

Metsä Group  
Remuneration Report 2022



# Review by the Chair of the HR Committee



## ■ Dear reader,

Metsä Group's remuneration policy published in 2020 defines, among other things, the principles on which remuneration at Metsä Group is based. These principles apply to the entire personnel, and compliance with them promotes the realisation of Metsä Group's strategy and long-term financial success. The policy is available on the Metsä Group website.

The Board of Directors' HR Committee actively monitors the development of remuneration, as well as new regulatory initiatives, and proposes changes to the remuneration policy and remuneration practices to the Board when necessary. Remuneration must be in line with Metsä Group's remuneration principles. In 2022, the Committee paid special attention to the prominence of sustainability targets when setting targets for remuneration. As previously reported, our goal was to include ESG indicators or targets in every Metsä Group employee's annual targets. This goal was achieved, and the target-setting model used will continue to guide our continuous assessment and improvement of sustainability also in future.

This remuneration report is based on the recommendations of the Corporate Governance Code published by the Finnish

Securities Market Association. The report describes how the principles of the remuneration policy have been applied and complied with and how the members of the Board of Directors of the Group's parent company and the Group's President, who also serves as the CEO of the parent company, were remunerated during the 2022 financial period.

We have aimed to provide an illustrative and transparent summary of the remuneration of the company's statutory governing bodies, and the implementation of Metsä Group's remuneration policy. The remuneration report enables the company's stakeholders to evaluate the success of the company and its remuneration.

Further information on the remuneration of the management and personnel is available in Metsä Group's financial statements and on its web pages.

### **Taavi Heikkilä**

Chair of the HR Committee of Metsäliitto Cooperative's Board of Directors in 2022

# Introduction

Remuneration in Metsä Group is based on the following principles:

- **Ensuring sustainable and responsible business operations**

Our remuneration supports the achievement of Metsä Group's vision, strategic and operational goals as well as sustainability targets. We encourage activities in line with our values and Metsä Group's interests – responsible profitability, reliability, renewal and cooperation.

- **Ensuring performance and profitable growth**

We encourage excellent performance and results in the short and long term through remuneration. We reward our people for achieving and exceeding targets, for profitable growth and for increasing shareholder and stakeholder value.

- **Supporting competence development and renewal**

We support competence development and the commitment of talent with remuneration. We encourage continuous improvement, renewal and the creation of conditions needed for future success. In addition to monetary remuneration, we develop the personnel's competence 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 in compliance with requirements.

## ■ Short-term and long-term goals

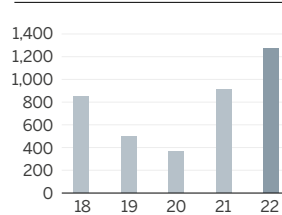
Metsä Group has a short-term incentive scheme with a review period of one calendar year, as well as a long-term incentive scheme with a performance period of three years and a restriction period of one to two years. The targets of the long-term incentive scheme tied to return on capital employed, operating result and equity ratio, impact the long-term development of shareholder value. With the support of the incentive schemes, the Board of Directors steers Metsä Group's operations over the short and long term. Metsä Group's financial result has a direct impact on the President and CEO's remuneration through both the short- and long-term incentive schemes.

## ■ Compliance with the remuneration policy

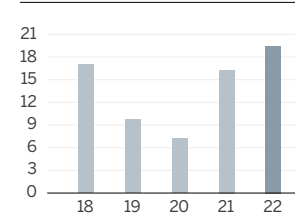
Metsä Group's remuneration policy was complied with throughout the financial year 2022, and the policy was not deviated from in any respect.

## ■ Metsä Group's financial development

**OPERATING RESULT, COMPARABLE**  
EUR million



**RETURN ON CAPITAL EMPLOYED, COMPARABLE**  
%



## ■ Development of remuneration in 2018–2022

Over the past five years, the monthly remuneration of the Chair of the Supervisory Board has increased by approximately 5% and the monthly remuneration of the Deputy Chair of the Supervisory Board by approximately 6%. The most recent increases took place in 2019, when the monthly remuneration of the Chair was raised to EUR 4,100 and of the Deputy Chair to EUR 1,800. In 2019, the meeting fee paid to the members of the Supervisory Board was raised from EUR 700 to EUR 800. No changes were made to the monthly remuneration or meeting fees paid to the Supervisory Board in 2020–2022.

The monthly remuneration of the Chair of the Board of Directors was raised for 2022. The Chair's monthly remuneration amounts to EUR 12,000. The monthly remuneration paid to the Deputy Chair of the Board of Directors in 2022 was raised to EUR 5,500. For 2023, the Deputy Chair's remuneration was raised to EUR 6,000.

The monthly remuneration paid to other members of the Board of Directors has increased by around five per cent in 2018–2022. For 2022, the monthly remuneration was raised to EUR 4,500 and for 2023, further to EUR 5,600. In 2020, the

meeting fee paid to the members of the Board of Directors was raised from EUR 700 to EUR 800. The meeting fees of the Board of Directors were not changed in 2021–2022. The changes have corresponded to general remuneration trends and the trend in companies belonging to Metsä Group's peer group.

In addition, a separate monthly remuneration is paid to the chairs of the Board of Directors' Audit Committee and HR Committee, which was raised for 2022. The Chair of the Audit Committee receives a monthly remuneration of EUR 1,300 and the Chair of the HR Committee EUR 1,100. In 2018–2021, there were no increases to the remuneration. The monthly remuneration of the Chair of the Audit Committee was EUR 1,200 and the monthly remuneration of the Chair of the HR Committee EUR 1,000.

Metsä Group's President and CEO changed in April 2018, and the President and CEO's remuneration was revised at that time. The gross earnings of Kari Jordan and Ilkka Härmälä, both of whom have served as President and CEO during the comparison period, have been strongly influenced by Metsä Group's success and thereby by the stronger share price and the number of Metsä Board Corporation's B-series shares earned within the long-term incentive scheme. The development of employees' average earnings has been moderate.

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

(IN EUROS)	2022	2021	2020	2019	2018
<b>Chair of the Supervisory Board</b> Juha Paajanen	71,600	77,600	78,300	68,850	65,700
<b>Deputy Chair of the Supervisory Board</b> Ahti Siponen	33,200	33,600	33,600	36,950	31,250
<b>Other members of the Supervisory Board (in total)</b>	152,800	191,600	146,800	167,100	165,900
<b>Chair of the Board of Directors <sup>1)</sup></b> Jussi Linnaranta, as of 1 January 2020 Martti Asunta, until 31 December 2019	166,554	170,840	163,940	158,330	157,880
<b>Deputy Chair of the Board of Directors</b> Timo Saukkonen, as of 1 January 2020 Jussi Linnaranta 1 January – 31 December 2019 Kari Jordan, until 31 March 2018	82,400	83,200	83,800	72,950	0
<b>Other members of the Board of Directors (on average)</b>	74,867	69,967	72,167	65,558	63,871
<b>President and CEO <sup>2)</sup></b> Ilkka Härmälä, as of 1 April 2018 Kari Jordan, until 31 March 2018	2,976,557	2,695,238	2,289,521	2,540,578 <sup>3)</sup>	2,105,073 <sup>4)</sup>
<b>Average earnings of employees <sup>5)</sup></b>	51,218	48,101	44,305	44,784	46,260

<sup>1)</sup> The figures for 2018–2019 include, in addition to the remuneration paid to Martti Asunta for board work in Metsäliitto Cooperative, the remuneration paid to him for board work in Metsä Fibre and Metsä Tissue Corporation. The remuneration paid for board work in Metsä Board Corporation is disclosed in Metsä Board Corporation's remuneration report.

<sup>2)</sup> The President and CEO's remuneration details include the salaries and rewards paid for the year in question. For Ilkka Härmälä, the figures also include the rewards earned as the CEO of Metsä Fibre. The figures shown in the table do not include paid supplementary pension contributions.

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

<sup>4)</sup> Includes only salaries and rewards paid to Ilkka Härmälä from 1 January to 31 December 2018.

<sup>5)</sup> The average earnings of employees have been calculated from the employee costs of the entire Group by deducting social security costs from the total and dividing the remainder by the average number of employees.

# Remuneration of the Supervisory Board

## REMUNERATION PAID TO THE SUPERVISORY BOARD AND THE COSTS OF THE SUPERVISORY BOARD MEMBERS' PENSION ARRANGEMENTS IN 2022 (IN EUROS)

	Monthly remuneration	Meeting fees <sup>1)</sup>	Pension benefit <sup>2)</sup>	Total
<b>Juha Paajanen</b> , Chair	49,200	22,400	11,563	83,163
<b>Ahti Siponen</b> , Deputy Chair	21,600	11,600	5,362	38,562
<b>Other members</b> (in total)	-	152,800	-	152,800
<b>Total</b>	<b>70,800</b>	<b>186,800</b>	<b>16,925</b>	<b>274,525</b>

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

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

# Remuneration of the Board of Directors

## REMUNERATION PAID TO THE BOARD OF DIRECTORS AND THE COSTS OF THE BOARD MEMBERS' PENSION ARRANGEMENTS IN 2022 (IN EUROS)

	Monthly remuneration	Meeting fees <sup>1)</sup>	Pension benefit <sup>2)</sup>	Total
<b>Jussi Linnaranta</b> , Chair <sup>3)</sup>	145 754	20 800	29 397	195 951
<b>Timo Saukkonen</b> , Deputy Chair <sup>3)</sup>	66 000	16 400	13 308	95 708
<b>Taavi Heikkilä</b>	67 200 <sup>4)</sup>	15 600	13 372	96 172
<b>Mikko Mäkimattila</b>	54 000	18 800	12 849	85 649
<b>Juha Parpala</b>	54 000	13 200	10 853	78 053
<b>Nina Pärssinen</b>	54 000	17 200	11 499	82 699
<b>Ilkka Salonen</b>	69 600 <sup>5)</sup>	15 600	13 760	98 960
<b>Jussi Vanhanen</b>	54 000	14 400	12 073	80 473
<b>Total</b>	<b>564 554</b>	<b>132 000</b>	<b>117 110</b>	<b>813 664</b>
Former members of the Board of Directors				
<b>Arto Hiltunen</b> until 31 December 2021	-	1 600	282	1 882

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

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

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

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

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



# Remuneration of the President and CEO

## SALARIES AND REWARDS PAID TO THE PRESIDENT AND CEO AND THE COST OF THE SUPPLEMENTARY PENSION ARRANGEMENT IN 2022 (IN EUROS)

	2022
Base salary, including fringe benefits <sup>1)</sup>	869,405
Incentives paid by other Group companies	136,992
Short-term incentive <sup>2)</sup>	723,305
Long-term incentive <sup>3)</sup>	1,246,855
<b>Total</b>	<b>2,976,557</b>
Supplementary defined-benefit pension insurance	4,079,072

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

<sup>2)</sup> The short-term incentive paid concerns performance in 2021.

<sup>3)</sup> The long-term incentive paid concerns the 2019–2021 performance period.

The short-term incentive paid to the President and CEO was based on performance in 2021. The maximum level of remuneration available in the short-term incentive scheme in 2021 was, accounting for Metsä Group's EBIT multiplier, 93.75% of the fixed annual salary. The incentive was based on Metsä Group'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 President and CEO's short-term incentive for 2021, accounting for Metsä Group's EBIT multiplier, was 83.2% of the base salary paid in 2022. The incentive was paid in March 2022.

## REALISATION OF THE LONG-TERM INCENTIVE SCHEME 2019–2021 PERFORMANCE PERIOD AND THE SHARES DELIVERED TO THE PRESIDENT AND CEO IN 2022

Performance period	2019–2021
Performance criteria	ROCE, % <sup>1)</sup>
Realisation of performance period, %	49.0
Year of payment of reward	2022
Restriction period	2 years
Share price on the date of transfer, EUR	8.86
Number of shares delivered	68,600

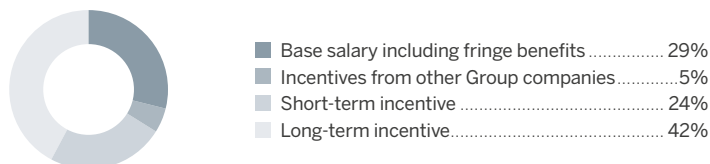
<sup>1)</sup> The three-year average ROCE % of Metsä Group. Furthermore, minimum values have been set for the equity ratio and operating result.

The reward paid from the long-term incentive scheme concerns the 2019–2021 performance period of the 2017–2021 performance share plan. The paid long-term incentive was based on the development of Metsä Group's return on capital employed (ROCE, %) as determined by the Board of Directors. Minimum levels had also been set for the operating result and equity ratio. The realisation of the performance period 2019–2021 was 49.0%. The amount of the reward is limited, and the President and CEO's reward (including both shares and cash) can be no more than 250% of the annual base salary. The long-term incentive paid in March 2022 is followed by a restriction period of approximately two years, during which the President and CEO may not transfer or dispose of their shares. The realisation of the long-term incentive was 143.4% of the base salary paid in 2022.

The variable pay (short- and long-term incentives) constitutes a significant part of the President and CEO's remuneration. The relative portions of variable pay and the fixed annual base salary are shown in the graph on the following page.

The President and CEO's retirement age is determined in accordance with the Employees Pensions Act. The President and CEO is also covered by a supplementary defined-benefit pension insurance. In 2022, the contribution to the supplementary defined-benefit pension insurance was EUR 4,079,072. No other financial benefits were paid to the President and CEO in 2022.

**BREAKDOWN OF THE PRESIDENT AND CEO'S REMUNERATION INTO FIXED BASE SALARY, INCENTIVES PAID BY OTHER GROUP COMPANIES, SHORT-TERM INCENTIVE AND LONG-TERM INCENTIVE IN 2022**



The maximum level of remuneration available in the short-term incentive scheme in 2022 is, accounting for Metsä Group's EBIT multiplier, 93.75% of the fixed annual salary. The reward is based on Metsä Group'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 potential reward will be paid in March 2023.

In 2019, Metsäliitto Cooperative's Board of Directors decided on a new long-term performance-based incentive scheme using synthetic shares for 2020–2024. The scheme consists of three performance periods of three years. Each performance period is followed by a restriction period. In December 2022, the Board of Directors decided to decrease the restriction period of the long-term incentive scheme for 2020–2024 from two years to one year. The reward will be paid fully in cash after the end of the restriction period. The amount of the reward has been limited. The President and CEO's reward can be no more than 325% of their fixed annual salary. The potential reward for the performance period 2020–2022 will be paid in March 2024. The reward will be based on the development of Metsä Group's return on capital employed (ROCE, %) as determined by the Board of Directors. Minimum levels have also been set for the operating result and equity ratio.

In 2022, Metsäliitto Cooperative's Board of Directors decided on a new long-term performance-based incentive scheme using synthetic shares for 2023–2027. The consists of three performance periods of three years. Each performance period is followed by a restriction period of approximately one year. The reward will be paid fully in cash after the end of the restriction period. The amount of the reward has been limited. The President and CEO's reward can be no more than 325% of the fixed annual salary. The reward will be based on the development of Metsä Group's return on capital employed (ROCE, %) as determined by the Board of Directors. Minimum levels have also been set for the operating result and equity ratio.



**Your partner in  
sustainable growth**

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