

# Facts about ESG reporting

## – what you should know about ESG reporting and our ESG targets

### WHAT IS ESG?

ESG can be seen as a synonym for sustainability. The abbreviation stands for Environmental, Social, and Governance, the key areas of corporate sustainability. This framework provides a holistic framework for discussing, evaluating, and managing companies' performance and impact related to sustainability.

### MEASURING SUSTAINABILITY IMPACTS & PROGRESS

The ESG framework enables looking at a company's performance and impact related to sustainability from a holistic view. Metsä Group's 2030 sustainability targets follow the ESG framework.



#### ENVIRONMENTAL

Company's impact on natural environment

E.g. resource use, carbon footprint, pollution, waste management, environment related risks



#### SOCIAL

Company's relationship with people within and outside the organisation – overall societal impact of operations

E.g. human rights, labor practices, DEI, well-being, community engagement



#### GOVERNANCE

Systems and structures to ensure a company runs ethical and transparent business in the best interests of all stakeholders

E.g. corporate governance structure, compensation drivers, risk management practices, ethical standards

### ESG REPORTING

Companies are required to report on ESG matters annually by regulation coming from EU if they are a specific size, and the reporting is done according to different standards. In addition, investor interest and the overall increasing sustainability awareness drives companies into thorough reporting.

In 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force in EU. The directive requires companies to report on sustainability according to European Sustainability Reporting Standard (ESRS), which incorporates the ESG framework. Furthermore, a double materiality assessment is required, meaning that companies should evaluate both how sustainability issues



affect them, as well as how their business affects the environment and society around them.

CSRD aims to make sustainability reporting more reliable and the information comparable between companies, thereby enhancing transparency in corporate activities. This increased transparency ensures that stakeholders such as investors or customers have access to clear and consistent information about a company's sustainability performance and impact. This provides a valuable opportunity for businesses with established expertise in sustainability to distinguish themselves in the industry.

Metsä Group is following the CSRD reporting principles, and the annual report includes sustainability information as well as EU Taxonomy which is a classification system for the financial market, 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.

## ESG IN BUSINESS MANAGEMENT AND METSÄ FIBRE'S 2030 SUSTAINABILITY TARGETS

ESG is increasingly integrated into business strategies, risk management and decision-making processes, as they are in Metsä. For example, the risks and opportunities are assessed for each ESG sub-topic on the Metsä Group Annual Review.

Metsä Fibre's 2030 Sustainability Targets follow the ESG framework. The targets are divided under the E, S and G main topics, and each target is assigned with a KPI which

depicts the progress in achieving the target. At Metsä Fibre, we track the progress towards our 2030 targets mainly at the company level. As forest management services, wood procurement, and other raw material and service procurement are handled by Metsä Group, the targets related to forest management, biodiversity, and joint targets with partner suppliers have been set at the Metsä Group level.

Our place in the forest industry field demands special attention and focus on environmental issues.

Metsä Fibre's **Environmental targets** are divided into three main categories, with a focus on:

1. Mitigating climate change and adapting to it in own operation and value chains
2. Continuous improvement in resource-efficiency in production
3. Enhancing the state of forest nature

Additionally, we have set comprehensive **Social targets**, with a focus on:

1. Accident-free work environment
2. Continuous improvement in engagement and well-being of employees
3. Promoting diversity, equity and inclusion (DEI)

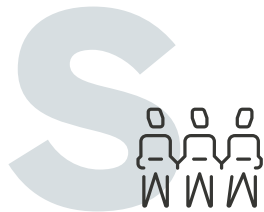
We also set **Governance targets**, with a focus on:

1. Promoting ethical corporate culture
2. Promoting sustainable and ethical practices in our supply chain

## OUR 2030 SUSTAINABILITY TARGETS



Target and metrics	2030 target	UN SDG
<b>E – ENVIRONMENT</b>		
<b>1. Mitigating climate change and adapting to it in own operation and value chains</b>		
Improvement in energy efficiency from the 2018 level, %	+10	7, 12, 13
Fossil-based carbon dioxide emissions (Scope 1 + Scope 2 market-based), t	0	12, 13
Greenhouse gas emissions from logistics purchased by Metsä Fibre from the 2022 level (Scope 3, category 4), %/tkm	-30	13
Fossil-free raw materials and packaging materials excluding wood and purchased pulp, share of dry tons, %*	100	9, 12
Metsä Group level targets:		
Amount of forest regeneration and young stand management from the 2018 level, %	+30	13, 15
Amount of forest fertilization from the 2018 level, %	+50	13, 15
Share of continuous cover forestry in peatland forest regeneration, %	30	13, 15
Volume of mechanical wood products from the 2018 level, %	+30	12, 13
<b>2. Continuous improvement in resource-efficiency in production</b>		
Reduction in process water use per produced tonne from the 2018 level, %	-35	6, 12
Process waste delivered to landfills, t	0	12
<b>3. Enhancing the state of forest nature</b>		
Metsä Group level targets:		
Retention trees on regeneration felling sites, %	100	13, 15
High biodiversity stumps on harvesting sites, %	100	13, 15
Spruce as the only tree species after young stand management, %	0	13, 15
Measures promoting biodiversity, number	10,000	13, 15



<b>S – SOCIAL</b>		
<b>4. Accident-free work environment</b>		
Total recordable incident frequency, own employees (TRIF)	0	8
Total recordable incident frequency, contractor employees (TRIF)	0	8
<b>5. Continuous improvement in engagement and well-being of employees</b>		
Employee engagement, index	AAA	5, 8
The implementation of the measures defined based on the employee survey, %	100	5, 8
<b>6. Promoting diversity, equity and inclusion (DEI)</b>		
Women in leadership roles, %	35	5, 8
Employee experience on diversity, equity and inclusion (DEI) implementation, Metsä for all -index (scale 0-100)**	100	5, 8
Anonymous recruitment for vacancies open to all, %	100	5, 8



<b>G – GOVERNANCE</b>		
<b>7. Promoting ethical corporate culture</b>		
Employee experience on ethical corporate culture implementation, ethics index (scale 0-100)**	100	5, 8
<b>8. Promoting sustainable and ethical practices in our supply chain</b>		
Share of certified wood fibre, %	100	15
Traceability of raw materials, share of total purchases, %	100	9, 12
Suppliers' commitment to the Supplier Code of Conduct, share of total purchases, %	100	8, 12
Supplier assessments and audits of core suppliers, %	100	8, 12
Metsä Group level targets:		
Joint sustainability target with partner suppliers, %	100	12, 13

\* Recycled content in packaging materials also accounts as fossil-free due to the EU Packaging and Packaging Waste Regulation's requirement for recycled content in packaging materials.

\*\* Measures defined based on employee survey includes measures related to Employee engagement index, Metsä for all index and Ethics index.