of the sustainability report	EUR 32,000	EUR 0
Total	EUR 543,000	EUR 455,000
To other audit firms than KPMG Oy Ab	EUR 12,000	EUR 11,000
Total	EUR 555,000	EUR 466,000

Insider administration

For insider matters, Metsä Board and its group companies comply with Finnish laws, especially the Securities Markets Act, Regulation No 596/2014 of the European Parliament and of the Council on market abuse (MAR) and supporting orders and regulations, as well as the insider guidelines of NASDAQ Helsinki Ltd (Helsinki Stock Exchange) (<https://www.nasdaq.com/market-regulation/nordics/helsinki>). Based on the above provisions, the Company has approved its own insider guidelines.

Pursuant to MAR Article 14 and Chapter 51 of the Criminal Code, a person who possesses inside information shall not (i) engage or attempt to engage in insider trading by acquiring or transferring financial instruments on their own account or on behalf of a third party, (ii) recommend that another person engage in insider trading or induce another person to engage in insider dealing, and (iii) unlawfully disclose inside information to another person unless such disclosure is made as part of carrying out normal work duties. The goal of insider administration is to enable people considered the Company's insiders to openly hold shares in the Company while maintaining public trust in the trading and price formation involving the Company's securities. The Company recommends only long-term investments. Insiders are provided with instructions and training at regular intervals.

The Company does not maintain a permanent company-specific insider register. If necessary, the Company will, by decision of the Chair of the Board of Directors, establish an insider project, which will include all persons involved in the preparation of a specific project containing insider information. The Company's directors subject to the disclosure requirement include the members of the Board of Directors and the CEO. The ownership of these persons and of natural and legal persons related to them is public, as each of them has an independent duty of disclosure to the Company and the Supervisory Authority in respect of their transactions in Metsä Board shares and other financial instruments. Metsä Board publishes the notifications of transactions it receives in the form of stock exchange releases.

Directors who are required to report are prohibited from trading in the Company's shares and other financial instruments during the

period between the end of the reporting period and the end of the publication date of the interim report (but always for at least 30 calendar days – the “closed window”).

Metsä Board maintains a list of persons who, in the course of their duties, are involved in the preparation and communication of interim reports, the financial statements release and the annual financial statements and thus may receive inside information. These persons are covered by the Company's closed window and are therefore subject to the trading restriction mentioned above.

Related party transactions

The Board of Directors has defined the principles for monitoring and evaluating related party transactions. The Company has contractual relationships with the parent company Metsäliitto Osuuskunta and its sister companies Metsä Fibre Oy and Metsä Tissue Oyj in the normal course of business. The most significant of these are related to the procurement of raw materials such as wood and pulp and the operation of joint integrated mill sites.

The Board of Directors decides on contractual relations with related parties unless the matter is related to the normal business of the Company and is of minor importance. In situations in which the Board of Directors deals with a business or other contractual relationship or a relationship with Metsäliitto Cooperative or a related company, the Board of Directors acts in principle without its members who are dependent on Metsäliitto Cooperative or the related company in question. The Audit Committee of the Board of Directors regularly monitors and evaluates the transactions and contractual relationships of the Company and its related parties.

To assess the independence and integrity of directors, directors must disclose to the Company any matters that may affect their ability to act free of conflicts of interest. As of 31 December 2023, the members of the Board of Directors, the CEO and the other members of the Corporate Management Team had no financial loans from the Company or its subsidiaries, and no collateral arrangements existed between them. There were no significant business relationships between these persons or their related parties (as defined in IAS 24) and the Company during 2023.

Board of Directors of Metsä Board

The Annual General Meeting 2023 elected the following persons as members of the Board of Directors:



HANNU ANTILA

1955

M.Sc. (Econ), Teollisuusneuvos (Finnish honorary title)

Member of the Board since 2018

Independent of the Company and its significant shareholder

Primary working experience:

Metsä Group, Executive Vice President, Strategy (2006–2017)

M-real Corporation (now Metsä Board Corporation), CEO (2005–2006)

Metsäliitto Group, Chief Financial Officer (2003–2004)

Metsä Tissue Corporation, CEO, (1998–2003)

Oy Metsä-Botnia Ab and **Metsä Serla Corporation** (now Metsä Fibre Oy and Metsä Board Corporation), various management positions

Positions of trust:

Metsä Tissue Corporation, Member of the Board (2004–2018)

Metsä Fibre Oy, Member of the Board (2004–2017)

Pohjolan Voima Oyj, Member of the Board (2007–2017)

Teollisuuden Voima Oyj, Member of the Board (2007–2017)

Shares owned: 52,627 B shares



RAIJA-LEENA HANKONEN-NYBOM

1960

M.Sc. (Econ.), Authorised Public Accountant degree

Member of the Board since 2021

Independent of the Company and its significant shareholder

Primary working experience:

KPMG Oy Ab:

Chair of the Board (2016–2018)

CEO (2010–2016)

Lead Audit Partner of Large Corporates in Financial Services, Manufacturing and Retail Industry (2006–2019)

Head of Audit (2006–2010)

Various audit and IFRS client engagements in Finland and abroad (1987–2005)

Positions of trust:

Cargotec Corporation, Member of the Board and Chair of the Audit and Risk Management Committee (2023–)

Danske Bank A/S, Chair of the Audit Committee (2021–), Member of the Board (2020–) and Member of Remuneration Committee (2020–2021)

Posti Group Oyj, Member of the Board and Chair of the Audit, Risk and Sustainability Committee (2020–)

Helsinki Deaconess Institute Foundation sr, Member of the Board (2020–) and Chair of the Audit Committee (2022–)

Directors' Institute Finland ry, Member of the Board (2021–)

Savonlinna Opera Festival Support Association ry, Member of the Board (2018–)

Jalmari and Rauha Ahokas Medical Foundation sr, Chair of the Supervisory Board (2018–2022), Member of the Supervisory Board (2013–2017), Chair of the Board (2008–2012), Member of the Board (2005–2007), Member of the Delegation (1999–2004)

Shares owned: 13,131 B shares



ERJA HYRSKY

1979

M.Sc. (Econ.)

Member of the Board since 2021

Independent of the Company and its significant shareholder

Primary working experience:

Unilever Nordics, Ice Cream Lead, Nordics (2021–)

Unilever PLC, Strategy Director, Global Markets (2019–2021)

Unilever Finland Oy, Managing Director, Sales Director (2013–2019)

Procter & Gamble Oy, various managerial positions in sales (2006–2013)

Hewlett Packard Oy, various positions in sales and marketing (2004–2006)

Positions of trust:

Finnish Food and Drink Industries' Federation (ETL), Member of the Board (2016–2019)

Polaris Pension Fund, Chair of the Board (2016–2019)

Shares owned: 14,508 B shares



ILKKA HÄMÄLÄ

1961

M.Sc. (Engineering)

Vuorineuvos, (Finnish honorary title)

Chair of the Board since 2018

Not independent of the company or its significant shareholder

Primary working experience:

Metsä Group, CEO and President (2018–)

Metsäliitto Cooperative, CEO (2018–)

Metsä Fibre Oy, CEO (2008–2017)

Oy Metsä-Botnia Ab (now Metsä Fibre Oy), previously various management positions

Positions of trust:

Metsä Fibre Oy, Chair of the Board (2018–)

Metsä Spring Oy, Chair of the Board (2018–)

Metsä Tissue Corporation, Chair of the Board (2018–)

Finnish-Swedish Chamber of Commerce, Member of the Council (2023–)

China Office of Finnish Industries Oy, Member of the Board (2022–)

Confederation of European Paper Industries (CEPI), Member of the Steering Committee (2020–), Member of the Board (2018–)

Finnish Forest Industries Federation, Vice Chair of the Board and the Board's Working Committee (2021–), Chair of the Election Committee (2021–), Member of the Board (2012–),

Ilmarinen Mutual Pension Insurance Company, Chair of the Supervisory Board (2021–), Member of the Supervisory Board (2009–),

Finnish Business and Policy Forum EVA, Member of the Board (2021–)

ETLA Economic Research, Member of the Board (2021–)

Jyväskylän yliopiston varainhallintatoimikunta, member (2021–)

Finnish Chambers of Commerce, Member of the Delegation (2018–)

Helsinki Region Chamber of Commerce, Member of the Delegation (2018–)

Finnish Quality Association, Chair of the Board (2020–), Member of the Board (2018–), Member of the Advisory Board (2008–)

Pohjolan Voima Oyj, Deputy Member of the Board (2009–)

Shares owned: 294,814 B shares



MARI KIVINIEMI

1968

MSocSc. (Econ.)

Member of the Board since 2022

Independent of the Company and its significant shareholder

Primary working experience:

Finnish Commerce Federation, Managing Director (2019–)

OECD, Deputy Secretary General (2014–2018)

Finnish Prime Minister (2010–2011)

Minister of Public Administration and Local Government (2007–2010)

Minister for Foreign Trade and Development and Minister for European Affairs (2005–2006)

Member of Parliament, Finland, (1995–2014)

Positions of trust:

The Finnish Fare Foundation, Member of the Board (2024–)

Vaasa University, Chair of the Board (2022–)

Asian Infrastructure Investment Bank, International Advisory Panel (2021–)

Savonlinna Opera Festival's Board of Trustees, member (2020–)

Blic Public Affairs, Member of the Board (2019–2022)

Messukeskus Helsinki, Member of Supervisory Board (2019–2021)

Suomi Mutual, Member of the Board (2013–2014)

The Finnish Centre Party, Leader (2010–2012)

Helsinki City Council, member (2005–2012)

The Finnish Centre Party, Deputy Party Leader (2003–2008)

Uusimaa Regional Council, member (2004–2008)

Ilkka-Yhtymä Group, member of Supervisory Board (2006–2007)

Finnish National Opera Foundation, Member of the Board (2004–2007 and 2013–2014)

Lännen Tehtaat Oyj, Member of Supervisory Board (1996–2005)

Alko Inc., member of Supervisory Board (2002–2003)

Leonia Bank, Member of Supervisory Board (1997–2000)

VR Group Ltd, Member of Supervisory Board (1995–1997)

Shares owned: 8,685 B shares



JUSSI LINNARANTA

1972

M.Sc. (Agriculture and Forestry), Agronomist

Member of the Board since 2017, Vice Chair of the Board since 2020

Independent of the Company. Not independent of the Company's significant shareholder

Primary working experience:

Thermal entrepreneur (2003–)

Forest and Agricultural entrepreneur (2001–)

Ministry of Agriculture and Forestry, Information and Research Centre, various positions (1997–2007)

Positions of trust:

Metsäliitto Cooperative, Member of the Supervisory Board (2004–2016), Member of the Board (2017–), Vice Chair of the Board (2019), Chair of the Board (2020–)

Pellervo Coop Center, Member of the Board (2020–)

Pohjois-Savo Cooperative Bank, Member of the Representative Council (2014–2017)

The Central Union of Agricultural Producers and Forest Owners (MTK), Member of the Energy Committee (2007–2008, 2014–2016)

Shares owned: 36,211 B shares



JUKKA MOISIO

1961

M.Sc. (Econ), MBA

Member of the Board since 2020

Independent of the Company and its significant shareholder

Primary working experience:

Nokian Tyres plc, President and CEO (2020–)

Huhtamäki Oyj, President and CEO (2008–2019)

Ahlström Oyj, various duties (1991–2008), President and CEO (2004–2008)

McKinsey & Company, Associate (1989–1991)

Positions of trust:

Paulig Oy, Member of the Board of Directors (2019–), Chair of the Board of Directors (2020–)

Sulapac Oy, Chair of the Board of Directors (2019–)

Atria Oyj, Member of the Board of Directors (2014–2022)

Neles Corporation, Chair of the Board of Directors (2020–2021)

Shares owned: 17,283 B shares



MIKKO MÄKIMATTILA

1971

M.Sc. (Agriculture and Forestry), Agronomist

Member of the Board since 2023

Independent of the Company. Not independent of the Company's significant shareholder

Primary working experience:

RockRobot Oy, CEO (2021–)

Forestry and agriculture entrepreneur (1994–)

Potila Tuotanto Oy, CEO (2017–2020)

Dometal Oy, CEO, partner (2011–2021)

Multiva Magyarország Kft., CEO of the Hungarian subsidiary (2013–)

Farmit Website Oy, CEO (2005–2010)

Lännen Tehtaat Oy, Development manager (2003–2005)

Suomen Gallup Elintarviketieto Oy, Research manager (2001–2003)

Pellervon taloudellinen tutkimuslaitos, Researcher (1998–2001)

Positions of trust:

Metsäliitto Cooperative, Member of the Board (2020–), Vice Chair of the Board (2023–)

Pellervo Coop Center, Member of the Delegation (2023–)

LähiTapiola Loimi-Häme Regional Mutual Insurance Company, Member of the Board (2008–2022)

LocalTapiola General Mutual Insurance Company, Member of the Supervisory Board (2014–2023)

Dometal Oy, Member of the Board (2012–2021)

Potila Tuotanto Oy, Member of the Board (2013–2020)

Lähivakuutus Cooperative, Member of the Supervisory Board (2011–2014)

Forestry Management Association Loimijoki, Member of the Delegation (2005–2019)

Shares owned: 17,283 B shares



JUHA VANHAINEN

1961

M.Sc. (Process Technology)

Member of the Board since 2023

Independent of the Company and its significant shareholder

Primary working experience:

Apetit Plc, CEO 2015–2019

Stora Enso Oy, EVP and Country Manager of Finland (several different areas of responsibility) 2007–2015

Stora Enso Oy, several director and manager positions 1990–2007

Kemi Oy, engineer 1988–1990

Other positions of trust:

EKE-Construction Ltd., Member of the Board of Directors (2022–)

Koskisen Corporation Plc, Chair of the Board of Directors (2020–2023)

Ponsse Plc, Member of the Board of Directors (2018–)

Wihuri Group, Member of the Board of Directors (2018–2021)

Ekokem Oy (now Fortum Waste Solutions Oy), Chair of the Board of Directors (2015–2016), Member of the Board of Directors and Remuneration Committee (2014–2015)

FoodDrinkEurope, Member of the Board of Directors (2018–2019)

Finnish Food and Drink Industries' Federation (ETL), Member of the Board of Directors and Working Committee (2015–2019)

Sucros Ltd, Vice Chair of the Board of Directors (2015–2019)

Pohjolan Voima Oy, Vice Chair of the Board of Directors and Member of the Remuneration Committee (2008–2015)

Finnish Forest Industries Federation, Chair of the Board of Directors and Working Committee (2012–2013), Vice Chair of the Board and Working Committee (2008–2011)

Confederation of European Paper Industries (CEPI), Member of the Board of Directors (2012–2013)

Stora Enso Suzhou Paper (Suzhou) Co., Ltd., Chair of the Board of Directors (2012–2014)

Ilmarinen Mutual Pension Insurance Company, Member of Supervisory Board (2009–2015)

Efora Oy, Chair of the Board of Directors (2013–2015), Member of the Board of Directors (2009–2013)

Stora Enso Huatai Paper (Shandong) Co., Ltd., Chair of the Board of Directors (2009–2014)

Stora Enso Arapoti Industria De Papel S.A., Member of the Board of Directors (2009–2014)

Fortek Oy, Chair of the Board of Directors (2003–2008), Member of the Board of Directors (1999–2003)

Shares owned: 9,460 B shares

The shareholdings also take into account any shares held by controlling entities on 31 December 2023.

Management Team of Metsä Board

Members of the Company's Management Team:



MIKA JOUKIO

1964
Chief Executive Officer
M.Sc. (Tech.), MBA

Metsä Group employee since 1990. Metsä Board Corporation's Chief Executive Officer since 2014.

Main positions:

Metsä Tissue Corporation, CEO (2012–2014)

Metsä Board Corporation, Head of Consumer Packaging (2006–2012)

Metsä Board Corporation, Vice President and Mill Manager, Metsä Board Kyro and Metsä Board Tako (2006)

Metsä Board Corporation, Vice President and Mill Manager, Metsä Board Kyro (2005–2006)

Metsä Board Corporation, Senior Vice President, Corporate Logistics and Supply Chain (2004–2005)

Metsä Board Corporation, Vice President and Mill Manager, Metsä Board Äänekoski (2001–2004)

Various management positions in Metsä Board Corporation since 1990.

Positions of trust:

Husum Pulp AB, Chair of the Board (2021–)

Metsä Fibre Oy, Board of Directors, member (2014–)

Atria Plc, Member of the Board (2022–)

Finnish Forest Industries, Trade Policy Committee, Chair (2022–)

Varma Mutual Pension Insurance Company, Member of the Supervisory Board (2019–)

Shares owned: 315,173 B shares



MARKKU LESKELÄ

1962
Senior Vice President, Development
PhD

Metsä Group employee since 2016. Metsä Board Corporation's Senior Vice President, Development since 2021.

Main positions:

Metsä Board Corporation, Senior Vice President, Development (2021–)

Metsä Board Corporation, Vice President, Research and Product Development (2016–2021)

CLIC Innovation Ltd, Chief Technology Officer (2012–2015)

Paperra Oy, Partner (2010–2012)

Metsä Wood, Vice President, R&D (2009–2010)

Metsä Board Corporation, Vice President, R&D (2007–2009)

Metsä Board Corporation, Vice President, R&D, Head of Technology Centre Kirkniemi (2001–2007)

Metsä Board Corporation, various positions in R&D (1991–2001)

ESPRI/State University of New York, Syracuse, Visiting Scientist (1990–1991)

University of Oulu, Department of Biophysics, Research Scientist (1987–1990)

Shares owned: 23,175 B shares



JUSSI NOPONEN

1975
Senior Vice President, Sales and Supply Chain
M.Sc. (Tech.)

Metsä Group employee since 2000. Metsä Board Corporation's Senior Vice President, Sales and Supply since 2021.

Main positions:

Metsä Board Corporation, Senior Vice President, Sales and Supply (2021–)

Metsä Board Corporation, CFO (2016–2021)

Metsä Group, Senior Vice President, Group Finance (2009–2016)

Metsä Board Corporation, Senior Vice President, Business Control, Graphic Papers (2008)

Metsä Board Corporation, Vice President, Group Business Control (2006–2008)

Metsä Board Corporation, Business Controller, Folding Cartons (2003–2006)

Nokia Corporation (1999–2000) and Metsä Group (2000–2003), SAP system implementation projects in finance

Shares owned: 90,000 B shares



HARRI PIHLAJANIEMI

1970

Senior Vice President, Production and Technology
M.Sc. (Tech.)

Metsä Group employee since 2017. Metsä Board Corporation's Senior Vice President, Production and Technology since 2023.

Main positions:

Metsä Board Corporation, Senior Vice President, Production and Technology (2023–)

Metsä Board Corporation, Senior Vice President, Production (2017–2023)

Stora Enso Corporation, Vice President, Operations Excellence & Investments (2012–2017)

Stora Enso Corporation, Mill Director, Publication Paper, Veitsiluoto mill (2011–2012)

Stora Enso Corporation, Production Director, Oulu paper mill (2008–2011)

Stora Enso Corporation, Production Manager PM 6, Oulu mill (2006–2007)

Stora Enso Corporation, Production Manager PM 7, Oulu mill (2004–2005)

Metsä Board Corporation, Production Manager PM 3, Kirkniemi mill (2001–2004)

Shares owned: 60,081 B shares



HENRI SEDERHOLM

1978

Chief Financial Officer
M.Sc. (Econ.)

Metsä Group employee since 2003. Metsä Board Corporation's Chief Financial Officer since 2021.

Main positions:

Metsä Board Corporation, Chief Financial Officer (2021–)

Metsä Group, Senior Vice President, Group Finance (2016–2021)

Metsä Wood, Chief Financial Officer (2015–2016)

Metsä Board Corporation, Vice President, Finance & Control (2009–2015)

Metsä Group Treasury, Long-term Funding (2003–2009)

Shares owned: 50,000 B shares



CAMILLA WIKSTRÖM

1970

Senior Vice President, Human Resources
M.Sc. (Eng.)

Metsä Group employee since 2002. Metsä Board Corporation's Senior Vice President, Human Resources since 2019.

Main positions:

Metsä Board Corporation, Senior Vice President, Human Resources (2019–)

Metsä Fibre Oy, SVP Production, pulp (2018–2019)

Metsä Fibre Oy, VP, Äänekoski Mill (2009–2017)

Oy Metsä Botnia Ab (now Metsä Fibre Oy), various positions (2002–2008)

Herkules Ab, various positions in sales and customer service (1995–2002)

Botnia Mill Service Oy, board member (2018–2019)

Shares owned: 25,015 B shares

No controlling entities of the members of the Corporate Management Team own shares in the Company.

Remuneration report

Introduction

Metsä Board's remuneration aims to fairly support profitable growth and the increase of shareholder value in line with the company's values and interests. The key objective is to enable the achievement of the company's vision, as well as its strategic and operational targets. We aim to motivate excellent performance both in the short-term and long-term.

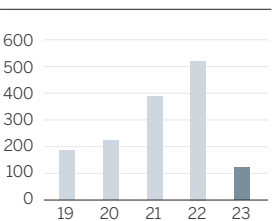
At Metsä Board, remuneration is based on the following principles:

- **Ensuring sustainable and responsible business operations**
Our remuneration supports the achievement of the company's vision, strategic and operational goals as well as the goals of sustainable development. We encourage activities in line with the company's values and interests – responsible profitability, reliability, renewal and cooperation.
- **Ensuring performance and profitable growth**
With remuneration, we encourage excellent performance and results in both 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.

■ The company's financial development

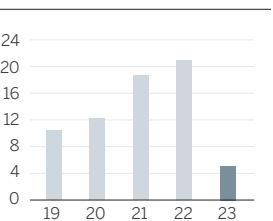
OPERATING RESULT, COMPARABLE

EUR million



RETURN ON CAPITAL EMPLOYED, COMPARABLE

%



■ Short-term and long-term incentive systems

Metsä Board has a short-term incentive system with a review period of one calendar year. In addition, Metsä Board has a long-term share-based incentive system with a performance period of three years and a restriction period of approximately two years. The targets of the long-term incentive system, tied to the return on capital employed, operating result, and equity ratio, affect the long-term development of shareholder value. The Board of Directors has steered the company's operations in the short- and long-term with the support of the incentive systems. Metsä Board's financial result has a direct impact on the remuneration of the CEO through both the short- and long-term incentive systems.

■ Development of remuneration in 2019–2023

No changes were made to the remuneration paid to Board members in 2019–2021. In 2022, the Annual General Meeting decided to increase the annual remuneration paid to Board members. The annual remuneration paid to the Chair and to the Vice Chair of the Board of Directors is EUR 99,000 and EUR 85,000 respectively. The annual remuneration paid to other members of the Board of Directors is EUR 67,000. The 2022 Annual General Meeting also decided to keep meeting fees at EUR 800. The 2023

Annual General Meeting decided to keep the fees unchanged. The CEO's base salary has been increased by around seven per cent over a five-year period.

The development of the gross earnings has been influenced particularly by the company's success and thereby by the number of the company's B series shares earned in the long-term remuneration incentive system. The development of employees' average earnings has been moderate.

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

	2023	2022	2021	2020	2019
Chair of the Board of Directors	111,800	113,400	108,600	108,300	105,500
Ilkka Hämälä as of 27 March 2018					
Vice Chair of the Board of Directors	97,800	99,400	93,600	94,700	90,500
Jussi Linnaranta as of 11 June 2020					
Martti Asunta until 11 June 2020					
Other members of the Board of Directors (average)	80,200	82,329	75,986	75,900	73,400
CEO¹⁾	2,268,101	1,817,130	1,558,658	1,148,937	1,333,824
Mika Joukio as of 1 October 2014					
Average earnings of employees²⁾	52,221	59,564	56,941	50,695	51,418

¹⁾ The figures shown in the table do not include paid supplementary pension insurance premiums.

²⁾ The average earnings of employees have been calculated from the employee costs of Metsä Board Group in its entirety by deducting social security costs from the total and dividing the remainder by the average number of employees.

Remuneration paid to the Board of Directors

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

	Annual remuneration ¹⁾	Board meeting fees	Committee meeting fees	Pension insurance contribution (TyEL) ²⁾	Total
Ilkka Härmälä , Chair	99,000	10,400	2,400	18,794	130,594
Jussi Linnaranta , Vice Chair	85,000	10,400	2,400	17,907	115,707
Hannu Anttila	67,000	10,400	3,200	1,025	81,625
Raija-Leena Hankonen-Nybom ³⁾	67,000	10,400	3,200	15,454	96,054
Erja Hyrsky	67,000	10,400	2,400	14,611	94,411
Mari Kiviniemi	67,000	10,400	3,200	13,549	94,149
Jukka Moisio	67,000	10,400	1,600	13,280	92,280
Mikko Mäkimattila , as of 23 March 2023	67,000	6,400	800	13,586	87,786
Juha Vanhainen , as of 23 March 2023	67,000	6,400	2,400	12,742	88,542
Yhteensä	653,000	85,600	21,600	120,949	881,149
Former members of the Board of Directors					
Timo Saukkonen , until 23 March 2023	5,600	4,000	1,600	941	12,141
Veli Sundbäck , until 23 March 2023	5,600	4,000	1,600	-	11,200
Yhteensä	11,200	8,000	3,200	941	23,341

¹⁾ Approximately half the remuneration has been paid as the company's B series shares, and approximately half in cash. The cash portion has covered the taxes to be charged from the remuneration. The figures shown in the table do not include the portion of transfer tax paid by the company.

²⁾ Members of the Board are voluntarily covered by TyEL pension (the Finnish statutory pension system) insurance until they reach the required upper age limit.

³⁾ The Chair of the Audit Committee has also been paid a monthly remuneration of EUR 900 every month.

SHARES ¹⁾ DELIVERED TO THE BOARD OF DIRECTORS IN 2023

Member of the Board of Directors	Number of shares delivered
Ilkka Härmälä , Chair	7,465
Jussi Linnaranta , Vice Chair	6,410
Hannu Anttila	5,052
Raija-Leena Hankonen-Nybom	5,052
Erja Hyrsky	5,052
Mari Kiviniemi	5,052
Mikko Mäkimattila	5,052
Juha Vanhainen	5,052
Jukka Moisio	5,052
Total	49,239

¹⁾ B shares acquired from public trading on 28 April 2023

Remuneration of the CEO

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

	2023
Base salary, including fringe benefits ¹⁾	545,164
Short-term incentive ²⁾	331,049
Long-term incentive ³⁾	1,391,888
Total	2,268,101
Supplementary defined benefit pension arrangement	520,027

¹⁾ The base salary includes a company car and phone benefit, as well as extended health, travel and accident insurance coverage.

²⁾ The short-term incentive paid concerns performance in 2022.

³⁾ The long-term incentive paid concerns the 2020–2022 performance period.

The short-term incentive paid to the CEO was based on performance in 2022. The maximum level of remuneration available in the short-term incentive system in 2022 was 75% of the fixed annual base salary, accounting for Metsä Group's EBIT multiplier. The reward was based on Metsä Board's operating result (weighting 50%) and the strategic targets defined by the Board of Directors (weighting 50%), as well as the realisation of Metsä Group's EBIT multiplier. The CEO's short-term incentive for 2022 was 15% of the overall remuneration paid in 2023, accounting for Metsä Group's EBIT multiplier. The incentive 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.

THE DIVISION OF THE CEO'S REMUNERATION INTO A FIXED BASE SALARY, SHORT-TERM INCENTIVE AND LONG-TERM INCENTIVE IN 2023



Base salary, including fringe benefits.....	24%
Short-term incentive.....	15%
Long-term incentive.....	61%

LONG-TERM INCENTIVE SYSTEM

Performance period	2020–2022
Performance criteria	ROCE ¹⁾
Realisation of performance period, %	100
Year of reward payment	2023
Restriction period	2 years
Share price on the date of transfer, EUR	8.26
Number of shares delivered	84,576

¹⁾ Metsä Board's and Metsä Group's three-year average return on capital employed. Furthermore, minimum values have been set for the equity ratio and operating result.

In 2019, Metsä Board's Board of Directors decided on a long-term performance-based incentive system for 2020–2024. The system comprises three three-year performance periods. The CEO's reward can be no more than 210% of the CEO's fixed annual base salary (a cut-off level 270% of fixed annual base salary). The payment of the reward is followed by a restriction period of approximately two years, during which the CEO cannot transfer or dispose of the shares. The reward is based on the development of Metsä Board Group's (50%) and Metsä Group's (50%) 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 reward paid from the long-term incentive system in 2023 concerned the 2020–2022 performance period of the 2020–2024 performance share plan. The realisation of the performance period 2020–2022 was 100%. The realisation of the long-term incentive was 61% of the CEO's total remuneration in 2023. The reward for the 2021–2023 performance period will be paid in March 2024.

In 2022, Metsä Board's Board of Directors decided on a new long-term performance-based incentive system for 2023–2027. The system comprises three three-year performance periods. Each performance period will be followed by a restriction period of approximately two years. The amount of the reward has been limited. The CEO's reward can be no more than 210% of the CEO's fixed annual base salary (a cut-off level 270% of fixed annual base salary). The reward is based on the development of Metsä Board Group's (50%) and Metsä Group's (50%) 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) form a significant portion of the CEO's remuneration. The relative portions of variable pay and the fixed annual base salary are shown in the graph on the left.

■ The cost of the CEO's supplementary pension arrangement in 2023

The CEO is covered by the supplementary defined benefit pension arrangement, according to which the CEO is entitled to retire at the age of 62. In 2023, the contribution to the supplementary defined-benefit pension arrangement was EUR 520,027. No other financial benefits were paid to the CEO in 2023.

Investor relations and investor information

The task of Metsä Board’s Investor Relations is to ensure that the market receives accurate and adequate information to determine the value of Metsä Board’s shares. The Investor Relations function engages in active dialogue with representatives of the capital markets and is responsible for the planning and implementation of the company’s financial and investor communication.

The activities of Investor Relations also include collecting feedback from investors and market information for Metsä Board’s management and Board of Directors.

Meetings with investors and analysts are primarily attended by the Vice President for Investor Relations, the CFO and/or the CEO. All requests from investors are handled in a centralised manner by Investor Relations. During the silent period, the company will not provide comments on the company’s financial standing or outlook, or the market environment.

Investors website

More information about Metsä Board as an investment, as well as the company’s strategy, operating environment, financials and governance, can be found on the company’s website at <https://www.metsagroup.com/metsaboard/investors/>.

Investor relations in 2023

In 2023, several investor and analyst meetings were organised, both virtually and in person. Investors were met mainly in Finland, Central Europe and North America. Metsä Board also participated actively in investor conferences organised by brokerage firms. In-person group events were organised for private investors.

The 2023 Annual General Meeting was held on 23 March 2023 in Espoo.

In connection with the publishing of each interim report, Metsä Board organises a webcast and conference call open to everyone. During the event, the CEO and CFO present the results, and the audience can ask questions. The recordings and presentation materials are available on the company’s website for at least five (5) years.

Metsä Board’s investor communication makes use of social media through Twitter and LinkedIn accounts, for example.

Analyst coverage

At least the following brokerage firms conducted analyses of Metsä Board in 2023: ABG Sundal Collier, Carnegie, Danske Bank, DnB, Inderes, Nordea, OP Equities, SEB and UBS. The contact details of the analysts and some of the consensus forecasts are available on the company’s website.

Metsä Board is not responsible for the content, accuracy or extent of the analysts’ views.

Annual General Meeting in 2024

Metsä Board’s Annual General Meeting will be held on Tuesday 26 March 2024 at 3:00 p.m. EET in the Kaleva Hall at Dipoli, Otakaari 24, 02150 Espoo, Finland. The notice to general meeting, including registration instructions, as well as the general meeting documents and additional information are available on the Company’s website at www.metsagroup.com/agm2024.

Profit distribution

The Board of Directors proposes to the Annual General Meeting to be held on 26 March 2024 that a dividend of EUR 0.25 per share be paid for the 2023 financial period. The proposed dividend is in line with the company’s dividend policy.

The dividend will be paid to shareholders who are registered in the company’s shareholder register held by Euroclear Finland Oy on the date of record, 28 March 2024. The Board of Directors proposes 9 April 2024 as the dividend payment date.

Contact details for investor relations

Katri Sundström
Vice President, Investor Relations
tel. +358 10 462 0101
katri.sundstrom@metsagroup.com

General questions and comments related to investor relations can be emailed to: metsaboard.investors@metsagroup.com.

Business ID 0635366–7

Metsä Board Corporation
Head office
PO Box 20
FI-02020 METSÄ

Financial reporting in 2024

Silent period	Financial report	Publication date
1 January–8 February 2024	Financial Statements Bulletin 2023	8 February 2024
1 April–25 April 2024	Interim Report for January–March 2024	25 April 2024
1 July–1 August 2024	Half-year Financial Report for January–June 2024	1 August 2024
1 October–24 October 2024	Interim Report for January–September 2024	24 October 2024

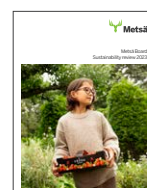
Metsä Board is a leading European producer of premium fresh fibre paperboards and a forerunner in sustainability. Metsä Board is part of Metsä Group.

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Metsä Board
Annual review 2023



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Sustainability review
2023



**Together we make
the perfect package**

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