

Metsä Group  
Corporate Governance Statement 2022



# Corporate Governance Statement 2022

## ■ Introduction

This statement concerning Metsä Group's Corporate Governance has been given as a separate report and published simultaneously with Metsä Group's Financial Statements and the Board of Directors' Report. Metsäliitto Cooperative is a Finnish cooperative and the parent company of Metsä Group. In this statement, Metsäliitto Cooperative is referred to when a matter is discussed from the parent company's perspective only. The decision making and administration of Metsä Group companies complies with the Cooperatives Act, the Limited Liability Companies Act, the Securities Markets Act, the rules of the cooperative, procedures approved by the administrative bodies, and the policies and guidelines approved by the Board of Directors of Metsäliitto Cooperative and the Executive Management Team of the Group. Metsäliitto Cooperative's rules are available in full on Metsä Group's website under "Metsä Group's corporate governance principles". Metsä Group prepares its financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS). The financial statements are published in Finnish and English. Metsä Group's head office is located in Espoo, Finland. The registered office of the parent company, Metsäliitto Cooperative, is in Helsinki, Finland.

## ■ Corporate Governance Code

Metsä Group's parent company Metsäliitto Cooperative complies with the Finnish Corporate Governance Code issued by the Securities Market Association; however, it takes into account the special characteristics of the cooperative form of incorporation, stating the deviations from the code and their rationale. In accordance with the opinion issued by the Finnish Central Chamber of Commerce in January 2006, corporations with an extensive ownership base, extensive operations, or considerable regional or national significance should comply with the Corporate Governance Code to the extent possible, taking their special characteristics into consideration in accordance with the "comply or explain" principle. The Corporate Governance Code is available on the website of the Securities Market Association at [www.cgfinland.fi/en/](http://www.cgfinland.fi/en/). The corporate governance system of Metsä Group's parent company Metsäliitto Cooperative deviates from the recommendations of the Corporate Governance Code as follows:

- According to the Corporate Governance Code, the members of the Board of Directors are elected by the Annual General Meeting. According to the rules of Metsäliitto Cooperative, the members of the Board of Directors are elected by the Supervisory Board. Thus, the election of Metsäliitto Cooperative's Board of Directors deviates from the recommendation of the Corporate Governance Code on the election of the Board of Directors. The competence regulations that deviate from the recommendation ensure that cooperative corporate governance is realised.

- According to the Corporate Governance Code, the members of the Board of Directors are elected for a term of office of one (1) year at a time. According to the rules of Metsäliitto Cooperative, the term of office of the members of the Board of Directors is three years at a time. The board members' three-year term of office has been deemed necessary to secure the continuity of decision-making and board work.

## ■ Main administrative bodies

Metsäliitto Cooperative's administrative bodies are the Representative Council, Supervisory Board, Board of Directors and the CEO, who also acts as the President and CEO of Metsä Group. The bodies separately specified below in this statement assist the administrative bodies in their decision-making and prepare their decisions. According to the rules of Metsäliitto Cooperative, the administrative personnel of Metsäliitto Cooperative must not work for companies or other organisations operating either directly or indirectly in the same sector as the cooperative or its Group companies or participate in the administration of such companies or organisations.

### Representative Council

The Representative Council uses the supreme decision-making power belonging to the members in Metsäliitto Cooperative in matters assigned to it by law and rules. The Representative Council substitutes for the meeting of the cooperative in Metsäliitto Cooperative. The meeting of the Representative Council discusses the matters specified in the Cooperatives Act and the rules of Metsäliitto Cooperative, as well as other matters mentioned in the invitation to the meeting.

The main tasks of the Representative Council are to:

- Decide on adopting the financial statements;
- Decide on the distribution of profit to the members;
- Decide on discharging the Supervisory Board, Board of Directors and CEO/President and CEO from liability;
- Elect the members of the Supervisory Board and the auditors and decide on their remuneration.

A full member of Metsäliitto Cooperative can be elected to the Representative Council. Persons who are employed by the Cooperative or its Group company or who are members of Metsäliitto's Supervisory Board or Board of Directors are not eligible to stand for election to the Representative Council. The election of the Representative Council is carried out every four years by postal voting, a communications link or some other technical means. Each member has one vote. The election is carried out by election districts so that the number of representatives elected from each district equals the number of Metsäliitto Cooperative members on the list of voters for the district in question who are entitled

to vote on 1 January of the election year, divided by 2,300 and the remainder counted as one. The election districts are confirmed by the Supervisory Board, and they are determined according to Metsäliitto Cooperative's district organisations as a rule. In accordance with the rules, the Representative Council convenes once a year in the spring. The Representative Council, the Supervisory Board or the Board of Directors may decide to arrange an extraordinary meeting. An extraordinary meeting must also be convened if demanded by at least one tenth of the Representative Council members. Unless otherwise required by the Cooperatives Act for certain matters, the Representative Council is convened by the Supervisory Board at least seven days before the meeting with a written invitation to the meeting sent to every member of the Representative Council, which must mention the matters to be discussed in the meeting. Each Representative Council member has one vote in the meeting. Amending the rules of Metsäliitto Cooperative requires that the amendment proposal is supported by a minimum of two-thirds of the members present at the meeting of the Representative Council. In addition to the members of the Representative Council, the President and CEO of Metsä Group, the Chair of the Board of Directors and, as a general rule, the members of the Board of Directors and Supervisory Board are present at meetings of the Representative Council. In addition, the auditors are also present at the Annual General Meeting of the Representative Council. The composition of the Representative Council is presented on Metsä Group's website under "Management and administration".

## District Committees

In accordance with the rules of Metsäliitto Cooperative, there is a District Committee in each wood supply district. The District Committee comprises the members of the Representative Council, Supervisory Board and Board of Directors elected from the District's area, as well as candidates not elected in the election of the representative council, in the order of their personal number of votes. Each District has twice as many committee members as the number of representatives elected from the District's area, but always with a minimum of five (5) candidates not elected to the Representative Council in the election. The guidelines approved by the Supervisory Board specify the tasks of the District Committee. According to the regulations, the main task of the District Committee is to promote communication and interaction between the members and the Metsäliitto Cooperative wood supply district in question through its operations.

## Supervisory Board

The rules of Metsäliitto Cooperative specify that the Supervisory Board is a part of Metsäliitto's administrative model. This aims to ensure the realisation of sufficient governance by the owners and the commitment of the members to the Cooperative's decision-making. Strategic and

other far-reaching decisions, however, belong to the powers of Metsäliitto Cooperative's Board of Directors, and operational management to the executive management. The rules of the Cooperative specify the tasks of the Supervisory Board. The main task of the Supervisory Board is to ensure that the Cooperative is managed in accordance with the rules and the decisions of the Representative Council and the Supervisory Board.

In addition to this, the Supervisory Board:

- elects and dismisses members of the Board of Directors and decides on their remuneration;
- gives the Board of Directors instructions on far-reaching matters and matters that are of importance in principle;
- provides the Representative Council with an opinion on the financial statements.

The Supervisory Board elects a chair and deputy chair from among its members for one (1) year at a time and invites a secretary. The Supervisory Board convenes as summoned by the chair as often as necessary, or as proposed by the Board of Directors. The Supervisory Board constitutes a quorum when more than half the members are present. The opinion favoured by the majority will be the final decision. If the votes are even, the chair has the casting vote, and even elections are decided by lot. The Supervisory Board comprises a minimum of twenty and a maximum of thirty members elected by the Representative Council from among the members of the Cooperative. In addition, the Representative Council may, at the proposal of the Supervisory Board, elect a maximum of three expert members to the Supervisory Board. The term of office of a member of the Supervisory Board begins after the Annual General Meeting of the Representative Council that elected him or her and runs until the Annual General Meeting of the Representative Council three years later. The purpose of the three-year term of office is to ensure continuity in decision-making. Regional equality is taken into consideration when electing the members of the Supervisory Board. A member of the Board of Directors may not be a member of the Supervisory Board. The composition of the Supervisory Board is presented on Metsä Group's website under "Management and administration".

## Nomination Committee of the Supervisory Board

A special Nomination Committee elected from among the members of the Supervisory Board prepares the election of the members of the Board of Directors in accordance with procedures approved for it. In addition, the Nomination Committee makes a proposal for the fees paid to the Board of Directors. The Nomination Committee comprises six members of the Supervisory Board as well as the Chair and the Deputy Chair of the Supervisory Board. The Chair of the Supervisory Board acts as the Chair of the Nomination Committee, and the secretary of the Board of Directors

acts as the secretary. The Committee may invite the Chair of the Board of Directors to attend their meetings as an expert member. The Supervisory Board elected the following persons to the Nomination Committee in its meeting held on 28 April 2022: Matti Alatalo, Mats Brandt, Jari Laineenoja, Pirkko Laitinen, Matti Turtiainen and Ilkka Uusitalo. Furthermore, Juha Paajanen, Chair of the Supervisory Board, and Ahti Siponen, Deputy Chair, are members of the Nomination Committee based on their positions.

## Information on the meetings of the Supervisory Board in 2022

In 2022, the Supervisory Board had 34 members, four of them personnel representatives elected by different personnel groups. There were no expert members on the Supervisory Board in 2022. The Supervisory Board convened four times, and the members' attendance rate was 98%.

## Board of Directors

According to the rules of Metsäliitto Cooperative and in accordance with legislation, the Board of Directors is charged with ensuring that Metsäliitto Cooperative and Metsä Group's operations and administration are appropriately arranged. The Board of Directors has drawn up a charter for its operations that specifies in greater detail the operating principles followed in the decision-making of the Board of Directors. The charter is available in full on Metsä Group's website under "Metsä Group's corporate governance principles."

The tasks of the Board of Directors include:

- Appointing and dismissing the CEO, who also serves as the President and CEO of Metsä Group, unless otherwise decided by the Board of Directors;
- Confirming the tasks of the CEO/President and CEO and the terms of the service contract, and monitoring that they take care of the Cooperative's running administration in accordance with the instructions and orders of the Board of Directors;
- Appointing and dismissing the directors immediately subordinate to the CEO and the President and CEO if appointed;

- Deciding on how share payments are collected and on the issue of additional shares and their terms and conditions;
- Approving the strategy and annual budget of the Cooperative and the Group, and supervising compliance with them;
- Signing the financial statements and consolidated financial statements, and presenting them to the Supervisory Board for audit;
- Preparing matters to be processed at the meetings of the Supervisory Board;
- Deciding on the remuneration and other benefits of the CEO/President and CEO and other senior management on the HR Committee's proposal;
- Deciding on other matters that, taking into account the extent and quality of the operations of the Cooperative, are unusual and far-reaching.

The Board of Directors elects a chair and a possible deputy chair from amongst its members for one year at a time. The chair of the Supervisory Board has the right to attend the Board of Directors' meetings. The Board of Directors convenes as summoned by the chair, as often as necessary. The President and CEO prepares the meetings of the Board of Directors. The Board of Directors is quorate when more than half the members of the Board are present. If the votes are equal, the chair has the casting vote. Minutes must be kept of the meetings of the Board of Directors. The Board of Directors regularly appraises its operation and procedures by conducting an annual self-assessment.

## Composition and term of office of the Board of Directors

The Supervisory Board elects the Board of Directors of Metsäliitto Cooperative. The Board of Directors comprises a minimum of five and a maximum of eight members. As a rule, a Board member's term of office commences at the beginning of the calendar year following the meeting of the Supervisory Board that elected them and runs for three years at a time. When preparing the nominations of the members of the Board of

## Metsäliitto Cooperative's Board of Directors on 31 December 2021

Member of the Board of Directors	Member of the Board of Directors since	Year of birth	Education	Participation (own, under common ownership and by controlled corporations) in Metsäliitto Cooperative on 31 December 2022 (EUR)	Shares (own and by controlled corporations) in Metsä Board Corporation on 31 December 2022 (number of)
Jussi Linnaranta Chair	2017	1972	M.Sc. (Agriculture and Forestry), agronomist	239,539	29,801 (B share)
Timo Saukkonen Deputy Chair	2007	1963	M.Sc. (Agriculture and Forestry), forester	164,926	16,831 (B share)
Taavi Heikkilä	2021	1962	M.Sc. (Econ.), vuorineuvos (Finnish honorary title)	6,240	-
Mikko Mäkimattila	2020	1971	M.Sc. (Agriculture and Forestry), agronomist	115,899	-
Juha Parpala	2009	1967	Agrologist	49,972	1,087 (B share)
Nina Pärssinen	2021	1961	LL.M.	676	-
Ilkka Salonen	2018	1965	M.Sc. (Econ.)	114,655	-
Jussi Vanhanen	2021	1971	MBA, LL.M.	714	4,000 (B share)

Directors, the Supervisory Board's Nomination Committee considers their qualifications, experience and available time, and also ensures that the composition of the Board includes diverse expertise. In 2022, the Chair of the Board of Directors was Jussi Linnaranta, the Deputy Chair was Timo Saukkonen, and the members were Taavi Heikkilä, Mikko Mäkimattila, Juha Parpala, Nina Pärssinen, Ilkka Salonen and Jussi Vanhanen. At its meeting held in October 2022, Metsäliitto Cooperative's Supervisory Board re-elected the outgoing members Jussi Linnaranta and Mikko Mäkimattila for a new three-year term and elected Eija Pitkänen as a new member. Timo Saukkonen retired from the Board of Directors on 31 December 2022.

According to the decision made by the Board of Directors in January 2023, the Chair of the Board of Directors in 2023 will be Jussi Linnaranta and the Deputy Chair will be Mikko Mäkimattila. Further details about the Board members are available on Metsä Group's website under "Management and administration".

## Independence of Board members and diversity of the Board of the Directors

According to the overall evaluation by the Board of Directors, all members of the Board are independent of Metsäliitto Cooperative. The cooperative does not have such significant owner-members as referred to in the Corporate Governance Code of whom the members of the Board of Directors would be dependent. In December 2016, the Board of Directors approved the principles concerning the diversity of the Board of Directors. According to the principles, the successful management of the tasks of the Board of Directors and its committees requires a diverse composition, competence and experience, as well as the consideration of the personal qualities of individual members. Metsäliitto Cooperative has identified, in addition to knowledge of the forestry and forest industry sector, experience in demanding business management tasks and an international operating environment as essential in terms of the Board of Director's diversity. Other factors identified as promoting diversity include the board members' mutually complementary educational backgrounds, management experience in various segments of business operations, and a diverse age and gender distribution. It is Metsäliitto Cooperative's goal that both genders be represented on the Board of Directors. The Supervisory Board's Nomination Committee observes these principles when preparing proposals on the composition of the Board of Directors presented to the Supervisory Board. The Board of Directors was composed of eight members, most of whom have an academic degree. The members of the Board of Directors have significant experience in demanding governance and management duties from a number of sectors, and of international business operations. Several board members are distinguished members of society. The Supervisory Board's Nomination Committee observes the diversity principles and goals when preparing proposals on the composition of the Board of Directors.

## Board Committees

In order to ensure that the Board of Directors' tasks are effectively carried out, Metsäliitto Cooperative's Board of Directors has an Audit Committee and an HR Committee. The committees do not have the authority to make decisions independently; the Board of Directors makes the decisions on matters based on the preparation of the Committees. The Board of Directors elects the members of the committees from among its members.

### Audit Committee

The Audit Committee assists the Board of Directors in performing its supervision task. In this task, the committee assesses and supervises matters related to financial reporting, auditing, internal audit and risk management in accordance with procedures approved for it. The Audit Committee comprises a minimum of three members, most of whom are independent of the company, elected annually by the Board of Directors from among its members. In addition, the chair of the Supervisory Board has the right to attend the Audit Committee's meetings. The President and CEO and the Group's Chief Financial Officer also attend the meetings of the Audit Committee, except when the Audit Committee wishes to convene without the presence of the executive management. The Audit Committee regularly reports to the Board of Directors on its operations and observations. In 2022, the Chair of the Audit Committee was Ilkka Salonen. The other members of the committee in 2022 were Jussi Linnaranta, Mikko Mäkimattila and Jussi Vanhanen. They will all continue as members of the Audit Committee in 2023.

### HR Committee

The purpose of the HR Committee is to assist the Board of Directors in ensuring that Metsä Group has appropriate and competitive incentive systems, and successor and development planning in accordance with the procedure approved by the Board of Directors. In its task, the committee presents matters such as the terms of the employment relationship of CEO and President and CEO, incentive systems for the senior management, and key principles in the senior management's contracts to the Board of Directors for decision. In addition, the HR Committee presents the annual targets for the senior management to the Board of Directors for approval and monitors their realisation. Furthermore, the committee processes matters related to the incentive systems of the senior management and presents them for the decision of the Board of Directors. The Board of Directors annually elects three members to the HR Committee from among its members. The majority of the members of the HR Committee must be independent of Metsä Group. The President and CEO and the Group's SVP, HR also attend the meetings of the HR Committee, except when the committee wishes to convene without the presence of the executive management. The HR Committee regularly reports to the Board of Directors on its operations. In 2022, the Chair of the HR Committee was Taavi Heikkilä, and the members were Jussi Linnaranta, Nina Pärssinen and Timo Saukkonen. Heikkilä will continue as the Chair of the committee in 2023. Linnaranta and Pärssinen will continue as members of the HR Committee in 2023. Eija Pitkänen was elected as a new member of the committee.

## Information on the meetings of the Board of Directors and its Committees in 2022

The Board of Directors convened 17 times in 2022. Of the members of the Board, Linnaranta, Heikkilä, Mäkimattila, Salonen, Saukkonen and Vanhanen attended all the meetings. Parpala and Pärssinen attended 16 meetings. The Board members' attendance rate was 99%. The Audit Committee convened four times. The attendance rate of the members of the Audit Committee was 94%. The HR Committee convened six times, and the members' attendance rate was 100%.



## President and CEO

Metsäliitto Cooperative has a CEO, who also acts as the President and CEO of Metsä Group, unless otherwise decided by the Board of Directors. Currently, the President and CEO of Metsä Group also acts as the CEO of Metsäliitto Cooperative. The President and CEO is appointed by the Board of Directors. The President and CEO is charged with the management of the operations of Metsä Group in accordance with the law and regulations, as well as the decisions and instructions of the governing bodies. The President and CEO is in charge of arranging the running administration of the cooperative and supervising its financial administration. President and CEO Ilkka Hämälä (M.Sc. (Eng.), born in 1961) has acted as the CEO of Metsäliitto Cooperative as of 1 January 2018 and as the President and CEO of Metsä Group since 1 April 2018. Further details about the President and CEO are available on Metsä Group's website under "Management and administration".

## Executive Management Team

Metsä Group has an Executive Management Team, with the Group's President and CEO as its chair. The Executive Management Team assists the President and CEO in the planning and operational management of business operations and prepares proposals for the Board of Directors, such as business strategies, budgets and significant investments. In addition to the President and CEO, the Executive Management Team includes the Group's CFO, the Group's Executive Vice President, Strategy, the Executive Vice Presidents of Metsä Forest and Metsä Wood, and the CEOs of Metsä Fibre Oy, Metsä Board Corporation and Metsä Tissue Corporation. The Executive Management Team convenes as summoned by the Chair, primarily once a month, and additionally whenever necessary. Metsä Group's Executive Management Team is composed of President and CEO Ilkka Hämälä, Vesa-Pekka Takala (Metsä Group's CFO, Deputy Managing Director of Metsäliitto Cooperative), Sari Pajari-Sederholm (Metsä Group's EVP, Strategy), Juha Jumppanen (EVP of Metsä Forest), Jaakko Anttila (EVP of Metsä Wood), Ismo Nousiainen (CEO of Metsä Fibre), Mika Joukio (CEO of Metsä Board Corporation) and Esa Kaikkonen

(CEO of Metsä Tissue Corporation). Further details about the members of the Executive Management Team are available on Metsä Group's website under "Management and administration".

## Internal control, internal audit and risk management

Profitable business requires that operations are monitored continuously and with adequate efficiency. Metsä Group's internal control covers Metsä Group's business units and head office functions. Internal control produces transparency to the efficiency and appropriateness of internal operations, as well as the reliability of financial reporting and compliance with the relevant laws and regulations. The functionality of internal control is evaluated by Metsä Group's internal audit. Internal control is implemented throughout the organisation. Internal control methods include internal guidelines and reporting systems that support control. The principles, objectives and responsibilities of Metsä Group's internal control and the principles of internal audits are described below. Metsä Group's executive management, risk management director and internal audit are responsible for composing the principles above, and the Board of Directors for ultimately ratifying them.

### Internal control

In Metsä Group, internal control covers the control of financial and business operations from a risk-oriented perspective. Internal control is implemented by the Board of Directors, the Audit Committee and the executive management, as well as the entire personnel. Internal control refers to those management activities that seek to ensure:

- Metsä Group's corporate social responsibility performance;
- Achievement of the objectives set for Metsä Group and the economical, appropriate and efficient use of resources;
- Appropriate management of operational risks;
- Reliable and correct financial and other management information;
- Adherence to external regulations and internal policies;

## Metsä Group's Executive Management Team on 31 December 2022

Member of the Executive Management Team (since)	Position at Metsä Group	Year of birth	Education	Participation (own, under common ownership and by controlled corporations) in Metsäliitto Cooperative on 31 December 2022 (EUR)	Shares (own and by controlled corporations) in Metsä Board Corporation on 31 December 2022 (number of)
Ilkka Hämälä (2008)	President and CEO	1961	M.Sc. (Eng.)	-	287,349 (B share)
Vesa-Pekka Takala (2010)	CFO, Metsä Group Deputy Managing Director Metsäliitto Cooperative	1966	M.Sc. (Econ.)	58,802	155,123 (B share)
Sari Pajari-Sederholm (2021)	Executive Vice President, Strategy	1968	M.Sc. (Eng.)	-	78,057 (B share)
Juha Mäntylä (2008)	COO, Metsäliitto Cooperative	1961	M.Sc. (agriculture and forestry)	612,255	265,659 (B share)
Juha Jumppanen (2022)	Executive Vice President, Metsä Forest	1977	M.Sc. (Agriculture and Forestry), forester	3,562	14,465 (B share)
Jaakko Anttila (2022)	Executive Vice President, Metsä Wood	1977	M.Sc. (Eng.)	-	21,282 (B share)
Ismo Nousiainen (2018)	CEO of Metsä Fibre	1966	M.Sc. (Eng.)	-	54,075 (B share)
Mika Joukio (2012)	CEO, Metsä Board Corporation	1964	M.Sc. (Eng.)	185,978	352,500 (B share)
Esa Kaikkonen (2008)	CEO, Metsä Tissue Corporation	1969	LL. M.	-	71,178 (B share)

- Good practices in relations with external stakeholders (e.g. suppliers, customers, social actors);
- Sufficient security of people, operations, information and property; and
- Arrangement of adequate and suitable manual and IT systems to support operations.

Internal control is divided into (i) proactive control, such as defining Metsä Group's values and general operational and business principles, as well as its goals and strategy; (ii) daily control, such as general control and follow-up with business processes, operational management systems and work guidelines; and (iii) subsequent control, such as different management evaluations and inspections, comparisons and verifications, the aim of which is to ensure that the goals are met and that the agreed operational and control principles are followed. Metsä Group's corporate culture, governance and the approach to control together create the basis for the entire process of internal control.

### Internal monitoring of the financial reporting process, credit control and authorisation rights

The financial organisations of the business areas and the Group are responsible for financial reporting. The units and business areas report the financial figures each month. Business area controllers check the monthly performance of units from each business area and report them further to the Group's financial administration. The profitability development and business risks and opportunities of business areas are discussed monthly at the meetings of Metsä Group's Executive Management Team attended by the senior management of Metsä Group and of each business area, as well as at financial management team meetings attended by the Group CFO and director of finance and the CFO of each business area, among others. The results are reported to the Board of Directors of Metsäliitto Cooperative each month. The results of the business areas are additionally reported to the Boards of Directors of their parent companies each month. Metsä Group's Controllers' Manual describes the reporting and control regulations and the reporting procedure in detail. Credit control in Metsä Group is carried out by each business area in accordance with the Group's credit control policy and the business area-specific credit control policy based on it. Credit control is carried out by the Group's central credit control organisation in cooperation with the management of the business areas. Authorisation rights concerning expenses, significant contracts and investments have been continuously specified for different organisation levels, according to the decision-making order confirmed by the board and the authority separately granted by the President and CEO and other management personnel. Investment approval and follow-up are carried out by the business areas and the group's financial administration according to the decision-making order and investment policy approved by the Board of Directors. The most significant investments are prepared in cooperation with the group's technology unit and, when required by the decision-making policy, submitted to the group's Executive Management Team for review and to the Board of Directors of the group's parent company or the business area's parent company for approval. The technology unit ensures that the final reporting and follow-up monitoring of these projects are implemented in accordance with the investment policy.

### Internal audit

Internal audit is an independent and objective assessment, assurance and consulting activity designed to add value to Metsä Group and improve its operations. Internal audit assists the Board in its supervisory role and supports Metsä Group 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. Audit work is carried out in compliance with the internal audit guideline ratified by the Audit Committee. The internal audit function reports to the Audit Committee on operations and to the President and CEO on administration. Internal audit draws up a six-monthly action plan which is approved by the Audit Committee. The audit work is risk-based and focuses on the Group's activities and units that are considered to be key to achieving the objectives set for the operations. Internal audit, in cooperation with the audit function, ensures that the plans are coordinated to allow adequate coverage of audit work and to avoid duplication of work. Similarly, cooperation is carried out with other assurance functions within the Group, such as risk management, internal controls and compliance. An audit report on the results of the audit is shared with the Group's President and CEO, the CFO, the management of the audited entity and the persons in charge. The audit reports are provided to the auditor. Internal audit 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.

An annual summary report of the internal audit activities is prepared for the Board of Directors.

### Risk management

Risk management is an essential part of Metsä Group's standard business planning and leadership. Risk management is part of daily decision-making, operations follow-up and internal control, and it promotes the objectives set by the company and ensures that they are met. Linking business management effectively with risk management is based on the operational principles confirmed by Metsäliitto Cooperative's Board of Directors. The aim of the principles is to maintain risk management as a process that is well defined, understandable and sufficiently practical. Risks and their development are reported on a regular basis to the board's Audit Committee. Centralised risk management also takes care of the coordination and competitive bidding for Metsä Group's insurance coverage. The most crucial objective of risk management is to identify and evaluate those risks, threats and opportunities that may have an impact on the implementation of the strategy and on the achievement of short-term and long-term objectives. The most significant investment proposals also include a separate risk review. The business areas regularly evaluate and monitor the risk environment and related changes as part of their annual and strategic planning. The risks identified and their means of control are reported to the company's management, Audit Committee and Board of Directors 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 things.

## Risk management responsibilities

Risk management responsibilities in Metsä Group are divided as follows:

- The Board of Directors is responsible for Metsä Group's risk management and confirms the company's risk management policy
- The Audit Committee evaluates the adequacy of Metsä Group's risk management and the essential risk areas and provides the Board with related proposals.
- The President and CEO and the members of the Executive Management Team are responsible for the specification and adoption of the risk management principles. They are also responsible for ensuring that the risks are taken into account in the company's planning processes and that risk reporting is adequate and appropriate.
- The Group's risk management director is in charge of the development and coordination of the risk management process, the performance of the risk assessment and essential insurance decisions.
- Business areas and Group Services identify and evaluate the essential risks related to their own areas of responsibility in their planning processes, prepare for them, take the necessary preventive action and report on the risks as agreed.

## Risk management process

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

The tasks of risk management are to:

- Ensure that all identified risks with an impact on personnel, customers, products, property, information assets, corporate image, corporate responsibility or operational capacity are controlled according to applicable laws and on the basis of best available information and financial aspects;
- Ensure that Metsä Group's objectives are met;
- Fulfil the expectations of stakeholders;
- Protect property and ensure disruption-free business continuity;

- Optimise the profit/loss possibility ratio;
- Ensure the management of Metsä Group's overall risk exposure and minimise the overall risks.

The most significant risks and uncertainties that Metsä Group is aware of are described in the report of the Board of Directors.

## Insider guidelines

Metsä Group complies with the EU's market abuse regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council; hereinafter referred to as "MAR"), securities market legislation, and the insider guidelines of the parent company Metsäliitto Cooperative and the subsidiary Metsä Board Corporation, prepared in accordance with rules and instructions drawn up by the Helsinki stock exchange. Metsä Group requires every employee to follow the insider regulations. Under Article 14 of MAR and Chapter 51 of the Criminal Code of Finland, a person in possession of insider information may not: (i) engage or attempt to engage in insider dealing by acquiring or disposing of the company's financial instruments under their own or a third party's name; (ii) recommend that another person engage in insider dealing or induce another person to engage in insider dealing; or (iii) disclose inside information to another person unless this occurs as part of the normal performance of work, tasks or the profession. Insider guidelines aim to enable the people considered the company's insiders to hold shares in the company openly while maintaining public trust in trading and price formation with the company's securities. Metsä Group only recommends long-term investments and the use of purchase programmes. Insiders are provided with instructions and training at frequent intervals. Following MAR's entry into force on 3 July 2016, Metsä Group companies no longer have public insiders, nor do they maintain permanent company-specific insider registers, but rather only project- or event-specific insider lists. The lists include information on persons participating in insider projects who are not allowed to trade the financial instruments of the company in question during the project. Metsäliitto Cooperative has defined its managers as referred to in MAR to include the members of the Supervisory Board, the members of the Board of Directors, and the President and CEO. The managers in question and their related parties are obligated to inform the company and the Financial Supervisory Authority of their transactions in Metsäliitto Cooperative's



financial instruments, and Metsäliitto Cooperative will publish such transactions as stock exchange releases. The aforementioned persons are subject to a closed period of 30 calendar days prior to the publication of Metsä Group's interim reports and financial statements, during which time the managers may not trade in Metsäliitto Cooperative's financial instruments. In addition to the managers subject to the disclosure obligation the company specifies such other persons who, in the course of their duties, participate in the preparation of interim reports and financial statements and may not trade in Metsäliitto Cooperative's financial instruments during the closed period. Metsäliitto Cooperative did not have any traded financial instruments in circulation on a regulated market on 31/12/2022. Metsä Board Corporation has defined its managers as referred to in MAR to include the members of the Board of Directors and the President and CEO. The managers in question and their related parties are obligated to inform the company and the Financial Supervisory Authority of their transactions concerning Metsä Board's shares and financial instruments, and Metsä Board will publish such transactions as stock exchange releases. The aforementioned persons are subject to a closed period of 30 calendar days prior to the publication of Metsä Group's interim reports and financial statements, during which time the managers may not trade Metsä Board's financial instruments. In addition to the managers subject to the disclosure obligation, the company specifies such other persons who, in the course of their duties, participate in the preparation of interim reports and financial statements and may not trade Metsä Board's shares or financial instruments during the closed period.

## ■ Related party transactions

Metsäliitto Cooperative and its Group companies assess and monitor related party transactions. Related parties are determined in accordance with International Accounting Standards (IAS 24), and they include, among others, all group companies and the members of the Board of Directors and the Executive Management Team, as well as their immediate family members. Any conflicts of interest are taken into account in decision-making and, in accordance with the Corporate Governance Code, each Group company maintains a list of the members of its related parties. Transactions between Group companies are carried out on an arm's length basis and, where necessary, external valuations are also used to prepare decisions on related party transactions.

## ■ Audit

According to the rules of Metsäliitto Cooperative, Metsäliitto Cooperative has one auditor, which must be an auditing firm authorised by the Finland Chamber of Commerce. The Representative Council elects the auditor to review the accounts for the year underway, and their task ends at the closure of the next annual meeting of the Representative Council. The task of the auditor is to audit the financial statements and accounting of the Group and the parent company and the administration of the parent company. The auditor provides a statutory auditor's report to the members of Metsäliitto Cooperative in connection with the annual financial statements and regularly reports on their observations to the Board of Directors and the management of Metsä Group. In accordance with the resolution of the Representative Council meeting in the spring of 2022, Metsäliitto Cooperative's auditor for 2022 is KPMG Oy Ab, firm of authorised public accountants, with Kirsi Jantunen, APA, as the Auditor-in-Charge. In 2022, companies belonging to Metsä Group paid a total of EUR 1,502,000 (EUR 1,300,000 in 2021) in audit fees to KPMG in Finland and internationally and a total of EUR 97,000 (79,000) to other audit firms. In addition, KPMG was paid EUR 411,000 (271,000) in Finland and internationally for services not related to the actual audit, while other audit firms were paid EUR 1,676,000 (1,287,000).



**Your partner in  
sustainable growth**

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