

ANNUAL REPORT 2021

TORNATOR'S ANNUAL REPORT 2021

The annual report consists of five parts: the annual review, Tornator's strategy for the future, responsibility, governance and financial statements. The company reports on its sustainability on the basis of the Global Reporting Initiative's GRI Standards for sustainability reporting. The reporting covers the key areas of Tornator's economic, social and environmental responsibility.



20
YEARS
OF SUSTAINABLE
EXPERTISE IN FORESTRY

As **TORNATOR** was founded in 2002, the company celebrates its 20th anniversary in 2022.

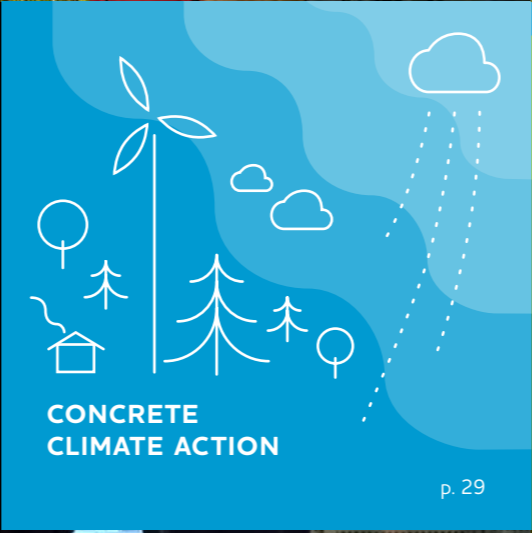
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TORNATOR IN BRIEF



**BALANCE SHEET
VALUE**

€2.4
billion

NET SALES

€128.6
million



**TORNATOR HAS
ABOUT**

189
FORESTRY
PROFESSIONALS



**TORNATOR'S TOTAL
FORESTLAND**

724,000 ha

Tornator is a leading European company, which specialises in sustainable forestry and owns forests in Finland, Estonia and Romania. Our operating model is based on sustainable use of forests as well as strong environmental expertise and utilisation of digital technologies. Our core activities are sustainable forestry, forestland purchasing and silvicultural and lease services. In addition to our key business areas, we lease land for various purposes, develop wind power projects and

sell high-quality waterfront plots and soil resources. Tornator is a public limited company and its main shareholders are Finnish pension insurance companies and Stora Enso. We are a unique forestry company in Europe due to our extensive operations, ownership and operating model. Tornator's mission is "generating sustainable well-being from the forest". The company's forests provide a versatile basis for various biomaterials, carbon sequestration and securing biodiversity.

- TORNATOR IN BRIEF

Business areas

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BUSINESS AREAS



TIMBER SALES

Our main business is the production and sale of timber. We manage our forests sustainably with the aim of good and steady yield, which enables us to provide customers with responsibly produced, certified wood. We manage the forests with full respect for nature, using the right treatments at the right time. This way, we can ensure that our forest assets remain diverse and in good condition.



REAL ESTATE

We lease land for various purposes, such as hunting, and actively engage in developing wind power projects alongside our partners. Our forests are also widely used for free-of-charge recreation. We plan and sell waterfront plots and soil resources. We actively buy and lease forests for forestry purposes. We also sell selected plots of forestland that are unsuitable for our real estate structure.



SERVICES

We provide high-quality silvicultural services to our customers. For our service agreement customers, we perform silvicultural work such as forest regeneration and tending of seedling stands. The keys to our success include extensive ownership of forestland as well as the procurement of resources and materials. We want to provide the best possible working conditions for our contractors. Successful co-operation results in well-growing forests.

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- Business areas

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LEADING THE WAY TO THE FUTURE

Forest management requires patience. There are no instant wins or quick profits in forest management, because it requires transgenerational action. At the same time, our operating environment is facing global change. The ongoing changes in climate and biodiversity are a challenge for all actors, and they have to examine their production chains in a new light. More precise, modern and effective tools are required in the forest sector to enable its deeds and actions stand the test of time.

We aim to lead the way in sustainable forestry. Our self-development with a curious attitude, passion for forests, and partners who share our values guarantee prosperity for the forest sector, now and in the future. Development requires boldness, but it is essential for growth. A long time span calls for long-term action. New tools, both mechanical and digital ones, are needed in the changing operating environment. Tornator stands firmly at the forefront of change, leading the way to more sustainable growth.

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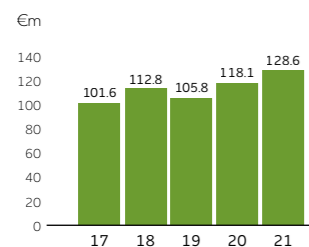
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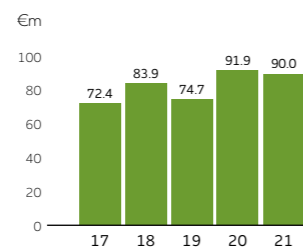
THE YEAR 2021 IN FIGURES

Net sales



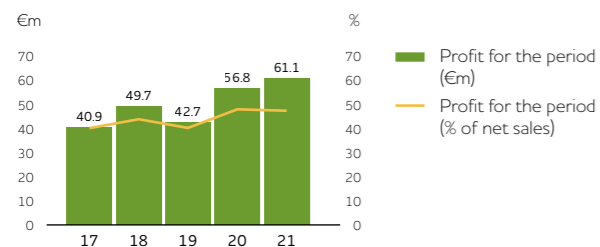
Operating profit

(Without effects of fair value changes)

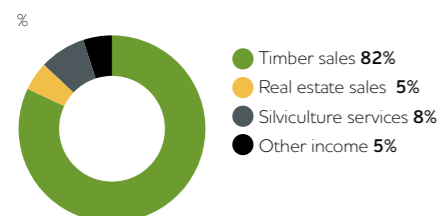


Profit for the period

(Without effects of fair value changes)



Cash flow from operations



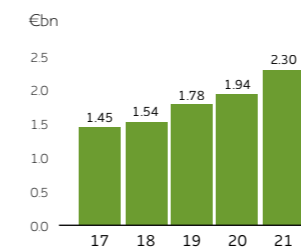
Key figures

(Without effects of fair value changes)

	2017	2018	2019	2020	2021
Net sales, € million	101.6	112.8	105.8	118.1	128.6
Operating profit, € million	72.4	83.9	74.7	91.9	90.0
Operating profit, % of net sales	71.2	74.4	70.6	77.8	70.0
Profit for the period, € million	40.9	49.7	42.7	56.8	61.1
Profit for the period, % of net sales	40.3	44.0	40.4	48.1	47.5
Average number of employees	189	182	183	186	189
Return on capital employed, %	6.1	6.6	5.4	6.0	5.0
Return on equity, %	6.5	7.3	5.6	6.5	5.6
Equity ratio, %	43.3	44.4	45.5	45.3	52.6

Valuation of forests

(fair value)



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HIGHLIGHTS OF 2021



THE FAIR VALUE OF FINNISH FORESTS INCREASED TO MORE THAN EUR 2 BILLION

Read more on p. 11

COMPLETING THE LOAN PORTFOLIO REFINANCING

Read more on p. 11



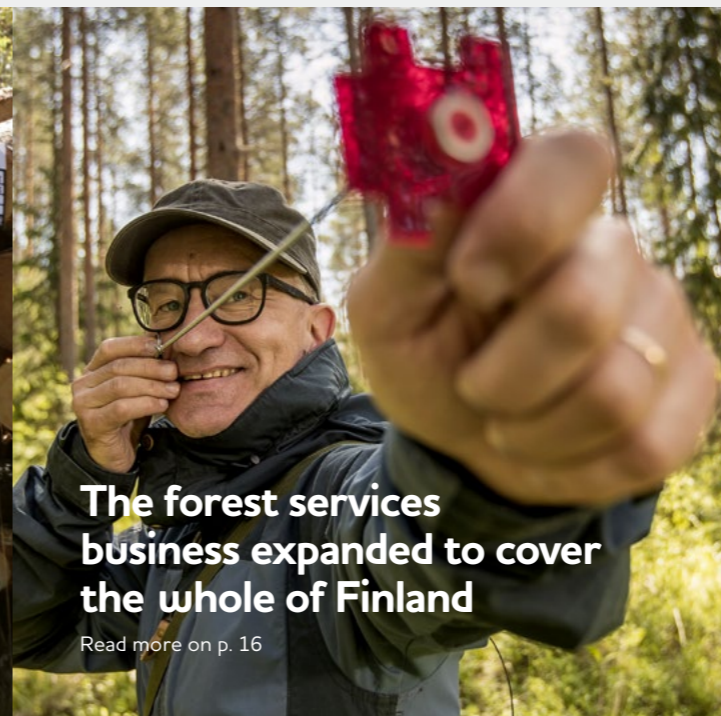
MORE INVESTMENTS WERE MADE IN ADVANCED AI SOLUTIONS FOR FOREST MANAGEMENT

Read more on p. 18



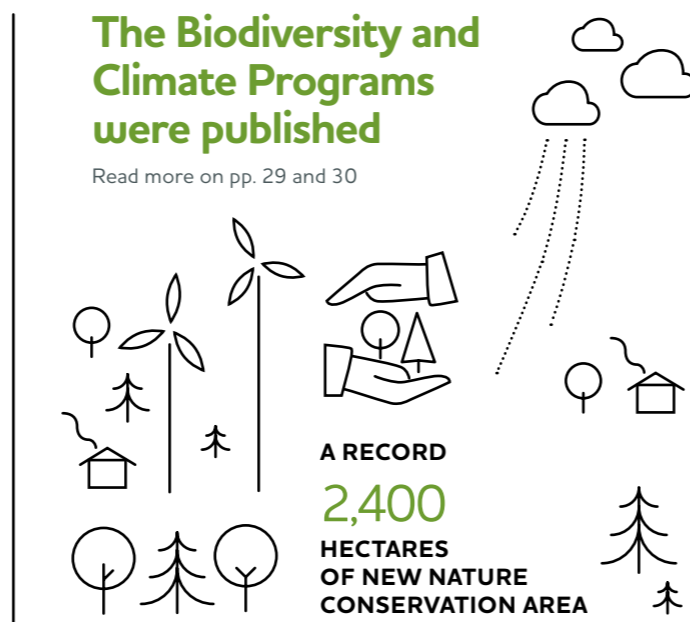
The timber sales framework agreement with Stora Enso was renewed

Read more on p. 18



The forest services business expanded to cover the whole of Finland

Read more on p. 16



The Biodiversity and Climate Programs were published

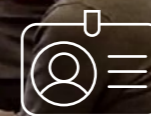
Read more on pp. 29 and 30

A RECORD
2,400
HECTARES
OF NEW NATURE
CONSERVATION AREA



The new strategy was developed together with the personnel

Read more on p. 31



ESTABLISHMENT OF THE PERSONNEL COMMITTEE

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CEO'S REVIEW

SUSTAINABILITY AND PROFITABILITY GO HAND IN HAND

Once again, we proved that sustainable forestry benefits the owners, society and nature. The expansion of silviculture services and the good results in timber sales increased Tornator's net sales to a record high, and due to the increase in the fair value of forests, the company's enterprise value (NAV) exceeded EUR 1 billion for the first time. In 2021, we recruited many new forestry professionals and also employed numerous forestry entrepreneurs across Finland. As a payer of corporate tax, Tornator was by far the largest in South Karelia. In terms of environmental sustainability, we not only concentrate on daily activities but also look far into the future: we prepared for the new strategy period by announcing ambitious Climate and Biodiversity Programs for 2021–2030. It goes without saying that sustainability and profitability go hand in hand in forestry.

Business was successful in many areas

In our core business, timber sales, high market demand, favourable harvesting conditions and effective operations propelled Tornator's net sales to a record high. Net sales increased in all of the company's operating countries (Finland, Estonia and Romania). It was particularly gratifying that we managed to make silviculture services a new source of income alongside timber sales. The extension of



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Net sales increased in all of the company's operating countries.”

Henrik Nieminen
Chief Executive Officer

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the services in collaboration with Stora Enso will increase and diversify our business. I believe that both renewable wood raw material and professional silviculture services will continue to be in high demand.

We implemented our growth strategy by purchasing and leasing over 11,000 hectares of forest in Finland. We also continued fertilisation and other measures that promote forest growth as planned. Tornator concluded numerous new agreements on the development of wind farms on its land. The aim of the agreements is to increase the company's rental income and national-level opportunities for the production of renewable energy to combat climate change.

Tornator arranged its bank loans and interest rate hedging, resulting in lower interest expenses and longer average maturities of its loans. The increase in the value of forest assets to EUR 2.2 billion strengthened the balance sheet, and the company's equity ratio increased to over 50 per cent.

Climate and Biodiversity Programs further improve sustainability of operations

In Finland, the forest debate was lively after the EU published a new forest strategy and a taxonomy for sustainable financing. At this point, the new directives do not affect Tornator's operations, as sustainability has already been taken into account in the business on a large scale. We plan the forest management measures concerning our double-certified (PEFC, FSC®) forests on the terms of tree health and growth, across generations. In our operations,

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It is important to Tornator that the entire value chain stands up to scrutiny.”

we utilise our decades of experience in forestry but also actively continue research and seek to develop something new.

We published new climate and Biodiversity Programs, the ambitious goals of which are stated on our website. Tornator's forests in Finland (which account for 3 per cent of all Finnish forests) can annually sequester almost 80 per cent of the traffic emissions produced by passenger cars in Finland, which is a significant amount. Forests are also used to replace non-renewable fossil raw materials – the unique circular economy makes sustainable use of every part of the tree and every stage of forest growth. Forestry has also had negative effects, mainly in terms of biodiversity loss. As a result, sustainable forestry operators do not settle for merely meeting the minimum requirements in forest management – instead, they plan their forest management in a way that respects nature and protects valuable habitats.

Nowadays, the sustainability programs of companies must include even more concrete measures and engagement. In the long-term performance bonus program concerning Tornator's management, the Biodiversity Program was given a weighting of 30 per cent. The results of both the Climate and the Biodiversity Program are reported annually.

Digital development and well-being at work are prerequisites for future success

The sustainable and profitable management of Tornator's considerable forest assets would not be possible without modern technology, which is why we are investing heavily in digitalisation and system development. Our aim is to harness artificial intelligence to serve the needs of forestry and to obtain more accurate information on our forest resources. This will benefit our business operations and help with the planning of measures to safeguard biodiversity. As remote work is becoming increasingly

popular, we will also update the personnel's data-security training to meet the new needs and risks.

COVID-19 did not lead to any business losses for Tornator, but the pandemic's effects on well-being at work or the future of working are not fully known yet. For this reason, we have conducted regular surveys to find out what the atmosphere is like among the employees and how they are doing in their daily work life. The aim is to find a working model that suits us best. This work is ongoing. We are also committed to helping our contractors using foreign labour to take the necessary corrective measures to comply with the terms of employment and ensure occupational safety. It is important to Tornator that the entire value chain stands up to scrutiny.

In the new strategy, growth is based on sustainability and partnerships

Tornator entered the new strategy period 2022–2024. The common theme of the strategy devised together with the personnel is sustainability – partnership – growth. All of the company's strategic goals, which are described in more detail on page 14, are based on these. The basis for implementing the new strategy is very strong, and I firmly believe in our personnel's ability to continue the success story of our company.

I want to express my humble gratitude to all of Tornator's employees, contractors, customers and other stakeholders for enabling a record year. In 2022, we will celebrate the company's 20th anniversary, and I believe that our new statement of purpose, created together with our personnel, reflects well our attitude towards and objectives for the next decades: **PASSIONATE ABOUT FORESTS – SUSTAINABLE SOLUTIONS ACROSS GENERATIONS.**

Henrik Nieminen
Chief Executive Officer

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BUSINESS ENVIRONMENT

FOCUS ON THE ROLE OF FORESTS IN COMBATING CLIMATE CHANGE

The year 2021 was marked by intense debate about forests at the EU level, resulting in increasing political challenges related to the forest sector's operating conditions. Regardless of the public debate, Tornator's outlook remains good, owing to the healthy demand for timber products boosted by the global megatrends, and the company's business model based on sustainable forest management.

The most significant megatrends influencing Tornator's operations include population growth and the resulting accelerating urbanisation, and climate change. The role of wood in replacing fossil raw materials will be further emphasised as governments and businesses intensify their efforts to mitigate climate change, which will have positive impacts on Tornator's business. Digitalisation also provides opportunities for forestry, as it facilitates the production of more detailed forest resource data and teleworking, increasingly common during the COVID-19 pandemic.

Climate risks and opportunities reviewed

In 2021, the climate and its many dimensions were in the spotlight of public debate. The critical debate at EU level on the acceptability of forest use and regulation to restrict forestry has increased the political risk associated with Tornator's operating conditions. Tornator works as an advocate for sustainable forestry by actively participating in the public debate and highlighting facts about the importance of active and professional forest management in mitigating climate change.

Climate change is increasingly affecting the operations of businesses, both nationally and globally. In 2021, Tornator invested in surveying its climate risks and opportunities

in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), thus starting work on a deeper analysis of climate impacts. The TCFD report begins on page 42.

Demand in the end product market hits a historic high

Demand in the forest sector's end product market hit a historic high in 2021. Reasons behind the intense demand for wood raw material and the high price levels included the fact that everyone spent more time at home during the pandemic, which resulted in a construction boom. In the construction boom, the use of wood-based products continues to grow among an increasingly climate-conscious consumer base, which will help strengthen the demand for wood raw material. The good general economic sentiment, and particularly the pull of the US and China, also contributed to the exceptional demand for both sawn timber and pulp.

As in previous years, the interest of forest funds and other investors in forestland remained high. Because demand clearly exceeded supply, the prices of forestland in Finland rose by more than 10 per cent, posing challenges to forest investments. Regardless of the circumstances,

Tornator will continue forestland purchasing in the future, but will carefully evaluate the profitability criteria of the properties.

The excess supply of timber caused by forest damage in Central Europe turned into a shortage in 2021, particularly a shortage of healthy, high-quality wood. This was the case in Estonia and Romania in particular, as demand for wood was high in these countries after cheap damaged wood was no longer available in the market. In Estonia and Romania, Tornator focused on the development of existing forest assets and operations.

Sustainable forest management ensures growth

The outlook for the demand for timber products remained positive, supported by the opportunities offered by megatrends. According to the consulting company AFRY's forecast, the market for timber products will grow by almost EUR 200 billion globally over the next 15 years. Through professional forest management, Tornator will ensure that the forests it manages are more resistant to damage and will continue to provide renewable wood raw material to the markets.

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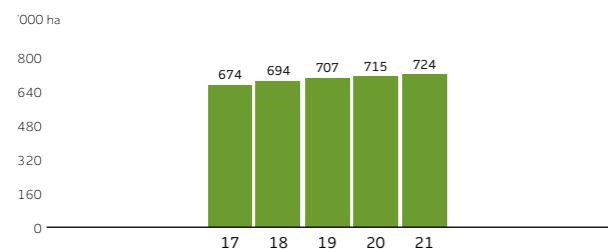
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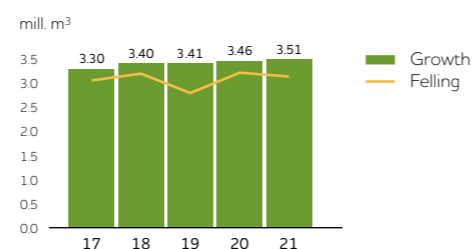
Global megatrends with impacts on Tornator

Global megatrends	Key impacts from Tornator's viewpoint	Our response
Climate change and loss of biodiversity	<ul style="list-style-type: none"> Forests will grow more rapidly and become increasingly important as carbon sinks and stores. There will also be an increased focus on safeguarding biodiversity as part of forest management. Extreme weather events and the risk of forest damage will increase. The intensifying carbon debate will steer consumer attitudes and political decision-making. Regulation will increase. 	<ul style="list-style-type: none"> Make sustainable use of additional forest growth in diverse ways. Implement and monitor measures to support biodiversity in our forests in line with the Biodiversity Program. Through proper management, maintain good growth and the damage resistance of forests. Openly and actively communicate about our operations and actions for climate and biodiversity. Help to influence regulation by providing expertise.
Population growth and urbanization	<ul style="list-style-type: none"> Material needs and consumer demand will increase, and wood prices will rise. The bioeconomy and circular economy will become even more important, and the demand for renewable raw materials will increase. Due to urbanisation, people are becoming more and more estranged from forest management. Finding skilled labour in sparsely populated areas will become more difficult. Needs for recreational use and other forest-related services will increase. 	<ul style="list-style-type: none"> Increase forestland area, intensify wood production and diversify our business. Provide the market with bio-based raw materials to replace fossil-based ones. Communicate about sustainable forestry and offer our professional forest ownership as an alternative. Offer attractive jobs in sparsely populated areas as well. Develop the multiple use of our forests and offer them for recreation.
Digitalisation	<ul style="list-style-type: none"> Significance of digital systems for forest and multisource data will increase. Use of artificial intelligence, robotics and automation will expand. Volumes of forest-related information will grow, and its quality and accuracy will improve. Information security risks and significance of data protection will increase. Digital revolution will change operating and working practices. 	<ul style="list-style-type: none"> Actively develop multisource forest data collection and refinement. Modernise our IT infrastructure using cloud services. Together with our network of partners, we actively seek and develop new digitalisation opportunities to create added value for our business and stakeholders. Use advanced security technology, and provide instructions and training for information system users. Be agile in adopting new practices, and secure future expertise by training and developing employees.

Development of Tornator's forestlands

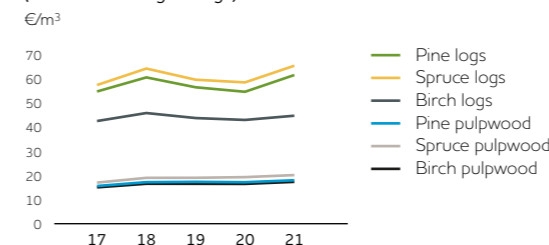


Growth and felling in Tornator Group's forests

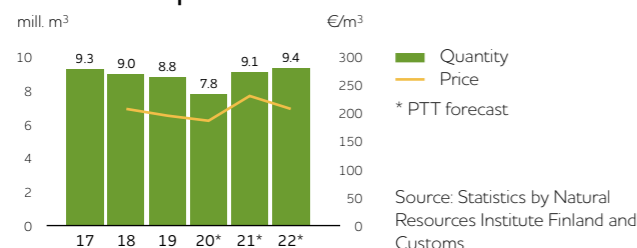


Log and pulpwood stumpage prices in Finland

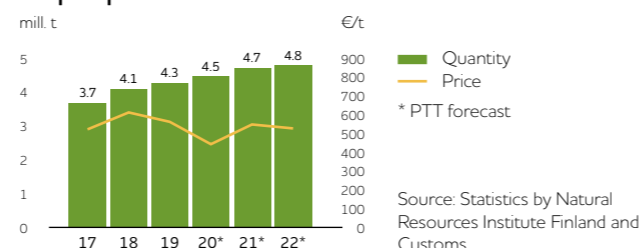
(Four-week sliding average)



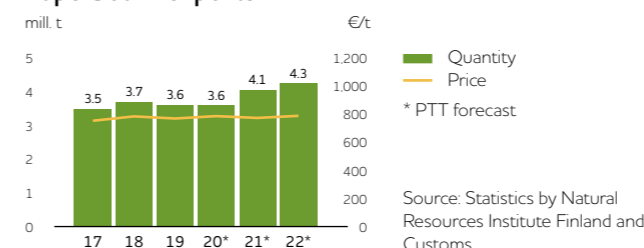
Sawnwood exports



Pulp exports



Paperboard exports



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FINANCE

FINANCING ENSURES PEACE OF MIND

Successful financial transactions allow us to focus on operations and implementation of the new strategy.

Tornator's refinancing round that began in 2020 was completed in 2021. In June, Tornator renewed the bank loans maturing in 2022 and moderately increased the amount of loans at the same time. The new, green and secured bank loans will mature in 2028, making them an excellent addition to Tornator's loan portfolio, in which the first loans will not mature until 2025. In terms of financing, Tornator can therefore start implementing the new strategy with confidence: in addition to the loans withdrawn, the existing EUR 100 million revolving credit facility and the fully available EUR 300 million commercial paper program provide flexibility in financing opportunities for growth investments.

In June, Tornator also implemented a derivative arrangement in which some of the existing interest rate hedges were terminated and replaced with new ones. The arrangement reduced Tornator's direct financial expenses and the long-term hedged fixed interest rate decreased significantly.

Financially, Tornator had another good year: a new record was reached in net sales (EUR 128.6 million), and the adjusted operating profit was also strong (EUR 90 million). Tornator continued its growth strategy by purchasing new forestland. The implementation of investments was facilitated by the company's strong financial position. The fair value of forests increased by over EUR 300 million,

and the consolidated balance sheet was in excess of EUR 2.4 billion.

Ongoing emphasis on green values

Currently, Tornator's financing is fully green, which contributes to the company's commitment to sustainable forestry. In the spring, Tornator published its first Green Finance Investor Letter, and in the second half of the year, the Biodiversity and Climate Programs. In this annual report, Tornator has also launched reporting on climate risks and opportunities in line with the recommendations of TCFD, Task Force on Climate-Related Financial Disclosures, so that Tornator's future financial reporting will focus on green values, sustainability and positive climate impacts.

Financial strategy supports and secures the business

The objective of Tornator's financial strategy is to secure competitive funding for the company's business and investments, manage the group's financial risks and stabilise the balance sheet. The financial strategy is based on comprehensive balance sheet management, ready access to the capital markets, diverse financial instruments, managed hedging of interest rate risk and sufficient liquidity. Cost-effective financing is facilitated by the high collateral value of forestland and Tornator's reputation as a sustainable company.

KEY ACHIEVEMENTS IN 2021

- Completion of the refinancing round
- Launch of Green Finance reporting
- Continued growth of forest value

TARGETS FOR 2022

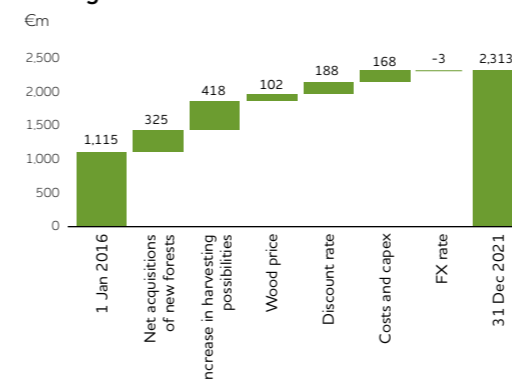
- Maintaining the preconditions for implementing the new strategy: securing financing for growth investments
- Development of Green Finance reporting

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Currently, Tornator's financing is fully green, which contributes to the company's commitment to sustainable forestry.”

Antti Siirtola
Chief Financial Officer

Change in fair value of forests 2016-2021



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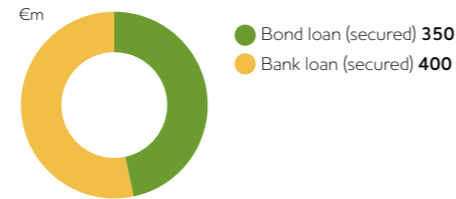
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ROCE and ROE

(Without effects of fair value changes)



Structure of debt, nominal values at 31 Dec 2021



Financial risk management

The purpose of financial risk management is to minimise the negative effects of changes in the financial markets on the company's profit and cash flow. The objectives of risk management and the risk management policy are defined by Tornator's Board of Directors, which is also responsible for monitoring risk management. The company's key financial risks are related to interest rates and the availability of financing.

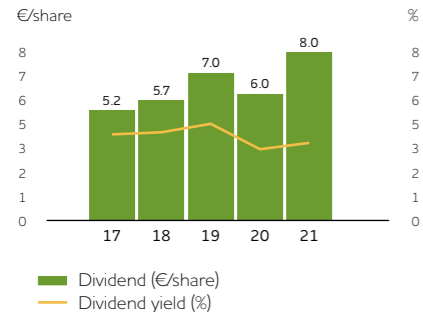
In the long term, the company wants to hedge its balance sheet and equity value against fluctuations in market interest rates. The key balance sheet items in terms of market rate changes are forests and financial instruments. The hedge ratio is changed as necessary to keep the net effect of market rate changes on various balance sheet items, and through them on equity value, within the range stated in the risk management policy. Tornator's hedge ratio at the end of 2021 was 69 per cent.

Risks related to the availability of financing

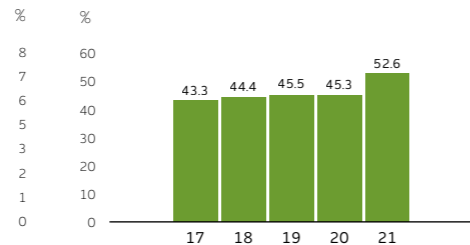
These risks are minimised through credit agreements with different maturities, a broad base of financiers and committed revolving credit facilities and by maintaining the company's reputation as a reliable debtor.

In connection with the 2020–2021 refinancing, the debt collateral structure was updated and the standard loan covenants set for the protection of creditors were simplified. In the future, the only loan covenant for secured loans will be the ratio of senior loans to the fair value of forests (i.e. the loan-to-value), which may be no higher than 70 per cent. In 2021, Tornator fulfilled this covenant with a safe margin.

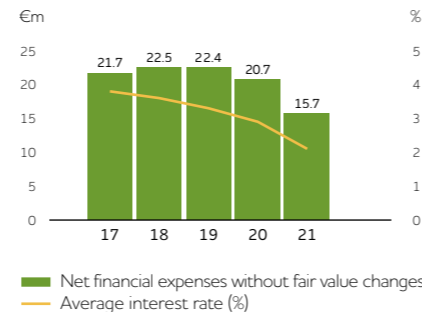
Dividend and dividend yield



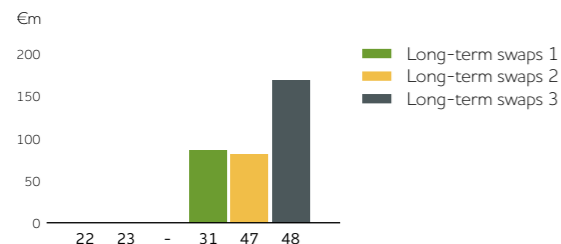
Equity ratio



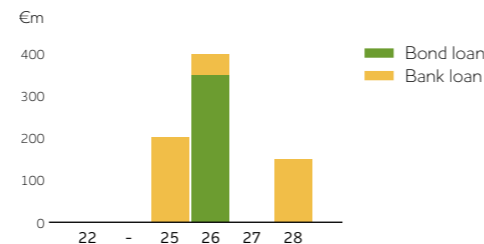
Net financial expenses



Expiry of interest rate hedges, nominal values



Maturity of debt



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Tornator's operating model is based on the sustainable use of forests, strong environmental expertise and the use of digitalisation. The company creates and develops its business by buying and leasing forest property, increasing its personnel's expertise and seeking new opportunities to create added value from forests.

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TORNATOR'S NEW STRATEGY AIMS TO BUILD GROWTH WITH SUSTAINABILITY AND PARTNERSHIPS

In 2021, Tornator revised its strategy for the operating period of 2022–2024. Our strategy has been built together with our staff and centres around three concepts: **SUSTAINABILITY**, **PARTNERSHIP** and **GROWTH**. All our strategic goals are built around these key factors.

When it comes to **SUSTAINABILITY**, measuring and reporting economic and social performance is simple. Demonstrating ecological sustainability in plain terms is, however, more challenging. Our new strategy continues to highlight the importance of overall sustainability, but we are currently focusing especially on monitoring and developing indicators for ecological sustainability in the context of our Biodiversity Program, for example.

A good example of **PARTNERSHIP** is our collaboration with our main customer, Stora Enso. The efficiency and quality of our operations will be developed through joint projects with the goal of promoting forest services, forest growth, and digitalisation of forest resources, among other things. Tornator also aims to build long-term partnerships based on mutual trust with other key stakeholders, such as our contractors and system vendors.

We find that there are three different dimensions to **GROWTH**: there is financial and economic growth, which is the traditional understanding of the concept, but there are also the biological growth of forests and the growth of our human capital. As before, our future financial growth will be driven by new forest acquisitions (purchasing and leasing) and increasing our forest service sales, and rental income and development fees derived from wind power. Tornator is also exploring potential new opportunities for generating revenue in the carbon compensation market during the current strategy period. Our efforts to increase the biological growth of forests will be focused on fertilisation and utilising improved seedlings and seeds. Digitalisation enables timely and more precisely focused forest management that can also be used to increase forest growth. Investment in increasing our human capital is at least equally important. During its 20-year history, Tornator has been able to attract a substantial amount of top-level expertise, so maintaining and developing employee well-being will be key for the success of the strategy.

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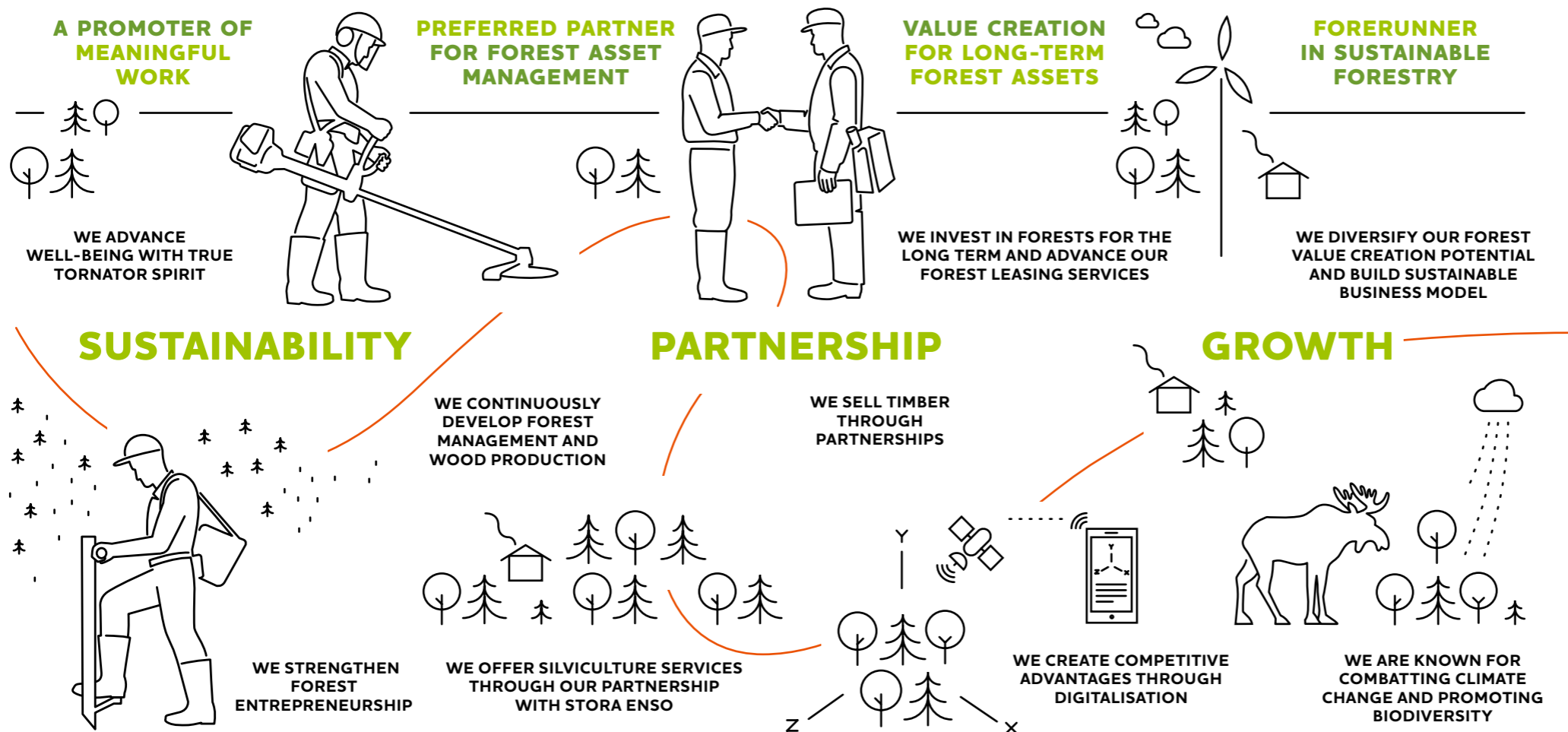
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A PASSION FOR THE FOREST – SUSTAINABLE SOLUTIONS ACROSS GENERATIONS

VISION: A FORERUNNER IN THE RESPONSIBLE USE OF FORESTS

MISSION: WE GENERATE SUSTAINABLE WELL-BEING FROM FORESTS

VALUES: RESPONSIBILITY, EXPERTISE, PARTNERSHIP



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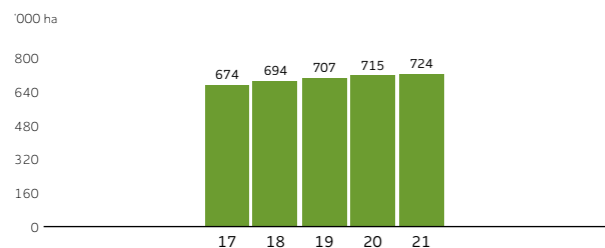
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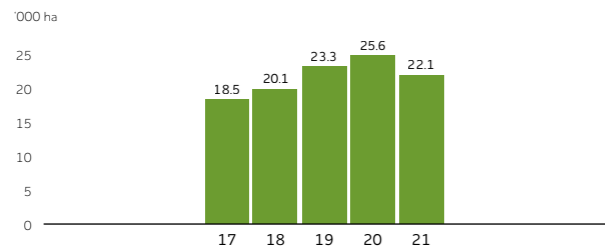
GROWTH FROM PARTNERSHIPS

Tornator's growth is based on increasing the forestland area, developing the existing business and creating new business models together with partners. By virtue of the extensive co-operation agreement with Stora Enso, silvicultural services have become a significant pillar for the company alongside the core business, timber sales.

Development of Tornator's forestlands



Total area of Tornator's silvicultural work



One of the cornerstones of Tornator's strategy is long-term acquisition of forestland. In 2021, the company's investments in forestland purchasing totalled EUR 48 million, and a total of more than 11,000 hectares of new forestland were purchased in Finland. Amidst the tightening market situation, the fact that Tornator is better known has played a key role in expanding the forestland area, as more and more forest owners offer their forests directly, without intermediaries, to Tornator for purchasing.

In line with the growth strategy, Tornator will continue seeking to diversify the use potential of the forests it owns. The wind power business generates income for the company both from the development projects sold and the rental income from power plants built on the land it owns. Wind power projects also contribute to the vitality of project locations and will help Finland achieve its carbon neutrality goals.

Development of the services business offers the highest potential

The year 2021 was significant in terms of Tornator's growth, particularly owing to the expansion of the forest services business. The nationwide expansion of the silvi-

cultural services provided through the partnership with Stora Enso was reflected not only in net sales, but also in significant growth in staff numbers and information system projects. The employment effects of the growing services business extend to both Tornator and its contract entrepreneurs and contractors.

Expediting the services business will continue to be an important priority area for growth. In addition to forest management, Tornator offers forest owners a lease service, and the interest in this service model, still unique in Finland, is growing. For the forest owner, the major benefits of the lease service are convenience and a regular monthly income in particular.

Tornator's silvicultural and lease services were awarded the Key Flag Symbol for a Finnish service, indicating that the service is produced in Finland and thus provides employment in Finland. The symbol supports communicating about both services of domestic origin and the values important for Tornator – reliability, sustainability and employment.



KEY ACHIEVEMENTS IN 2021

- Investments of EUR 48 million in more than 11,000 hectares of forestland purchasing
- Expansion of the forest services business to cover the whole of Finland
- Becoming better known in the forest sector

TARGETS FOR 2022

- Further increase in forestland area
- Development of the service business
- More versatile use of forests' potential

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THE FOREST LEASE SERVICE IS RENEWING THE FOREST SECTOR

Tornator was the first Finnish operator to launch a forest lease service for private forest owners. Forest lease is a service tailored for forest owners who do not want to give up their forest assets, but are not willing or able to perform forest management measures themselves.

Aleksi Vanninen works as a land use expert at Tornator, specialising in the new forest lease service in particular. "There are more than half a million private forest owners in Finland, and among them, there are tens of thousands of owners who are potential users of the forest lease service in the future. In practice, the service includes a monthly rent paid for the forest, specified in the lease agreement, and a minimum value is agreed for the leased growing stock after the expiry of the lease period. The forest lease service is comparable to a car lease – in the same way that the kilometres driven influence the pricing of a leased car, the value of the leased growing stock influences the amount of the monthly rent. The goal is that the leased forest area will be kept at least in as good, if not in better condition at the end of the lease period," Vanninen says.

Mika Vekkeli from Pertunmaa is one of the forest owners having recently joined the forest lease service. Vekkeli, a forest machine entrepreneur, leased a 200-hectare section of his forestland to Tornator. "Aleksi phoned me in the summer, and I decided to try out the new service. The steady income and ease of service were attractive, and the location

and growing stock of the section in question make it ideal for such a service. Planning my finances is much easier when I know that I get a steady return on my assets every month," Vekkeli says.

New solutions challenge traditional operators to develop further

The forest lease service is an example of a broad-scale change in the forest management sector. The younger generation of forest owners is willing to pay for ease of ownership and productised services. "Our target group includes owners who value a steady income from the forest and forestland as an investment. The fixed monthly rental income from the forest makes it easier to plan personal finances," says Vanninen.

According to Vanninen, awareness of the service is the biggest challenge for the forest lease service: "It is important to understand that we are just getting started with the new business, and it takes time to get used to a new kind of service. The forest lease service contributes to encouraging traditional operators to develop their services, although we do not see ourselves competing with traditional operators for the same customers. We would like to raise awareness of the forest lease service particularly in situations where the forestland assets pass from one generation to the next. As in forest management, patience and a long-term approach are crucial in the development of the forest lease service."



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CONTINUOUS DEVELOPMENT TO STRENGTHEN COMPETITIVENESS

The rapid digitalisation of the forest sector makes more accurate and up-to-date information available in support of sustainable forest management. Tornator strengthens its competitiveness by harnessing digital forestry solutions to support the work of its experts.

Tornator has identified the use of digitalisation as one of the key themes of its competitiveness, and the company will continue to make significant investments in the development of digital forest resource data. Well-functioning digital systems are a prerequisite for the expansion of the forest services business. In the future, Tornator will seek to utilise more artificial intelligence in the automation of its operations.

Even though digital services are emerging as an increasingly important competitive asset, skilled staff is still the cornerstone for Tornator's success. Tornator employees' longstanding experience in timber sales, forest management, real estate, environmental issues and the ICT sector lays a solid foundation for company operations in the future. In 2021, the focus of personnel development was on sustainability management training and the Lean training aimed at customer orientation and continuous improvement.

Competitive financing and a strong and stable ownership base are also important background factors for Tornator's success. The successful refinancing of the loan portfolio and the optimisation of long-term interest rate hedges enable the company to implement its strategy and investment capacity well into the future. The renewal of the long-term timber sales framework agreement with the company's main customer, Stora Enso, will reduce the uncertainty related to global economic cycles and enable the further development of operational processes.

Research and development cooperation drives the forest sector forward

The partnership between Tornator and Stora Enso intensified in many areas in 2021. In addition to the expanded forest services agreement and the timber sales framework agreement, the companies agreed on extensive research and development cooperation, for example in projects related to forest growth and welfare, the promotion of biodiversity, climate change and digitalisation. Through the projects, the companies seek to combine their special expertise and share best practices to promote the development of the entire forest sector and its digitalisation.

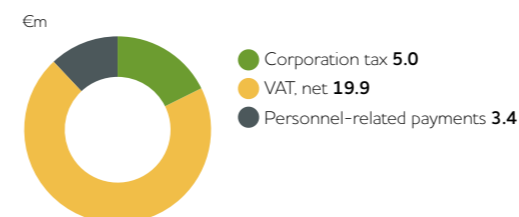
KEY ACHIEVEMENTS IN 2021

- Renewal of the timber sales framework agreement with the main customer and completion of refinancing
- Agreement on research and development cooperation with Stora Enso
- Sustainability and Lean training for staff

TARGETS FOR 2022

- Further development of digital solutions and utilisation of artificial intelligence in operational automation
- Promoting research and development cooperation with Stora Enso
- Continuing the Lean training for staff

Tornator's tax footprint: Annual taxes and other payments to government, average 2017–2021



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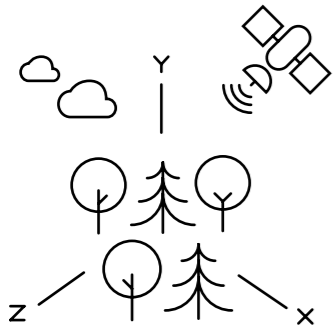
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SUSTAINABILITY AND DIGITALISATION GO HAND IN HAND IN FORESTRY

Digitalisation is making quick progress in the forest sector. The digital twin is a project led by **Heikki Penttinen**, Tornator's Director of Development, aiming at simulating all of Tornator's forestland assets in digital form as accurately as possible. The simulated forest will mainly serve as a tool for anticipating and planning the future of forest management.

The project will create a data-based model of the company's forestland assets – the growing stock, soil and road network. "We want to significantly improve the quality of forest management and the predictability of measures. Our aim is to ensure that forest management measures are performed in a timely and productive manner. The end product will be a forest that is healthy from both an economic and sustainable perspective," says Penttinen. Sustainability and digitalisation go hand in hand in this respect, too. According to Penttinen, high-quality data on the forest and its condition enhance the opportunities to target forest management measures and anticipate the future. The utilisation of data in forest management will enable more accurate calculations of the forest's economic productivity and carbon forecasts in the future.

Culture of experimentation plays a key role

There are no ready-made solutions for forest digitalisation available, making the work iterative and experimental in this respect. Data on the condition of the forest is collected through multisource methods. The most comprehensive data is collected with satellites and supplemented with data collected by drones, harvester data and other field work. Penttinen says that forest simulation requires a bold and curious approach: "We have performed various experiments, for example, with a backpack laser scanner and drones. Tornator is an excellent place to work, as it offers great pre-conditions for experimentation and groundbreaking ideas."

Digital trends in the forest sector

Services becoming digital and electronic is a cross-cutting theme in the society as a whole. This applies to the forestry sector as well. "In the future, forest management will be more small-scale and tactical, and the range of various forest management measures will increase. This type of forest management requires reliable data and its integration into expert work. Forest experts and professionals working in the field will by no means be less important, rather on the contrary. In the future, digital solutions will make their work easier and give people time to focus even better on their work," Penttinen concludes.



“

The simulated forest will mainly serve as a tool for anticipating and planning the future of forest management.”

Heikki Penttinen
Director of Development



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A CHAMPION OF SUSTAINABLE FORESTRY

The critical debate about forests intensified at the EU-level in 2021, requiring the operators in the sector to take a firmer stand to advocate sustainable forestry. Tornator's more visible presence in various media strengthens the preconditions for advocacy work and makes the company better known among forest owners and potential employees.

Tornator's role as an advocate for sustainable forestry is becoming increasingly important in the ongoing public debate, where opinions about the acceptability of forest use are becoming increasingly polarised. In this debate, strong views are expected from Finland's largest forest owner, and Tornator wants to offer them by participating actively in social dialogue and sharing fact-based information. Tornator is particularly committed to raising the profile of its proactive work on climate issues and biodiversity.

One way to increase this type of visibility is reporting in accordance with the EU taxonomy requirements, which Tornator has wanted to voluntarily incorporate into its own reporting. Based on the preliminary analysis, the majority of the company's business operations are taxonomy eligible and taxonomy alignment will be examined in more depth during the year 2022.

Strong Tornator brand supports growth

Strategic brand and communication work is important from the perspective of both social impact and business growth. Tornator's message that a healthy, professionally managed forest produces well-being both for the owner,

the society and the climate, is spreading. Being better known among the approximately 600,000 forest owners in Finland is reflected in the increasing number of direct contacts related to the sale, management or lease of forests.

Active communication has had a positive impact on Tornator's employer image as well. This was reflected above all in the success of the largest recruitment process in company history, as consequence of the growth of the forest services business: highly skilled people matching Tornator's corporate culture were attracted and a high number of new employees hired.

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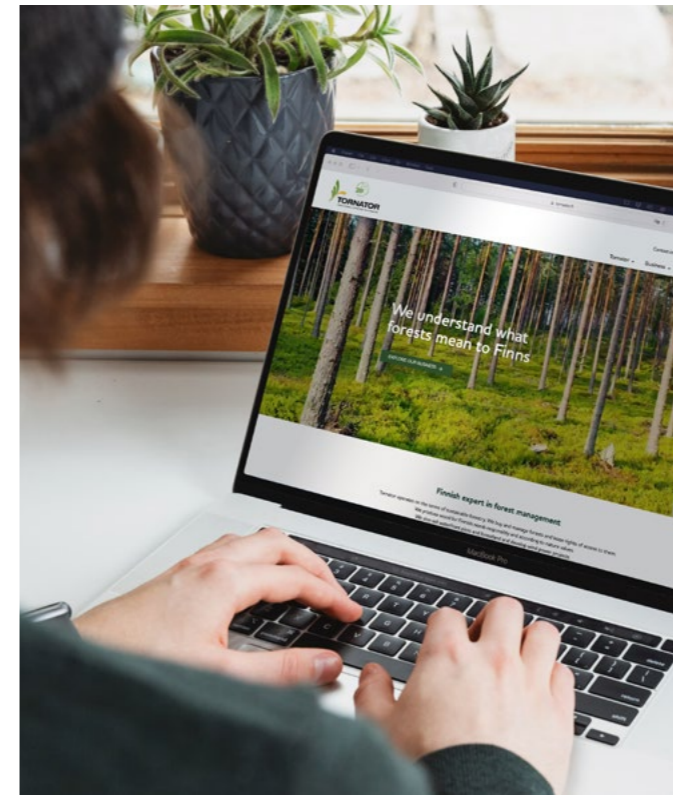
Strong views are expected from Finland's largest forest owner, and Tornator wants to offer them by participating actively in social dialogue and sharing fact-based information.”

KEY ACHIEVEMENTS IN 2021

- Becoming better known among forest owners
- Stronger employer brand and success in the largest recruitment process in company history

TARGETS FOR 2022

- Creating thought leadership as an advocate for sustainable forestry
- Communicating more visibly about proactive work for climate and biodiversity



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STRATEGY

- Sustainability
- Partnership
- Growth

Economic capital:

- Equity and debt
- Financial solutions

Services:

- Timber sales
- Forestland purchasing and leasing
- Silvicultural work
- Leases
- Recreation

Economic:

- Growing and profitable business
- Dividends and appreciation for shareholders
- Pay and benefits to employees
- Employment in sparsely populated areas
- Taxes paid to the public sector
- Payments to financial institutions
- Payments to contractors and partners

A PASSION FOR THE FOREST – SUSTAINABLE SOLUTIONS ACROSS GENERATIONS

MISSION: We generate sustainable well-being from forests

VISION: We are a forerunner in the responsible use of forests

RESOURCES

PRODUCTIVE capital and natural resources:

- Forestlands: Finland, Estonia and Romania
- Forest road network
- Forest resource information
- TornaApps ERP system

HUMAN resources:

- Skilled employees and functioning organisation
- Contractors

INTELLECTUAL capital:

- Tornator brand and reputation
- Corporate culture
- Research information

EXTERNAL relationships:

- Contractors and other partners
- Customers
- Cooperation with stakeholders, opinion-formers and authorities

BUSINESS

BUSINESS AREAS

TIMBER SALES

REAL ESTATE

SERVICES

SUPPORT functions

Versatile partner network

Motivated, skilled employees

VALUES

- Responsibility, expertise and partnership

OUTPUTS

Products for customers:

- Planned and ready felling sites and timber sales
- Forestland purchases and sales
- Logs, pulpwood and biomass
- Natural products
- Land for sale and lease

Forest and water ecosystem outputs:

- Oxygen produced and carbon stored in forests through photosynthesis
- Clean water
- Wildlife
- Wild berries and mushrooms

Emissions:

- CO₂ emissions from Tornator's own operations
- Impacts on water systems

IMPACTS

Social:

- Employees' safety and well-being
 - Low sickness absenteeism
 - High employee satisfaction
 - Employees' opportunities to develop themselves
- Well-being of people, recreational use of forests and Everyman's rights
- Local cooperation, support and sponsorship

Environmental:

- Healthy and diverse nature
- Carbon capture, storage and sink
- Energy and resource efficiency
- Increase in forest growth
- Established conservation areas and planning of new ones

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Sustainability program and goals

Stakeholders

Sustainability management

An expert in sustainable forestry

An attractive employer

A responsible partner

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SUSTAINABILITY PROGRAM AND GOALS

STAKEHOLDERS' EXPECTATIONS AS THE BASIS FOR SUSTAINABILITY WORK

Tornator's aim is to be an expert in sustainable forestry, an attractive employer and a responsible partner. These three key sustainability themes are based on a materiality analysis conducted in 2020 in collaboration with Tornator's key stakeholders to ensure that the company's operations focus on issues relevant in terms of stakeholder expectations.

Based on the analysis, Tornator will continue to focus on the sustainable use of natural resources with an increasing focus on strengthening positive climate impacts. In 2021, the company published both the Biodiversity Program and the Climate Program to promote the growth and vitality of its forests. Other key sustainability themes include financial responsibility and profitability, openness and transparency of operations, job satisfaction and health and safety.

Tornator is also committed to promoting the UN's Sustainable Development Goals (SDGs) that are key to its operations and stakeholders.

Materiality matrix



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- Sustainability program and goals

Stakeholders

Sustainability management

An expert in sustainable forestry

An attractive employer












A responsible partner

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We are a forerunner in the responsible use of forests

Theme	Topic	Target	Indicator	Outcome 2021 (2020)	Status of the target
 An expert in sustainable forestry	Sustainable utilisation of natural resources	Make cutting plans sustainably	Annual cut vs. growth	Cut some 3.2 mill. m ³ /yr (3.2), Growth some 3.5 mill. m ³ /yr (3.5)	●
	Certified products	Comply with FSC and PEFC certification criteria	No major non-compliances	No major non-compliances (0)	●
	   Carbon capture and storage	Increase carbon sequestration by caring for the health and vigour of forests. Maintain carbon stores of forests with sustainable harvesting.	Maintenance of carbon capture and storage capacity	Forest growth 5.5 m ³ /ha/yr (5.5)	●
 An attractive employer	Employee satisfaction, health and safety	Satisfied employees, healthy and safe work environment	Result of the new employee well-being survey, number of accidents at work	3.8/5 (3.9/5) 7 (8)	●
	  Employee and contractor training	Secure necessary expertise for the company	Days of training per person	7 days (3)	●
 A responsible partner	Economic responsibility and profitability	Steady dividends and increasing forest value for shareholders	Return on equity at fair value	34.6% (13.8)	●
	Local economic impacts	High net value retained	Net value retained	€ 21.1 mill. (26.8)	●
	Responsible management of contractor and partner relationships	Monitor supplier's sustainability systematically	Completed supplier assessments	195 (107)	●
	   Open communication and stakeholder relationships	Identify sustainability themes important to the company and stakeholders	Updating of the materiality analysis (core/comprehensive) at three year's intervals in co-operation with stakeholders	The materiality analysis was updated in Autumn 2020.	●

● Achieved ● In progress ● Off target

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An attractive employer

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STAKEHOLDERS

LONG-TERM STAKEHOLDER COOPERATION

Tornator's work with stakeholders is defined by values based on sustainability, competence and cooperation. With the help of well-functioning digital tools, close cooperation with a wide network of stakeholders has continued successfully even in the exceptional circumstances caused by the coronavirus pandemic.

Tornator's stakeholder network includes a large group of actors that utilise forests or operate in the related sectors. Key among them are customers, shareholders and investors, contractors and other partners, employees, the authorities and decision-makers, as well as local communities. Tornator's sustainability extends to all levels of the stakeholder network, from EU-level decision-making to discussions with local communities.

Due to the coronavirus pandemic that continued in 2021, stakeholder relations were mainly managed through electronic channels, much in the same way as in the previous year. Due to the exceptional times, digital tools have become an increasingly natural part of communication with various partners, and due to long distances, this has significantly enhanced the efficiency of work. Various events were also organised remotely during the year, such as the Biodiversity in Forestry webinar in connection with the launch of Tornator's Biodiversity Program. Various co-operation projects on forest diversity and protection have also been successfully promoted even during the exceptional circumstances.

The views of stakeholder groups about Tornator's operations are measured annually through a survey that forms part of the FSC audit. The results of the 2021 survey indicated that stakeholder satisfaction had remained at an excellent level.

Tornator is a member of several associations and advocacy organisations that are relevant to sustainable forestry. The key roles include board and committee memberships in the Finnish Forest Industries Federation, and board memberships in the digital wood trade developer Suomen Puukauppa Oy, the Finnish Forest Museum Foundation, Ilomantsi Museum Foundation, and FSC Suomi (Vastuullisen metsänhoidon yhdistys ry). Tornator is also involved in the University of Eastern Finland's ForBio project as a member of the steering group and expert panel, and from 2020, as a member of the Climate Leadership Coalition (CLC).

Tornator is also active in forestry organisations in its other countries of operation. In Romania, Tornator chairs the "Romania Association of Private Forest Land Owners - PROFOREST", and in Estonia it is a member of key associations in the sector.

All Tornator's memberships and roles in various organisations are presented on the company's website at www.tornator.fi/en/memberships-in-associations-and-working-groups



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Stakeholder cooperation 2021

	Expectations towards Tornator	Communication channels	How we met expectations
Wood buyers, forestland sellers and other customers	<ul style="list-style-type: none"> • Wood availability (flexibility) • Predictability • Long-term business • Reliability • Expertise 	<ul style="list-style-type: none"> • Sales and agreement negotiations • Information systems 	<ul style="list-style-type: none"> • We offered to customers: <ul style="list-style-type: none"> - PEFC- and FSC-certified wood - High-quality felling sites and forest management and lease services - Planned holiday home plots
Owners and providers of loan funding	<ul style="list-style-type: none"> • Reliable and steady long-term returns • Risk management • Sustainability 	<ul style="list-style-type: none"> • Cooperation with the Board and shareholders • Investor communications 	<ul style="list-style-type: none"> • Close cooperation with the Board of Directors and shareholders • Adjusted profit was excellent and the value of forests increased significantly • Negative risks did not materialise • Investor meetings and green financing
Contractors and other partners	<ul style="list-style-type: none"> • Predictability of work • Steady availability of work • Method development projects in cooperation with contractors 	<ul style="list-style-type: none"> • Annual contract negotiations • Inspection visits to sites • Cooperation meetings 	<ul style="list-style-type: none"> • Tornator's total employment effect is about 1,500 person-years • Participation in various development projects and auditing
Service providers	<ul style="list-style-type: none"> • Compliance with agreements and sustainable behaviour as a customer • Provision of clear project plans in appropriate schedule 	<ul style="list-style-type: none"> • Service and project meetings • Teams • Email 	<ul style="list-style-type: none"> • Monitoring of outcomes in terms of substance and finance • Setting up of steering groups for larger projects • Sustainable implementation of jointly agreed project schedules and tasks
Employees	<ul style="list-style-type: none"> • Well-being at work • Forest workers: <ul style="list-style-type: none"> - sufficiency of work and a working season that is as long as possible • Salaried employees: <ul style="list-style-type: none"> - stable employer, interesting tasks and good management 	<ul style="list-style-type: none"> • Cooperation and development discussions • Cooperation with employee groups • Close first-line management 	<ul style="list-style-type: none"> • Supervisors stayed in close contact with employees • Individual training opportunities • Groupwide training program about sustainable leadership • Establishing a Personnel Committee
Authorities and decision-makers	<ul style="list-style-type: none"> • Professional and collaborative practices • High-quality plans and studies • Open and fast communication on relevant topics 	<ul style="list-style-type: none"> • Cooperation meetings 	<ul style="list-style-type: none"> • Active discussion and formal negotiations • Environmental inventories for ongoing EIA procedures and establishment of conservation areas • Active influence on the business environment
Schools, universities and research institutes	<ul style="list-style-type: none"> • Participation in development project and studies • Promotion of forest awareness among children and young people 	<ul style="list-style-type: none"> • Cooperation projects • Meetings and visits 	<ul style="list-style-type: none"> • Participating in projects such as LUMO, FORBIO, and SEKAVA • Visits to schools in the Forest of Opportunities campaign
Local communities	<ul style="list-style-type: none"> • Consideration of the environment in forestry operations and various land-use projects • Regional employment effects • Listening to neighbours and other residents • Participation in local projects and provision of recreational opportunities 	<ul style="list-style-type: none"> • Discussions and participatory meetings • Website • Collection and handling of feedback 	<ul style="list-style-type: none"> • Regional sponsorship: forestry students, forest culture, physical activity for children and young people • All feedback was handled • Establishment of several conservation areas • Provision of forests for recreational use • Maintenance of forest roads • Number of hunting leases: approx. 1,000
Associations	<ul style="list-style-type: none"> • Responsible and sustainable operations • Consideration of biodiversity and effective forest certification • Provision of hunting opportunities and consideration of game animals 	<ul style="list-style-type: none"> • Meetings and messages 	<ul style="list-style-type: none"> • PEFC- and FSC-certified wood • Meetings with associations and FSC International • Participating in the Paahde-LIFE and Freshabit LIFE IP projects
Media	<ul style="list-style-type: none"> • Open, proactive and fast communication on relevant topics 	<ul style="list-style-type: none"> • Press releases • Website, Social media communications • Webinar • Personal contacts 	<ul style="list-style-type: none"> • Press releases on website • Social media communications • A diversity themed webinar

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SUSTAINABILITY MANAGEMENT

EXPANDING THE SCOPE OF CLIMATE AND ENVIRONMENTAL REPORTING

Sustainability is a key guiding value in Tornator's business. The environment, social and financial responsibility have been made an integral part of the company's business, translating into management practices and practical measures in our daily work.

At Tornator, sustainability is managed by matching the company's own goals and expectations with those of stakeholders. A global shift in sustainability is under way, with investors, for example, expecting the companies that they own to take more significant action and provide more comprehensive reporting on environmental and climate themes. EU-level regulation around these themes is also increasing. Tornator has risen to the challenge by, for example, publishing ten-year programs for both its biodiversity and climate actions and setting ambitious and measurable result targets for these. An extensive study of the risks and opportunities of climate change for the company's business was also initiated in 2021, and the results are reported for the first time in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Sustainability issues play a major role in Tornator's leadership practices and their planning. The company is committed to sustainable operations through both its internal and external principles, and in 2021, the long-term performance bonus program concerning Tornator's management included the implementation of the Biodiversity Program as a criterion with a weighting of 30

per cent. In addition, Tornator's operations are guided by the legislation of its countries of operation, its Code of Conduct, its environmental principles and external PEFC and FSC certification system criteria.

At Group level, the CEO, assisted by the Management Group and the Corporate Responsibility Manager, is responsible for the coordination and guidance of Tornator's corporate responsibility. The implementation of responsible and sustainable practices is the responsibility of the persons in charge of various functions. Implementation is assessed through internal control and both external and internal auditing. Tornator also uses a whistleblower system, maintained by a third party and based on an anonymous online form, for reporting unethical activities or violations.

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A global shift in sustainability is under way, with companies taking more significant action and providing more comprehensive reporting on environmental and climate themes.”



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**AN EXPERT IN
SUSTAINABLE
FORESTRY**

POSITIVE CLIMATE IMPACTS THROUGH SUSTAINABLE USE OF FORESTS

Forests play an increasingly important role in mitigating climate change within a critical timeframe. Active management measures and ensuring biodiversity will secure the vitality of Tornator's forests and, consequently, their carbon sequestration capacity in the future.

Tornator's operations are based on the sustainable use of forests. The aim of increasing the value of forestland in the long term, with respect to environmental values, requires taking the vitality and biodiversity of forests into account in the conduct of business. The environmental principles based on Tornator's values, the legislation of the countries of operation, and the PEFC and FSC forest certification systems all contribute to ensuring the implementation of sustainable forest management.

KEY ACHIEVEMENTS IN 2021

- Publishing of the Biodiversity and Climate Programs
- Forest fertilisation on 8,000 hectares
- Prescribed burning on 52 hectares and mire restoration on 252 hectares
- New conservation areas on 2,400 hectares
- Organising the Biodiversity in Forestry webinar

TARGETS FOR 2022

- Implementing the measures included in the Biodiversity and Climate Programs
- Introducing new conservation areas on at least 500 hectares and mire restoration on 300 hectares
- Establishing continuous-cover forest management as part of the forest management guidelines
- Preparing for the revised FSC standard

Significant investments to support the vitality of forests

The forests owned by Tornator act as significant carbon sinks, sequestering about four million tons of carbon dioxide from the atmosphere every year. Ensuring the vitality of forests through active forest management, for example by regeneration, cultivation and thinning, will also ensure the carbon sequestration capacity of forests. Fertilisation and improved seedling materials are also important for carbon sequestration.

Forests also provide a wide range of ecosystem services for human use, such as mushrooms, berries, fresh water and opportunities for hunting and recreation. Tornator's versatile nature management measures, including prescribed burning, mire restoration and water restoration projects, are ways to secure ecosystem services for the future as well.

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In 2021, Tornator made significant investments in the growth and vitality of its forests by publishing both the Biodiversity Program and the Climate Program for 2021–2030. These will serve as the company's roadmap for sustainable forestry in the years to come.

Measures to safeguard biodiversity are being developed

Felling changes the structure of forests and this may result in local damage to water bodies and the habitats of forest species. Tornator manages negative environmental impacts through, for example, comprehensive water protection measures. The aim is to safeguard biodiversity by protecting valuable habitats and adding the structural features of forests that are important for biodiversity, for example through retention trees and decayed wood, or by increasing the proportion of broadleaved trees.

In 2021, Tornator joined Natural Resources Institute Finland's SEKAVA project on forest management regimes for mixed forest, aimed at studying the development of mixed forest cultivation options in comparison with the development of one tree species. Forestry based on native tree species is a productive and diverse way to prepare for the challenges and risks of forest damage caused by climate change.

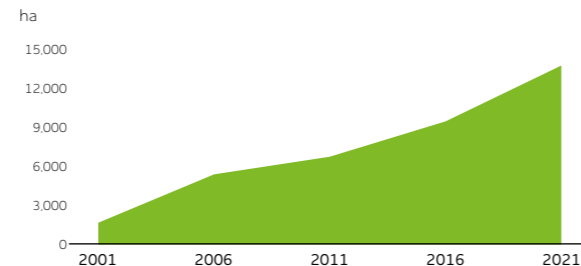
The impacts and quality of Tornator's forest management are monitored not only by the company itself, but also by an external evaluator and the authorities. The operations are developed through continuous evaluation, utilisation of best forestry practices and research collaboration with partners.



Nature conservation areas

INCREASED MORE THAN 8-FOLD SINCE THE YEAR OF TORNATOR'S ESTABLISHMENT

Protection under the Nature Conservation Act by Tornator



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The aim is to safeguard biodiversity by protecting valuable habitats and adding the structural features of forests that are important for biodiversity.”



CONCRETE CLIMATE ACTION

Forests play a much bigger role in mitigating climate change than just acting as a carbon stock. Maintaining a continuous carbon flow and utilising renewable natural resources to replace fossil-based resources is essential for the climate. Sustainable forest management enables forests to produce both well-being and, as far as possible, positive climate effects.

The goal of Tornator's Climate Program is to increase the growth of growing stock, and thus also carbon sequestration in the forests owned and managed by Tornator, by 20 per cent during the program period 2021–2030. Concrete measures to achieve the goal include fertilising forests, using genetically improved nursery stock, and the proper targeting and timing of felling and management operations.

The other main goal of the Climate Program is to increase the substitutability effects of forests by 50%. This means utilising renewable wood raw material from forests to replace fossil fuels. Increasing the growth capacity of forests will also expand the opportunities for felling. In line with the program, the aim is to make full use of these opportunities. The measures in the program also include the promotion of wind power generation on land owned by Tornator.

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AN ATTRACTIVE EMPLOYER

ENABLING MEANINGFUL WORK

Since the personnel is Tornator's most important capital, it is vital for the company's success to ensure employee competence, motivation and well-being. Tornator's strengths as an employer include enabling meaningful work and an inclusive management culture.

Tornator's staff consists of 47 forest workers and 85 salaried employees in Finland. The staff in Estonia numbers 14, and 36 in Romania. The total number of staff is 182. Tornator employs forest workers increasingly as contractors due to the seasonal nature of the work. This enables the forest workers to find other employment during the winter season.

Successes in the midst of the prolonged pandemic

In 2021, the emphasis in Tornator's HR work, as in many other sectors, was on the rapid expansion of the forest services business and the resulting large-scale recruitments, the largest in company history. Despite the pressure caused by the hectic schedule and teleworking, the recruitment process was even more successful than expected, and a total of 12 new staff members were hired. The orientation of new Tornator employees went well, too, contributing to the successful launch of the forest services business.

Due to the prolonged coronavirus pandemic, teleworking continued almost throughout the year, as in the previous

KEY ACHIEVEMENTS IN 2021

- Recruitment and orientation of 12 new Tornator employees on a fast schedule
- Building the new strategy by involving all staff members
- Sustainability and Lean training for staff
- Establishment of the Personnel Committee

TARGETS FOR 2022

- Implementing the new strategy
- Strengthening the relevance of work and mental resources
- Continuing the Lean training for staff
- Continuous development of expertise, well-being, occupational safety and engagement

year. Tornator conducted an extensive survey of staff members' experiences of working in exceptional circumstances, and the results indicate that the employees have adapted very well to the new ways of working. In preparing for the "new normal" after the pandemic, work in the hybrid model will continue at Tornator, in line with the preferences of the staff, and everyone will have the opportunity to choose the workplace that best suits their personal needs and supports their work.

Strategy work together with staff

Tornator is an expert organisation, and therefore its competitiveness is largely based on the competence of its personnel, its maintenance and development in a changing world. In 2021, staff development was strongly linked to the strategy process, which involved all employees in various workshops. Thanks to close cooperation and the joint effort, the implementation of Tornator's new strategy was well underway already at the planning stage, and Tornator employees are well familiar with the company's future direction.

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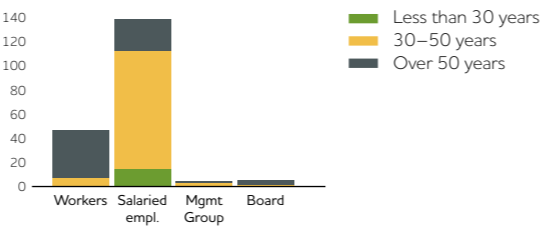
The training program for sustainable management continued alongside the strategy process, with particular focus on customer orientation and how to generate long-term competitive advantage from sustainability. Tornator also began familiarisation with the Lean business philosophy that focuses on continuous improvement, with the aim of leveraging the learned ideas and putting them into practice during 2022.

The aim: happy and healthy staff

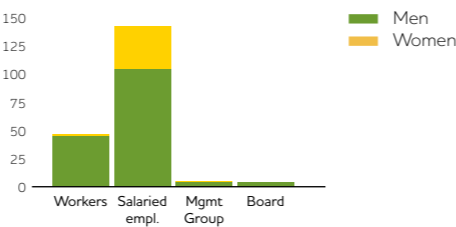
Tornator invests in staff well-being in various ways. In addition to high-quality occupational health care, staff have access to an electronic pass for sports, cultural and wellness services.

Occupational safety is another important theme for the company. In particular, the work of forest workers in variable terrain involves risks, and we strive to manage these through systematic risk mapping, analysis and monitoring. As result of active promotion of occupational safety, it is at a good level in Tornator, and in 2021, only 7 accidents in total were recorded. In the future, occupational safety expertise will also be shared with contractors through training and guidelines.

Age structure of employees



Gender distribution of employees



Average hours of training per employee

	Finland	Estonia	Romania
All employees	44	13	17
Men	37	13	15
Women	71	14	22
Salaried employees	63	13	17
Group Management	75	-	-
Forest workers	5	-	-



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Tornator conducts an annual group-level occupational well-being survey. In 2021, survey responses in each category, on a scale from one to five, were over four, with one exception, which indicated that occupational well-being had improved further. The responses emphasised employees' good state of health and their experience that one can always turn to a co-worker for help and support when needed. Team spirit in the work community was also considered good, despite teleworking during the coronavirus pandemic. Staff members also perceived their work as very meaningful and the goals of work were clear.

Based on the answers, occasional stress at work is still considered most challenging, because the workload is not evenly distributed among the employees. Among forest workers, job satisfaction declined due to the change in work equipment practices during the year. Efforts will be made to address the shortcomings through ongoing dialogue and by investing more in employees' mental resources in the future. Solutions for balancing the workload and further development of processes will also be sought in the Lean training for continuous improvement.

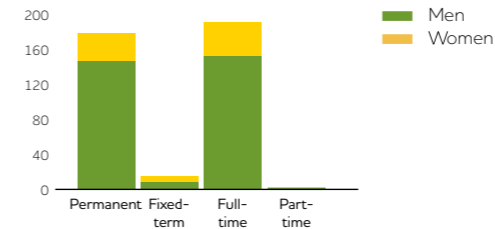
Occupational accidents and sickness absenteeism

	2021			2020		
	Finland	Estonia	Romania	Finland	Estonia	Romania
Sickness absenteeism						
Men, %	4.3	1	0.95	1.5	0.3	2.1
Women, %	1.2	0.3	1.07	0.7	0.0	8.8
Accidents, own employees						
Number of accidents resulting in lost days, men	6	0	0	5	0	0
Number of accidents resulting in lost days, women	1	0	0	1	0	0
Number of days lost due to accidents, men	24	0	0	157	0	0
Number of days lost due to accidents, women	24	0	0	35	0	0
Number of fatalities	0	0	0	0	0	0

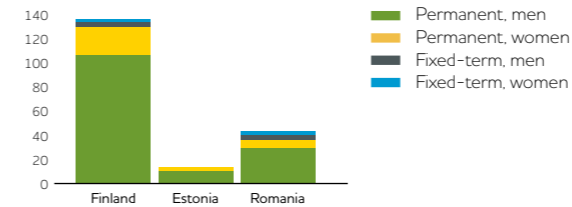
“

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Employment types of employees



Employment types of employees by country



Total number and rates of new employee hires and employee turnover

	Finland	Estonia	Romania
Number of employment contracts signed	38	0	8
of which, fixed-term	26	0	8
Number of employment contracts terminated	24	2	8
of which, retired	6	0	0
Employment contracts terminated by employer, %	0	0	0
Total employee turnover*, %	16	13	42
Average number of employees in 2021	139	15	38
Total number of employees at 31 Dec 2021	132	14	36

* The total rate of employee turnover is obtained by adding up the numbers of signed and terminated employment contracts and dividing the sum by the average number of permanent employees during the year.

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THE PERSONNEL COMMITTEE, A NEW DISCUSSION FORUM FOR WORK COMMUNITY DEVELOPMENT



Tornator employs a large number of forestry professionals willing to actively develop their work community. The reasons for founding the Tornator Personnel Committee in 2021 included establishing a better connection between the personnel and senior management, particularly during the coronavirus pandemic. **Ville Nousiainen**, Silviculture Manager at Tornator, introduced the idea to establish the Personnel Committee, currently quite common particularly in large companies.

“Personnel Committees are well-established in large companies, so why not with us, too? During the pandemic, this is a good way for senior management to be aware of what is happening at the grassroots level, and on the other hand, the management gets to interact more with people working in the field,” says Nousiainen. He emphasises that the Committee is not a decision-making forum, but a forum for discussion and meetings between staff, senior management and the owners. “The aim is to promote an open dialogue directly between the owners and the staff, in a positive, constructive spirit,” Nousiainen continues.

Changing employee representation enables versatile development

The first meeting of the new Personnel Committee was held in the autumn of 2021 in connection with the meeting

of Tornator’s Board of Directors. The goal is to continue with the meetings – in person if possible – once a year. The Committee’s regular members are the Chairman of the Board, the CEO and Head of HR. One additional member of the Board and the Management Group, as well as a total of four participants from various personnel groups, will participate in the meeting as alternate members. The changing alternate representatives of personnel groups will give as many people as possible the opportunity to take part in the Committee activities and address current issues and needs.

Owners’ enthusiasm as a motivator

The Personnel Committee has been well received by Tornator’s personnel and management alike. “It has been great to see how genuinely excited the owners have been about this, and how good the discussion has been. The owners have a wide influence throughout the Finnish business community and can provide information about best practices for example about teleworking during the pandemic. Staff members have already been very interested in the Committee, and I am confident that as awareness spreads, more active participants will be involved,” says Nousiainen.



“

The aim is to promote an open dialogue directly between the owners and the staff, in a positive, constructive spirit.”

Ville Nousiainen
Silviculture Manager

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**A RESPONSIBLE
PARTNER**

AN EXPANDING PARTNERSHIP NETWORK DEVELOPING FOREST MANAGEMENT

As Finland's largest private forest owner, Tornator has an extensive network of stakeholders and services, and the company plays a major role in ensuring sustainability within the network. The long-term time horizon of operations and the development of forest management together with partners form the basis for Tornator's pioneering role as an active operator in sustainable forestry.

Tornator's goal is to be the most desirable partner in the management of forest assets and an active developer of forest service entrepreneurship. The forest services business, expanded to cover the whole of Finland within an ambitious schedule, further increased Tornator's partner network. This allowed the company to offer more work to both the former contractors and a large number of new ones. Therefore, the deeper partnerships, not only with the main customer, but also with partner entrepreneurs, can be regarded as the great success of 2021.

The sustainable supply chain was strengthened

Tornator's role in the supply chain of forestry is forest management and timber sales. In addition to directly employed forest workers, the company uses the services of forest worker entrepreneurs and forest machine contractors, and suppliers of seedlings and equipment. Tornator's internal supply chain consists of forest regeneration and cultivation activities, mainly focused on the management of the company's own forest assets.

KEY ACHIEVEMENTS IN 2021

- The forest services business expanded to cover the whole of Finland
- Larger network of partners
- Audits of contractors to strengthen the sustainable supply chain

TARGETS FOR 2022

- Further development of partnership-driven forest services business
- Development of occupational safety in the partnership network

A key part of Tornator's corporate policy involves evaluating all subcontractors to ensure a sustainable supply chain. Due to the significant increase in the number of contracting agreements, a separate audit of contractors that use foreign labour was also carried out in 2021. The audit, commissioned from Tapio Palvelut Oy, assessed how the selected contractors manage their contractor's obligations and employer's obligations towards foreign workers, their orientation, occupational safety and housing arrangements.

The audit report indicates that the audited companies generally comply with their obligations well, but there was also room for improvement, particularly in issues related to occupational safety guidelines and orientation. In these respects, Tornator will make its expertise available for partners in the future, by modernising working methods and providing orientation materials to support entrepreneurs.

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Forests have an impact

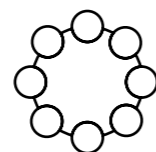
Tornator's operations create well-being for the society, not only through the taxes paid but by providing employment. In 2021, the company's tax footprint totalled EUR 28.4 million and the employment effect was about 1,500 person-years. The employment effect is particularly evident in sparsely populated areas, where the company employs not only Tornator's in-house personnel, but also contractors and other contracted entrepreneurs.

Tornator's forests provide intangible well-being locally, such as broad recreational opportunities. Tornator plays an important infrastructure development role wherever it operates, and its actively managed forest road network provides local forest users with easier access to the natural environment. Local travel has become increasingly popular, particularly during the coronavirus pandemic, and Tornator's forests with non-restricted access make it easy.

Forestry operations may also cause local negative effects, for example as the landscape changes. We seek to minimise the impacts through active dialogue with local and national stakeholders. Naturally, all activities also comply with international agreements and national laws and guidelines. Tornator also manages any negative impacts by actively monitoring and evaluating them and providing an electronic feedback system for reporting potential non-compliance.

Direct economic value generated and distributed

€'000		2017	2018	2019	2020	2021
Direct economic value generated						
Customers	Revenues	106,483	119,393	111,541	132,610	135,366
Direct economic value generated, total		106,483	119,393	111,541	132,610	135,366
Economic value distributed						
Contractors and other suppliers	Purchases of products and services	25,607	26,774	27,483	31,221	35,530
Shareholders	Dividends paid during the period	26,000	28,500	35,000	30,000	40,000
Financial institutions	Interest and financial expenses, net	21,713	22,546	22,360	20,668	15,684
Society	Taxes	9,976	3,605	9,978	14,778	13,487
Employees	Salaries and wages, remuneration and employer's contributions	8,271	8,447	9,064	9,162	9,571
Economic value distributed, total		91,567	89,872	103,886	105,829	114,272
Economic value retained		14,916	29,521	7,655	26,781	21,093
Taxes by country						
Finland		9,483	3,063	9,432	14,264	12,856
Estonia		255	272	305	307	305
Romania		239	270	241	208	327
Total		9,976	3,605	9,978	14,778	13,487



**TORNATOR WAS BY FAR
THE LARGEST
CORPORATE TAXPAYER
IN SOUTH KARELIA.**

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TRUST IS A PREREQUISITE FOR PARTNERSHIP-DRIVEN FOREST SERVICES BUSINESS



During 2021, Tornator launched nationwide forest services business in cooperation with Stora Enso. The transition to nationwide operations has been a big step for both Stora Enso, responsible for the customer interface of the business, and Tornator, which carries out the actual forest management services.

Openness the key factor in a successful partnership

"The past year has been very busy. We started the partnership-driven business by coordinating information systems and training employees and forest service entrepreneurs," says Forest Service Manager **Kari Kuusniemi**. He is responsible for promoting and developing Stora Enso's silvicultural services business. The aim of the nationwide forest services business is to provide forest owners with forest management with uniform quality and based on uniform operating models at the national level. "Working centrally gives us better opportunities to develop our services. Without an open and confidential relationship with Tornator, it would not have been possible to launch the partnership-driven business on this schedule. We have received a huge amount of positive feedback on the new service, but have also identified areas for development in the operations," says Kuusniemi.

When the basic level is not enough

High-quality service is a prerequisite for leading the way. "Our customer promise is that a basic level of service is not enough. If we seek to forge a profile as the frontrunner in the forest sector, high criteria must be set for our operational standards. Sustainability, be it ecological or professional, is the key guiding value in our operations," Kuusniemi says. Forest owner **Heikki Vakkila** has recent experience of Tornator's silvicultural services in terms of forest regeneration and early clearing. "Although the seedlings planted this summer were plagued by drought, the work went mostly according to plan and the early clearing in particular was a great success. Tornator is a familiar operator and I have used their services before," says Vakkila.

Aiming at a first-class customer experience

The digitalisation of services and the platform economy as part of everyday life are also prominent in the forestry sector. "Younger forest owners take over as ownership passes to the next generation. The young generation is used to managing daily transactions online. For this reason, our silvicultural services must also respond to the new needs. There is fierce competition in the market, so investing in the customer experience is key in everything. In the future, we will invest more in the productisation of silvicultural services and in creating added value for the customer," says Kuusniemi.



“Without an open and confidential relationship with Tornator, it would not have been possible to launch the partnership-driven business on this schedule.”

Kari Kuusniemi
Forest Service Manager

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Ownership and corporate structure

In 2021, besides the parent company Tornator Oyj in Finland, Tornator Timberland Group included Tornator Eesti OÜ in Estonia and SC Tornator SRL in Romania. All three companies own forestlands and practise sustainable, operational forestry. In addition, Tornator Oyj is the sole owner of five wind power development companies in Finland.

The owners of Tornator Oyj are Finnish investors, mostly institutions. There are 11 shareholders.

Governance principles

The governance of Tornator Oyj is based on the Finnish Companies Act and Tornator Oyj's articles of association. The company's shares are not listed for public trading. Tornator Oyj has issued a secured bond that is listed by NASDAQ Helsinki Oy, and the company complies with its rules and regulations for listed bonds, the Securities Markets Act as well as the Financial Supervisory Authority's regulations, which are publicly available at www.finanssivalvonta.fi/en.

The Annual General Meeting is the highest decision-making body in Tornator Oyj, deciding on matters laid down in the Finnish Companies Act. The AGM is held in May at the latest, on a date determined by the company's Board of Directors. According to Tornator Oyj's articles of association, the votes of a shareholder at the Shareholders' General Meeting may not exceed 20 per cent of the total number of votes carried by all shares in the company, including the voting rights of all companies and their pension funds and foundations belonging to the same group as the shareholder.

The Board of Directors of Tornator Oyj consists of 4–7 ordinary members, elected by the AGM for one year at

a time. The AGM also elects a personal deputy for each member. The Board of Directors supervises Tornator's operations and management, deciding on significant matters concerning the company's strategy, investments, organisation and finance. The Board of Directors convenes at least four times a year. In 2021, the Board of Directors held 8 meetings.

Committees

Tornator has two committees. The Oversight Committee's job is to oversee significant agreements between the company and the shareholders. It reports to the Board of Directors, which elects three of its members to the Oversight Committee for one year at a time. The Oversight Committee convenes and reports to the Board at least twice a year. A Remuneration Committee also reports to the Board of Directors, to which the Board elects three of its members for one year at a time, and which convenes and reports to the Board as necessary. The Board has decided not to establish a separate audit committee, but instead to perform these duties as part of normal Board work.

CEO and Management Group

Tornator's Board of Directors appoints the Chief Executive Officer. The CEO is responsible for the company's financial performance and for organising its business operations and administration according to legislation and the instructions and orders issued by the Board. The CEO's task is to provide information to the Board on matters such as the company's financial situation and changes in the business environment. The CEO is also responsible for key customer relationships.

The CEO is assisted by the Management Group. In 2021, the Management Group had five members. The CEO also chairs the Management Group. The Management Group is responsible for the practical implementation of

the strategy determined by the Board of Directors. The Management Group meets at intervals of around one month and whenever necessary. In 2021, the Management Group held 11 meetings. In addition to the Management Group, the company has an operational management level made up of experts of various functions, with the task of assisting the Management Group in deploying the strategy. The operational management level consists of some ten persons who are invited to the Management Group's meetings when necessary.

Operational activities

Operational activities are arranged as a process organisation. The core processes are: planning, timber sales, real estate, silviculture and environment. These are supported by traditional internal service processes such as HR, ICT, finance and communications. The processes involve the performance of tasks, set jointly with the company management, to meet strategic goals. Abroad, country managers are responsible for organising operational activities and reporting on them to the parent company. The subsidiaries also receive assistance from the parent company's support functions.

Related party transactions

Tornator and Stora Enso Oyj have a significant, volume-based, long-term timber sales agreement. In 2020, the companies also signed a new forest service agreement covering the whole of Finland. The market compliance of these agreements is supervised by the Oversight Committee, which reports to the Board of Directors (see Committees). The Oversight Committee has no representatives from Stora Enso.

Remuneration

The Annual General Meeting decides on the remuneration for the Board of Directors. The Chairman and members

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of the Board are paid an annual fee. Remuneration of the CEO and members of the Management Group is decided upon by the Board of Directors. The CEO and members of the Management Group shall receive a fixed monthly salary and an incentive bonus based on individual performance. The Management Group is also covered by a long-term monetary incentive scheme.

Taxes

The payment of taxes and parafiscal charges is one of the elements of Tornator's financial responsibility and a means of generating well-being. Key guidelines on compliance with laws and other provisions are set out in Tornator's Code of Conduct. Tornator also expects its partners to follow the same principles. The group CFO bears the responsibility for tax-related matters. In each of its operating countries, Tornator pays the taxes and other parafiscal charges determined by local legislation in a transparent manner. The profit is not transferred from one country to another within the group. The tax risk is managed through collaboration and open discussion, and, if necessary, by obtaining a preliminary ruling on difficult or significant tax-related matters.

Auditor

The Annual General Meeting elects the authorised public accountants for one year at a time. Tornator's auditors are Deloitte Oy with Marika Nevalainen, APA, acting as principal auditor since 2019.

The parent company's auditors are responsible for planning, coordinating and supervising the audit of the entire group. An audit plan is prepared annually in cooperation with corporate management. The auditors report to the parent company's Board of Directors at least twice a year.

Risk management

Tornator's risk management is aimed at securing profitable business in the long term and to create opportunities for well-managed risk taking using the selected strategy. It is

based on the systematic identification and analysis of all significant risks to the company.

Tornator's risks are divided into three main categories: strategic risks, operational risks and financial risks. Examples of each category are described below:

Strategic risks

Fluctuation in wood demand is naturally a risk for a forestry company. Demand risk has decreased as the use of wood has increased and diversified, and many new innovations have yet to see the light of day. The company has also secured high demand for wood by certifying all of its forests. With new investments by the forest industry, wood demand has increased in all countries in which Tornator operates.

The volatility of wood prices is a significant risk factor in terms of Tornator's results. If prices fall, Tornator can temporarily increase the volume of cutting right sales or plot and forestland sales or both. However, the goal is to follow a sustainable felling plan in order to optimise annual cash flows in the long run.

Risks concerning roundwood quantity and quality are controlled through long-term forest resource management planning and focusing operations according to the structure and age-class distribution of the forests. In 2021, for the verification of growing stock growth, the company adopted the MOTTI growth models, developed by the Natural Resources Institute Finland based on the latest research results. These models are used in the preparation of the long-term felling plan (longer than 30 years).

Changes in current certification criteria may affect opportunities for forest utilisation and cause a loss of income for Tornator, unless there is an agreement on full compensation. FSC Finland is redefining its national criteria. Tornator is closely involved in this process.

Forestland purchasing includes risks, and the success of investment is often discovered after a long time. The forest resources and structure of the estate to be purchased are determined using highly advanced technology, but some decisions must still be based on estimates. The pricing of estates is based on clear criteria, but pricing and the underlying appraisals may have an effect on the success of purchases in terms of returns.

Tornator monitors the current economic trend when planning plot sales. A downturn may decrease demand for holiday home plots and temporarily reduce profits. In 2020, the pandemic had a positive impact on the demand for land, but the trend slowed down during 2021. The risk involved in investments made in wind power project development is managed by preparing accurate feasibility studies before launching such projects, by selecting partners among significant players in the sector, by dispersing the projects around Finland, and by planning them carefully. Tornator does not participate in wind power construction or ownership of production, but sells its shares in projects before construction and remains the lessor of land.

When utilising forest resources, Tornator manages risks to the environment by complying with environmental legislation and certification criteria. Risks are discussed in employee training and induction, and minimised through the careful planning of operations and a high standard of implementation.

Significant new statutes or other factors impeding operations can be regarded as political risks. An example of this is the debate in Finland on the acceptability of forest use, or EU-level discussions on regulation that would restrict forestry. Acquiring forest assets as a foreign company may also subject the company to political risks in the target countries in question. In managing risks, it is important to cooperate with authorities, educational institutions and various NGOs as well as actively participate in societal debate. Proactive risk management also involves

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participation in research in the field and the preparation of various carbon calculations. Tornator pursues open communication with an emphasis on sustainability and other corporate values.

Tornator also aims to continue expanding its operations outside Finland, in countries where the related growth potential is considered profitable. Geographic expansion is both a way to manage risks and a risk in itself. With regard to Tornator's operations, Romania and Estonia score relatively poorly in corruption statistics. Tornator makes economic, social and environmental sustainability an integral part of its business, guided by a Code of Conduct that is common to all countries of operation. Furthermore, the risks associated with expansion are managed by selecting competent partners and reliable customers, and by balancing out long and short-term timber sales agreements. The company performs internal control in all countries, and the group has a whistleblower channel in place.

Attracting and retaining skilled employees is a risk in forestry as well. Tornator has prepared for rising numbers of retirements among forest workers by signing on new contractors and increasing mechanised work. With regard to salaried employees, the company collaborates with educational institutions and recruits proactively. The risk is also managed with active HR management and development.

Operational risks

To manage internal business risks, Tornator has operational processes that are approved by the Board of Directors and senior management. Operational work is increasingly carried out with entrepreneur resources, which poses challenges in terms of control of issues such as environmental damage and occupational safety. In 2020, Tornator signed an agreement with Stora Enso to expand its forest services business to the whole of Finland. Fulfilling the agreement will increase the risks posed to Tornator through factors such as an increase in the number of contractors used. This control is being developed by means of both education and information technology.

Greater frequency of natural disasters due to climate change pose an ever-greater risk to forest assets. For Tornator, the size and geographic extent of its holdings, the good health and growth of its forests, and the measures required by the Act on Prevention of Forest Damage form an intrinsic risk management tool. In addition, Tornator has a Finnish forest insurance policy that covers damage in the case of a major disaster. However, the company regards the insurance of its forest holdings abroad as unprofitable, because the target countries lack an operational forest insurance market. The threat of a cyber attack on corporate information systems may also be considered a risk. Tornator is prepared for this by utilising advanced security technology and by providing instructions and training to users.

Financial risks

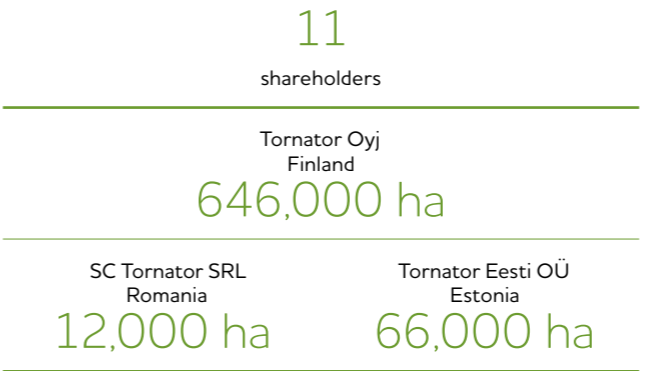
A substantial proportion of loan capital in the company's balance sheet constitutes a risk, which Tornator manages with special attention. Ready access to the capital markets will enable the successful refinancing of loans. The company adjusts its loan portfolio depending on the financial market situation, so that loans mature over several years and as far into the future as possible. The company has also spread the risks related to funding by issuing a bond maturing in 2026 besides bank loans. The company has prepared for market rate changes with derivative contracts. Hedging is applied to mitigate the interest rate risk on the loans and to reduce the volatility of the discount rate used in calculating the fair value of forests, for which reason it is easier to predict the development of the company's value in the long term. Liquidity management is based on advance payments and up-to-date cash management. The company also has a commercial paper program to optimise the need for cash. Cash reserves are invested in bank deposits and short-term, liquid and highly rated funds.

Tornator manages customer risks by advance payments based on sales agreements.

Tornator Oyj's shareholders

	Shares, qty	Shares, %
Stora Enso Oyj	2,050,000	41.00
Ilmarinen Mutual Pension Insurance Company	1,156,500	23.13
Varma Mutual Pension Insurance Company	766,250	15.33
OP Henkivakuutus Oy	260,500	6.25
OP-Forest Owner Fund	250,000	5.00
OP-Eläkesäätiö	208,000	2.08
Veritas Pension Insurance	125,000	2.50
Finnair Pension Foundation	108,750	2.18
Pohjola Insurance Ltd	52,000	1.04
Riffu Oy	37,500	0.75
Danilostock Oy	37,500	0.75
Total	5,000,000	100

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REPORTING OF TORNATOR'S CLIMATE RISKS AND OPPORTUNITIES IN ACCORDANCE WITH TCFD RECOMMENDATIONS

The purpose of the TCFD (Task Force on Climate-Related Financial Disclosures) recommendations made by the international Financial Stability Board is to standardise and develop the way companies report financial impacts related to climate change.

Forests play a key role in the mitigation of climate change. Our task is to ensure the carbon sequestration capacity of the company's forests by keeping the forests healthy and in good condition for growth. During the year under review, Tornator launched its own Climate Program for 2021–2030. The program contains goals for increasing the carbon sequestration of forests and the substitutability effects of forest use. The growth and carbon sequestration capacity of forests will be ensured through the correct allocation of forest regeneration methods, fertilisation, and the use of genetically improved nursery stock. An effort will be made to identify suitable wind-power sites with the aim of increasing the production of wind power on company land.

Tornator's Board of Directors has approved the objectives and measures included in the Climate Program and will be provided with reports on the progress of the program at least annually. The Management Group will monitor and coordinate the implementation of the program in the company's business processes. Information on the risks and opportunities related to climate change will be obtained via research results, by collecting the observations of the company's field organisation and by analysing the changes in the operating environment. The company will systematically monitor the quality of forest management and other measurable indicators related to carbon sequestration. Climate-related matters are also discussed in the annual Green Finance Investor letter. The company's Head of HR, Communications and Responsibility bears the overall responsibility for the TCFD reporting.

www.tornator.fi/en/climate-program

Risks related to climate change

Category	Description	Financial impact	Time period
Transition risks			
Policies and legislation	The progress of climate change may lead to new, more stringent provisions and laws. Requirements concerning protected areas become stricter, and obligations related to forest certification increase. Tornator seeks to influence these through lobbying.	Medium	Medium-term
Technology	New technologies and the transition to a low-carbon economy change business models and customer demand. Technological solutions (e.g. CCS and CCU) are undermining the importance of biological solutions in combating climate change. Tornator's opportunities to profit from carbon sequestration are reduced.	Medium	Medium-term
Market	Wood is considered more valuable in the form of trees than in sustainable use. This reduces the timber market and increases the nature value market. We can prepare for this by proving that sustainable forest use has a positive impact on the climate.	Substantial	Long-term
Reputation	Negative perceptions of the forest industry and the companies operating in it have an adverse effect on the reputation of our company or customers, as well as the social acceptability of the industry. We try to influence this by actively providing information on sustainable forestry in various channels.	Medium	Medium-term
Physical risks			
Sudden	Various natural hazards and extreme weather events may damage forest assets (storm, snow, flood, and insect damage) and thus reduce their value and cause additional work. We can prepare for these with risk analyses and by selecting forest management methods that promote diversity and forest health.	Medium	Medium-term
Long-term	Long-term changes in the climate, such as drought, floods, declining biodiversity, alien species, and mild winters, as well as requirements for different kinds of land use, may hinder the practice of forestry in Finland.	Medium	Long-term

Opportunities related to climate change

Category	Description	Financial impact	Time period
Products and services	Positive effects on forest growth, tree species selection, and carbon sequestration. Earning opportunities through voluntary, global carbon emission trading.	High	Long-term
Resource efficiency	Enabling wind power will reduce the use of fossil fuels.	Medium	Long-term
Adaptability	Tornator utilises proven forest management methods that help the company effectively adapt to climate change. We can utilise our expertise and the forest management methods we have developed to an even greater extent.	Low	Medium-term
Energy source	Opportunities for additional profit through renewable energy (wind power, solar power, and bioenergy)	Medium	Medium-term
Market	Research, development, and innovation help create new wood-based products, in which case there will be demand for wood raw material in the future as well.	High	Medium-term

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BOARD OF DIRECTORS



Mikko Koivusalo

Born 1961, MSc (Econ)
Chairman 2016–
Deputy Chairman 2010–2015
Member 2006–2010
Varma, Director, Investments, Capital Markets 1997–

Background:

Postipankki Oy (Danske Bank), Business Analyst, Portfolio Manager 1991–1997
Salmi, Virkkunen & Helenius Oy (PWC), Auditor 1988–1991

Membership on other boards of directors:
The Finnish Literature Society, member of the Board



Mikko Mursula

Born 1966, MSc (Econ)
Deputy Chairman 2017–
Ilmarinen, Deputy CEO, Investments 2018–

Background:

Ilmarinen, Chief Investment Officer 2015–2018
FIM Oyj, Chief Executive Officer 2013–2015
S-Bank, Head of Asset Management and Securities Broking Business 2013–2015
FIM Asset Management, Managing Director 2010–2015
Ilmarinen, managerial and investment positions 2000–2010

Membership on other boards of directors:
Kojamo Oyj, member of the Board
Jane and Aatos Erkkö Foundation, member of the Board



Jorma Länsitalo

Born 1963, MSc (For)
Member 2020–
Stora Enso Oyj, SVP, Head of Forest Assets 2020–

Background:

Enso Oy/Stora Enso Oyj, several positions 1989–

Membership on other boards of directors:
Stora Enso Guangxi Forest JV, member of the Board



Tuomas Virtala

Born 1974, MS (Econ)
Member 2021–
Op Private Services, CEO, 2019

Background:

B10 Asset Management, Investment Director, 2017–2019
Danske Capital Finland, Country Manager, 2011–2017
Mandatum/Danske Capital, Portfolio Manager, Investment Director, 1999–2011

Membership on other boards of directors:
OP Real Estate Asset Management Ltd, Chairman of the Board, 2019–
Access Capital Partners S.A., member of the Board, 2019–

DEPUTY MEMBERS:

Markus Aho, Varma
Ilja Ripatti, Ilmarinen
Erkko Ryynänen, OP
Jari Suvanto, Stora Enso

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MANAGEMENT GROUP



Henrik Nieminen

Born 1970, MSc (Econ), EMBA
CEO 2019–

Background:

Tornator Oyj, Chief Financial Officer 2002–2019
Stora Enso Ab, Project Director 2001–2002
Stora Enso Financial Services SA, Director, Finance 2000–2001
Enso Oyj, Treasury Manager 1998–2000
Enso Oyj, Accounting Analyst 1997–1998



Ari Karhapää

Born 1967, BSc (For)
Deputy CEO 2014–
Director, Forestry 2012–

Background:

Forest Owners' Union of North Karelia, Executive Manager 2009–2011
Forest Management Association of North Karelia, Executive Manager 2009–2011
Karjalan Metsätilat Oy LKV, Managing Director 2004–2009
Forest Management Association of Border Karelia, Executive Manager 2004–2008
Forest Management Association of Upper Karelia, Executive Manager 2002–2004



Outi Nevalainen

Born 1968, MSc (Econ), MBA
Head of HR, Communications and Responsibility 2017–

Background:

Microsoft Oy, HR Director, Finland Sales Subsidiary 2015–2017
Microsoft Mobile Oy, Head of HR, Corporate Functions 2014–2015
Nokia Oyj, Several HR managerial positions 1998–2014
United Parcel Service Finland Oy, HR Manager 1994–1998



Heikki Penttinen

Born 1977, MS (Eng)
Director of Development 2019–

Background:

CGI, Director Consulting Service 2018–2019
CGI, Senior Consultant 2017–2018
Olapcon, CEO 2009–2017
Olapcon, Management Consultant 2008–2009
Hay Group, Consultant 2004–2008



Antti Siirtola

Born 1982, MSc (Econ)
CFO 2019–

Background:

Tornator Oyj, Financial Controller 2013–2019
Ernst & Young Oy, Auditor 2008–2013
Fortum Oyj, Treasury Manager 2006–2008

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Tornator Timberland Group reports its financial statements according to the International Financial Reporting Standards (IFRS). Operational key figures have been calculated without the effects of changes in the fair value of biological assets (i.e., forest), provisions, wind power earn-out receivables and interest rate derivatives. The same applies to the figures for the previous year.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

Net sales and results

The group's net sales were €128.6 million (118.1), a change of +8.8%. Timber deliveries were excellent, and the price level was good. The COVID-19 pandemic did not interfere with the company's operations. A total of 86.2% of net sales, worth €110.9 million, consisted of timber sales income (€108.3 million, or 91.7%). The expansion of silviculture services was reflected in a significant increase in net sales: the annual net sales of silviculture services were €11.0 million (2.9). In addition, the proceeds from land and plot sales amounted to €6.7 million (6.9). Other operating income, €26.8 million (22.7), includes €21.1 million (18.2) from actual and estimated future earn-outs related to sold wind power projects as well as income from land access and lease revenues, compensation for conservation areas and soil-resource sales.

Operating profit at fair value amounted to €439.2 million (212.4), and profit for the period was €377.5 million (121.2). The fair value of biological assets increased significantly in Finland, which explains the major increase in operating profit. The change in the fair value of biological assets increased operating profit by €329.1 million (121.1), and a positive change in the fair value of financial instruments increased profit by €41.9 million (-33.3) before taxes. Adjusted operating profit increased in Estonia and Romania.

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Consolidated balance sheet, IFRS

Statement of changes in Group shareholders' equity

Consolidated cash flow statement

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Notable events during the period

Tornator had an excellent year, both in terms of operational activities and the implementation of strategic projects.

In the core business, i.e., the sale and supply of timber, operations proceeded as planned, and despite the pandemic, the market environment was favourable. Timber deliveries to the main customer, Stora Enso, totalled some €86.9 million (73.6), or around 78% (68%) of the group's net timber sales. Timber sales to the main customer are based on a long-term framework agreement conforming with the market, renewed in 2021.

Silviculture services became a significant source of income alongside timber sales. From 2021, Tornator will perform all forest management for Stora Enso's silviculture service customers in Finland.

An update of the fair value of Tornator's forest assets (growing stock) recorded significant positive effects in Finland. The growth models used in felling plan calculation were updated based on the latest information, and together with the update of the timber price estimate and purchased forest plots, the changes increased the balance sheet value of the parent company's biological assets by a total of €337 million. The balance sheet value of biological assets also increased in Estonia and Romania, and the annual fair value update, which is based on several valuation factors, improved the group's operating profit by €329 million. In Finland, the fair value was determined by an external evaluator, Indufor Oy, based on future cash flows, i.e., considering sustainable forest management and the growth potential of forests. See the notes to the financial statements for a more detailed description of the forest valuation model.

The total value of the group's forests recorded in the financial statements, including growing stock and land, was approximately €2,313 million (1,940). The figures include the effects of harvesting as well as the purchases and sales of forestland. Tornator owns a total of more than 700,000 hectares of forest in Finland, Estonia and Romania.

On the other side of the balance sheet, the fair values of the company's long-term interest rate hedges increased due to the increase in long-term market interest rates and the derivative arrangement implemented in the summer. This created a positive entry of €41.9 million in financial items in the income statement (-33.3). Of the above changes in fair value, the cash flow effect comes from the effect of the change in the fair value of derivatives on the parent company's taxable profit. In other respects, the changes in fair value had no cash-flow effect.

Tornator's refinancing round that began in 2020 was completed in 2021. Tornator renewed the bank loans maturing in 2022, and at the same time, moderately increased the loan amount. In June, Tornator also implemented a derivative arrangement in which some of the existing interest rate hedges were terminated and replaced with new ones. The arrangement reduced Tornator's direct financial expenses and the long-term hedged fixed interest rate decreased significantly.

Tornator's equity ratio was 52.6% (45.3%), and liquidity remained strong throughout the year. It fulfilled the terms of its loan to value (LTV) covenant by a safe margin.

The company continued to purchase new forestland. In Finland, Tornator bought and leased over 11,000 hectares of forest.

In Estonia and Romania, the company continued to manage its forests sustainably, and to develop its sustainable business operations. All the group's forests are double certified (PEFC™, FSC®).

Tornator announced new, ambitious climate and biodiversity programs for 2021–2030. The content and objectives of the programs are available on the company's website.

In line with our sustainability program, we engaged in mire restoration, prescribed burning and the establishment of conservation areas on around 2,700 hectares of our land. Tornator continued with major conservation projects within the framework of initiatives such as the Metso and Helmi habitat protection programs.

Employee wellbeing remained at a good level during the COVID-19 crisis, and the adjustment to teleworking was smooth.

Tornator Oyj's Annual General Meeting held on 11 March 2021 decided to pay a dividend, as proposed by the Board of Directors, totalling €40 million.

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CONSOLIDATED INCOME STATEMENT, IFRS

€m	2017	2018	2019	2020	2021
Net sales	101.6	112.8	105.8	118.1	128.6
Other operating income	4.9	6.6	5.7	22.7	26.8
Change in inventories of finished goods and work in progress	-2.9	-1.0	-1.4	-2.4	-2.5
Materials and services	-14.4	-17.0	-17.2	-27.9	-24.2
Personnel expenses	-8.3	-8.4	-9.1	-9.2	-9.6
Depreciation and amortisation	-3.3	-3.1	-3.2	-3.1	-3.2
Other operating expenses	-5.1	-6.0	-6.0	-6.9	-5.7
Share of profit/loss of associates	-0.1	0.0	0.0		
Change in fair value of biological assets and harvesting	20.0	32.6	189.9	121.1	329.1
Operating profit	92.4	116.5	264.6	212.4	439.2
Financial income	0.2	0.2	0.2	0.2	0.3
Financial expenses	-21.9	-22.7	-22.6	-20.9	-16.0
Change in fair value of financial instruments	26.3	-1.6	-47.0	-33.3	41.9
Financial items (net)	4.6	-24.2	-69.4	-54.0	26.3
Profit/loss before taxes	96.9	92.3	195.2	158.4	465.5
Income taxes	7.1	-3.1	0.4	-9.1	-25.7
Change in deferred taxes	-26.2	-10.4	-30.8	-28.3	-62.3
Profit/loss for the period	77.9	78.9	164.8	121.1	377.5

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CONSOLIDATED BALANCE SHEET, IFRS

€m	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021
ASSETS					
Non-current assets					
Intangible assets	2.4	1.9	1.8	0.8	1.4
Fixed assets	98.5	103.7	109.4	114.6	119.4
Right-of-use assets			2.3	2.3	2.2
Biological assets	1,371.2	1,451.0	1,682.6	1,841.2	2,210.2
Derivatives	6.2	0.0	0.0		
Other investments	0.1	0.1	0.1	0.1	0.1
Non-current receivables				8.2	18.7
	1,478.4	1,556.7	1,796.2	1,967.1	2,352.1
Current assets					
Inventory	0.6	0.4	0.1	0.0	0.0
Trade and other receivables	15.3	15.5	21.9	15.1	29.2
Derivatives		3.3	0.0		
Other financial assets	1.9	1.0	2.2	7.1	7.1
Cash and cash equivalents	13.9	14.0	18.7	56.7	16.8
	31.7	34.3	42.8	78.9	53.1
Total assets	1,510.1	1,591.0	1,839.0	2,046.0	2,405.2

€m	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021
EQUITY AND LIABILITIES					
Equity attributable to parent company shareholders					
Share capital	50.0	50.0	50.0	50.0	50.0
Other equity	602.1	652.5	781.3	871.7	1,208.5
Total equity	652.1	702.5	831.3	921.7	1,258.5
Non-current liabilities					
Deferred tax liabilities	150.8	161.2	192.0	220.3	282.6
Financial liabilities	494.4	258.1	1.0	673.5	748.6
Derivatives	91.4	93.0	141.1	174.4	70.3
Leasing liability			2.0	2.0	2.0
Pension obligations	0.3	0.2	0.2	0.1	0.2
	736.9	512.6	336.3	1,070.3	1,103.8
Current liabilities					
Financial liabilities	104.4	352.9	647.2	15.0	0.0
Derivatives		1.1	0.0		
Leasing liability			0.3	0.3	0.3
Trade and other payables	16.6	22.0	23.9	29.9	34.0
Provisions				8.8	8.5
	121.1	376.0	671.5	54.0	42.9
Total liabilities	858.0	888.5	1,007.7	1,124.3	1,146.7
Total equity and liabilities	1,510.1	1,591.0	1,839.0	2,046.0	2,405.2

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STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY

1,000 euro	Share capital	Share premium	Translation difference	Retained earnings	Shareholders' equity total
Equity on 1 Jan 2020	50,000.0	29,995.2	-9,576.3	760,876.7	831,295.6
Comprehensive income					
Profit/loss for the financial period				121,053.0	121,053.0
Other items of comprehensive income (after taxes)					
Items derived from the re-definition of net defined benefit costs (or asset items)				28.8	28.8
Translation difference			-650.8		-650.8
Comprehensive income for the period	0.0	0.0	-650.8	121,092.2	120,441.5
Transactions with shareholders					
Dividends paid				-30,000.0	-30,000.0
Total transactions with shareholders				-30,000.0	-30,000.0
Equity on 31 Dec 2020	50,000.0	29,995.2	-10,227.1	851,969.0	921,737.1
Equity on 1 Jan 2021	50,000.0	29,995.2	-10,227.1	851,969.0	921,737.1
Comprehensive income					
Profit/loss for the financial period				377,477.1	377,477.1
Other items of comprehensive income (after taxes)					
Items derived from the re-definition of net defined benefit costs (or asset items)				-100.0	-100.0
Translation difference			-622.1		-622.1
Comprehensive income for the period	0.0	0.0	-622.1	377,377.1	376,755.0
Transactions with shareholders					
Dividends paid				-40,000.0	-40,000.0
Total transactions with shareholders				-40,000.0	-40,000.0
Equity on 31 Dec 2021	50,000.0	29,995.2	-10,849.1	1,189,346.0	1,258,492.1

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CONSOLIDATED CASH FLOW STATEMENT

€m	2017	2018	2019	2020	2021
Cash flow from operating activities					
Cash receipts from customers	95.4	102.7	107.7	110.5	116.5
Proceeds from sale of tangible assets	5.6	3.5	2.7	6.9	6.7
Cash receipts from other operating income	3.6	6.8	5.7	15.5	5.8
Cash paid to suppliers and employees	-27.2	-30.6	-31.8	-34.5	-38.8
Cash flow from operating activities before financial items and taxes	77.4	82.3	84.4	98.4	90.2
Interest paid and other financial expenses	-21.4	-21.9	-22.7	-23.6	-77.8
Interest received	0.2	0.2	0.2	0.2	0.3
Income taxes paid	-10.1	7.5	-9.0	4.1	-20.9
Net cash flow from operating activities	46.0	68.1	52.9	79.2	-8.2
Cash flow from investing activities					
Investments in biological assets	-96.2	-47.9	-43.6	-40.2	-42.6
Investments in tangible assets, forestland	-11.9	-5.9	-5.4	-5.0	-5.3
Investments in other tangible and intangible assets	-2.6	-2.1	-3.2	-3.2	-3.4
Proceeds from sale of intangible assets	0.3				
Investments in associates and other investments	-0.1				
Net cash flow from acquisition of subsidiaries	0.2				
Investments in other financial assets			-1.1	-4.9	
Proceeds from sale of other financial assets	5.6	0.9	0.0	0.0	0.1
Net cash flow from investing activities	-104.7	-55.0	-53.3	-53.3	-51.3

€m	2017	2018	2019	2020	2021
Cash flow from financing activities					
Withdrawal of long-term loans	40.0	25.0	0.0	700.0	150.0
Repayment of long-term loans	-4.6	-4.6	-0.1	-25.1	-75.1
Withdrawal of short-term loans	53.0	0.0	295.0		
Repayment of short-term loans	0.0	-5.0	-254.5	-632.5	-15.0
Repayment of leasing liabilities			-0.3	-0.3	-0.3
Dividends paid	-26.0	-28.5	-35.0	-30.0	-40.0
Net cash flow from financing activities	62.4	-13.1	5.1	12.1	19.6
Net increase/decrease in cash and cash equivalents	3.8	0.1	4.7	38.0	-39.9
Cash and cash equivalents at beginning of period	10.2	13.9	14.0	18.7	56.7
Cash and cash equivalents at end of period	13.9	14.0	18.7	56.7	16.8

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The Tornator Timberland Group reports according to the International Financial Reporting Standards (IFRS).

	2017	2018	2019	2020	2021
Net sales, € million	101.6	112.8	105.8	118.1	128.6
Operating profit, € million	92.4	116.5	264.6	212.4	439.2
Operating profit without change in fair value of biological assets, € million	72.4	83.9	74.7	91.9	90.0
Operating profit without change in fair value of biological assets, % of net sales	71.2	74.4	70.6	77.8	70.0
Profit/loss for the period, € million	77.9	78.9	164.8	121.1	377.5
Profit/loss for the period without fair value changes, € million	40.9	49.7	42.7	56.8	61.1
Profit/loss for the period without fair value changes, % of net sales	40.3	44.0	40.4	48.1	47.5
Shareholders' equity, € million	652.1	702.5	831.3	921.7	1258.5
Interest-bearing net liabilities, € million	583.0	596.0	627.4	624.7	724.8
Balance sheet total, € million	1,510.1	1,591.0	1,839.0	2,046.0	2,405.2
Return on capital employed without change in fair value of biological assets, %	6.1%	6.6%	5.4%	6.0%	5.0%
Return on equity without fair value changes, %	6.5%	7.3%	5.6%	6.5%	5.6%
Equity ratio, %	43.3%	44.4%	45.5%	45.3%	52.6%
Dividends paid, €/share	5.2	5.7	7.0	6.0	8.0
Dividend yield, %	4.1%	4.2%	4.6%	3.4%	3.7%
Average number of personnel	189	182	183	186	189
Personnel expenses, % of net sales	8.1%	7.5%	8.6%	7.8%	7.4%
Investments in forestland, € million	108.1	53.8	48.9	45.1	47.9
Investments in other fixed assets, € million	2.6	2.1	3.2	3.2	3.4
Annual cut, million cubic metres	3.0	3.2	2.8	3.2	3.1
Fair value of forests, € million	1,454.0	1,539.5	1,776.3	1,939.5	2,313.5
Gross proceeds from land sales, € million	5.6	3.5	2.7	6.9	6.7

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Financial ratios

	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021	Max./Min.
Equity ratio, %	44.4	45.5	45.3	52.6	
Average interest rate, %	3.6	3.3	2.9	2.1	
Hedge ratio, %	67	52	100	69	
Average loan maturity, years	1.2	0.7	4.7	4.7	
Average fixing time, years	0.6	0.5	3.1	2.45	
Loan to Value (LTV), %	40.4	36.6	48.2	43.8	70%

Long-term target for equity ratio is 40%.

The only financial covenant for bonds and loans is Loan-to-Value ratio (LTV), which can be max. 70%.

Financing, nominal values

€m	2017	2018	2019	2020	2021
Long-term bonds	250.0	0.0	0.0	350.0	350.0
Long-term bank loans	172.0	192.5	0.0	325.0	400.0
Long-term debenture loan	65.0	65.0	0.0		
Short-term bonds		250.0			
Short-term debenture loan			65.0		
Current portion of long-term loans	4.5	4.5	0.0		
Short-term bank loans and commercial papers	100.0	95.0	582.5	15.0	
All loans	591.5	607.0	647.5	690.0	750.0
Net financial expenses	-4.6	24.2	69.4	54.0	-26.3
Net financial expenses without fair value changes	21.7	22.5	22.4	20.7	15.7
Net financial expenses without fair value changes, % of net sales	21.4%	20.0%	21.1%	17.5%	12.2%
Average interest rate, %	3.8%	3.6%	3.3%	2.9%	2.1%

Sensitivity of interest rate risk

Effects of one percentage point changes in yield curve on the company's income statement

€m	31 Dec 2021
	Income statement
One percentage point increase in market interest rates	+60
One percentage point decrease in market interest rates	-78

Calculation of key figures

Return on equity, %	= $\frac{\text{Profit for the period}}{\text{Equity}} \times 100$
Return on capital employed, %	= $\frac{\text{Operating profit} + \text{Interest income}}{\text{Balance sheet total} - \text{Interest-free liabilities}} \times 100$
Dividend yield, %	= $\frac{\text{Dividends paid}}{\text{Equity}} \times 100$
Equity ratio, %	= $\frac{\text{Equity}}{\text{Balance sheet total} - \text{Advances received}} \times 100$

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REPORTING PRINCIPLES

This report is based on the Global Reporting Initiative's GRI Standards for sustainability reporting, the Core option. The reporting period is the calendar year, 1 January – 31 December 2021, and the report is published annually.

References to the report's contents regarding the GRI Standards are found in the GRI content index. The report is published in Finnish and English, both in print and online. The sustainability information has not been verified by an external party. The company's previous Annual Report was published on 9 March 2021.

The sustainability information given in this Annual Report covers the Tornator Group, except for the biodiversity disclosure 304-4 which only applies to Finland.

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GRI CONTENT INDEX

GRI standard	Content	Location	Comments
GRI 102: GENERAL DISCLOSURES			
Organisation			
102-1	Name of the organisation	Front cover	
102-2	Activities, brands, products and services	Tornator in brief pp. 2–3; Value creation p. 21	
102-3	Location of the headquarters	Back cover	
102-4	Location of operations	Tornator in brief p. 2	
102-5	Ownership and legal form	Corporate governance pp. 39–41	
102-6	Markets served	Tornator in brief p. 2; Business environment pp. 9	
102-7	Scale of the organisation	Tornator in brief p. 2; The year 2021 in figures p. 5; Growth from partnerships p. 16; Summary of financial statements p. 51	
102-8	Information on employees and other workers	An attractive employer p. 31	Forest workers' employment is seasonal. The number of contractors is 195. The employment relationships of contractors' employees are indefinite or fixed-term, the number of employees is unknown. Subsidiaries report these figures through the reporting system, and they are consolidated at Group level. The contractors' data is collected when their contracts are signed.
102-9	Supply chain	A responsible partner p. 35	
102-10	Significant changes to the organisation and its supply chain	CEO's review pp. 7–8; Growth from partnerships p. 16	
102-11	Precautionary principle of approach	Corporate governance pp. 39–41	
102-12	External initiatives	Business environment pp. 9–10; Finance pp. 11–12; Sustainability program and goals pp. 23–24; TCFD s. 42	
102-13	Membership of associations	Stakeholders pp. 25–26	
Strategy			
102-14	Statement from senior decision-maker	CEO's review pp. 7–8	
102-15	Key impacts, risks, and opportunities	Finance pp. 11–12; Business environment pp. 9–10; An expert in sustainable forestry pp. 28–30; A responsible partner pp. 35–37; TCFD p. 42	

GRI standard	Content	Location	Comments
Business ethics			
102-16	Values, principles, standards and norms of behaviour	Strategic priorities, vision, mission, values p. 15; Sustainability management p. 27	
102-17	Mechanisms for advice and concerns about ethics	Sustainability management p. 27	Tornator uses a group-wide whistleblower system for employees to anonymously report any unethical behaviour or violations (no such reports were made in 2021). We also have another feedback system for external stakeholders (32 in 2021, concerning plot boundaries, littering and nature sites, etc.).
Government			
102-18	Governance structure	Sustainability management p. 27; Corporate Governance pp. 39–41	
Stakeholders' engagement			
102-40	List of stakeholder groups	Stakeholders pp. 25–26	
102-41	Collective bargaining agreements	GRI index	In Finland, 74% of Tornator's employees are covered by universally applicable collective bargaining agreements. In Estonia and Romania, there are no similar practices in the sector.
102-42	Identifying and selecting stakeholders	Stakeholders p. 25	
102-43	Approach to stakeholder management	Stakeholders pp. 25–26	
102-44	Key topics and concerns raised	Stakeholders p. 26	
Reporting practice			
102-45	Entities included in the consolidated financial statements	Summary of consolidated financial statements p. 45	
102-46	Defining report content and topic boundaries	Sustainability program and goals pp. 23–24; Reporting principles p. 53	
102-47	List of material topics	Sustainability program and goals pp. 23–24; Reporting principles p. 53	
102-48	Restatements of information	GRI index	No changes.
102-49	Changes in reporting	GRI index	No significant changes.
102-50	Reporting period	Reporting principles p. 53	
102-51	Date of most recent report	Reporting principles p. 53	
102-52	Reporting cycle	Reporting principles p. 53	
102-53	Contact point for questions regarding report	Reporting principles p. 53	

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GRI standard	Content	Location	Comments
102-54	Claims for reporting in according with the GRI standards	Reporting principles p. 53	
102-55	GRI content index	GRI index	
102-56	External assurance	Reporting principles p. 53	
GRI 103: MANAGEMENT APPROACH			
103-1	Explanation of the material topic and its boundary	Reporting principles p. 53	
103-2	The management approach and its components	Sustainability program and goals pp. 23–24; Sustainability management p. 27; An expert in sustainable forestry pp. 28–30; An attractive employer pp. 31–34; A responsible partner p. 35–37	
103-3	Evaluation of the management approach	Sustainability program and goals pp. 23–24; Sustainability management p. 27;	
ECONOMIC STANDARDS			
GRI 201: ECONOMIC RESULTS			
201-1	Direct economic value generated and distributed	Direct economic value generated and distributed p. 36	
201-2	Financial implications and other risks and opportunities due to climate change	TCFD p. 42	Partly reported.
GRI 205: ANTI-CORRUPTION			
205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance p. 39	Part of our Code of Conduct training, which is obligatory for all Tornator employees. The previous training was organised comprehensively for everyone in 2020, and after that for all new employees. The principles are also reviewed as part of all new supplier relationships and other partnerships.
205-3	Confirmed incidents of corruption and actions taken	GRI index	No incidents.
GRI 206: ANTI-COMPETITIVE BEHAVIOR			
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	GRI index	No incidents.
GRI 207: TAXES			
207-1	Approach to tax	Corporate Governance p. 39	
207-2	Tax governance, control, and risk management	Corporate Governance p. 39	
207-3	Stakeholder engagement and management of concerns related to tax	Stakeholders p. 25; Corporate Governance p. 39	
207-4	Country-by-country reporting	Corporate Governance p. 39	

GRI standard	Content	Location	Comments
ENVIRONMENTAL STANDARDS			
GRI 303: WATER AND EFFLUENTS			
Tornator's specific indicator	Impact on water courses by Tornator's forest management, and its control	GRI index	Water courses are affected as a result of ditch cleaning and supplementary ditching, soil preparation and fertilisation. This is controlled by various water protection measures, such as buffer zones, sedimentation basins and through overland flow. Waters are also improved by means of mire restoration, of which 252 hectares was completed in 2021 (total of 10 sites). Four water protection projects were completed (brook restoration, small wetland area, and two sites into which water was re-injected). Tornator also took part in the Immalanjärvi lake project run by the Lake Saimaa water protection association.
GRI 304: BIODIVERSITY			
304-2	Significant impacts of activities, products and services on biodiversity	An expert in sustainable forestry pp. 28–30	
304-3	Habitats protected or restored	An expert in sustainable forestry pp. 28–30	Total number of conservation areas reported.
304-4	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk	GRI index	According to Tornator's geographic information system, there are 1,872 known occurrences of IUCN Red List species in its forests in Finland. No listing by level of extinction risk is available.
GRI 305: EMISSIONS			
Own metric	Tornator's CO ₂ emissions	GRI index	The CO ₂ emissions of Tornator's own forestry supply chains amount to some 0.002 million tonnes per year. Emissions from our own operations include forest management, staff travel, office electricity and heating. Tornator's own forests absorb around 4 million tonnes carbon dioxide per year.
GRI 307: ENVIRONMENTAL COMPLIANCE			
307-1	Non-compliance with environmental laws and regulations	GRI index	No violations.

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GRI standard	Content	Location	Comments
SOCIAL STANDARDS			
GRI 401: EMPLOYMENT			
401-1	New employee hires and employee turnover	An attractive employer p. 31–34	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY			
403-1	Occupational health and safety management system	GRI index	Every employee is entitled to occupational health care. Contractors organise the occupational health care independently but the existence of occupational health care is checked when signing the contractor agreement.
403-2	Hazard identification, risk assessment and incident investigation	An attractive employer p. 31	The Occupational Health and Safety Manager and the Occupational Health and Safety Committee, in charge of development within their remit, met three times in 2021. The company has an electronic reporting channel for reporting observed occupational safety risks.
403-3	Occupational health services	GRI index	A total of 7 accidents and 0 fatalities were recorded in 2021. Most common causes resulting for injury was slipping or falling. Contractors had 11 injuries in 2021. The information is compiled based on the questionnaire that was sent to contractors.
403-4	Worker participation, consultation and communication on occupational health and safety	GRI index	Tornator has an occupational safety organisation where the different personnel groups have their representatives.
403-5	Worker training on occupational health and safety	GRI index	Occupational safety card training is organised at five-year intervals for field workers. First aid training and refresher courses are held for staff, at least every three or five years depending on their job description. All office employees have access to online courses on occupational health, and lectures of work ergonomics. Occupational safety organisation members are also offered regular supplementary training.
403-6	Promotion of worker health	An attractive employer p. 31	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	CEO's review pp. 7–8; A responsible partner pp. 35–37; GRI index	The existence of occupational health contracts are routinely monitored as part of the general management of contractor agreements. Occupational safety aspects are included in the planning of worksites and the instructions are passed on to the person carrying out the work.
403-9	Work-related injuries	An attractive employer p. 33	The injury rate was 25 injuries per million hours worked.

GRI standard	Content	Location	Comments
GRI 404: TRAINING AND EDUCATION			
404-1	Average hours of training per year per employee	An attractive employer p. 32	
404-2	Programs for upgrading employee skills and transition assistance programs	An attractive employer pp. 32–33	Tornator has no programmes regarding termination of employment.
404-3	Percentage of employees receiving regular performance and career development reviews	GRI index	Participation percentage is 100% in all countries the Tornator group operates in.
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES			
405-1	Diversity of governance bodies and employees	An attractive employer p. 33	
GRI 406: NON-DISCRIMINATION			
406-1	Incidents of discrimination and corrective actions taken	GRI index	No cases of discrimination during the reporting period.
GRI 419: SOCIOECONOMIC COMPLIANCE			
419-1	Non-compliance with laws and regulations in the social and economic area	GRI index	No violations.

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