

# ANNUAL REPORT 2022



# TORNATOR'S ANNUAL REPORT 2022

The annual report consists of the following sections: Tornator in 2022, business review, Tornator's future strategy, responsibility, governance and financial statements. The company reports on its sustainability on the basis of the Global Reporting Initiative's (GRI) Universal Standards for sustainability reporting. The reporting covers the key areas of Tornator's economic, social and environmental responsibility.

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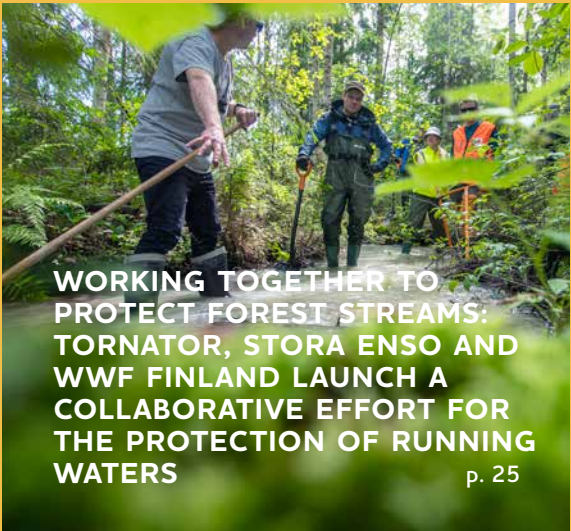
FOUNDED IN 2002, TORNATOR CELEBRATED ITS 20TH ANNIVERSARY IN 2022.



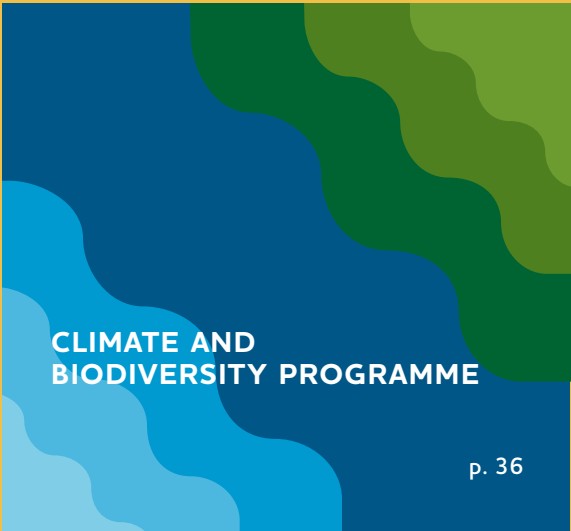
THE FUTURE LOOKS BRIGHT FOR THIS FORESTRY PIONEER p. 21



SUSTAINABLE TIMBER SALES REQUIRES EQUAL PARTNERSHIPS p. 23



WORKING TOGETHER TO PROTECT FOREST STREAMS: TORNATOR, STORA ENSO AND WWF FINLAND LAUNCH A COLLABORATIVE EFFORT FOR THE PROTECTION OF RUNNING WATERS p. 25



CLIMATE AND BIODIVERSITY PROGRAMME p. 36



A photograph of a man and a woman sitting on a log in a forest. The woman, on the left, is wearing a grey sweater and a dark cap, holding a small cup. The man, on the right, is wearing a blue jacket and a black cap, holding a thermos. They are both looking towards the right. The background is a dense forest with trees and foliage.

# SUSTAINABLE GROWTH ACROSS GENERATIONS

The Finnish people have a unique relationship with the forest. It has evolved over the centuries in a country where trees cover more than 75 per cent of the land. For Finns, the forest means more than just a livelihood. It is a way of passing on deep meaning from one generation to another. Now in its twentieth year, Tornator is celebrating its pioneering role in sustainable forestry by showcasing its relationship with the forest in all its forms, from innovative forest management to responsible forest purchasing and environmental expertise. Although 20 years is a short time for timber to grow, for us it has meant a huge improvement in Finnish forestry expertise. As a company, we want to continue to enable a constructive approach to forests.

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# INCREASING FOREST OWNERSHIP OFFERS GREATER OPPORTUNITIES FOR INFLUENCE

## TORNATOR IN BRIEF

Tornator is a leading European company, which specialises in sustainable forestry and owns forests in Finland, Estonia and Romania. Our business 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 business 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.

## VALUATION OF TORNATOR'S FORESTS 2002–2022

**TORNATOR** was founded in 2002.

Tornator adopted the International Financial Reporting Standards (IFRS) accounting standard in 2006.

Tornator went international in 2007–2008, with subsidiaries in Estonia and Romania.

Tornator became a public limited company in 2012.

Tornator's forests were certified by the Forest Stewardship Council (FSC) in 2014.

Tornator sold 600 megawatts of wind power projects to OX2 in 2020.

Tornator extended its timber and forest services contracts with Stora Enso in 2021.

The company celebrated its twentieth anniversary in 2022.

3,101 M€



**BALANCE SHEET VALUE**

€3.2 billion

**NET SALES**

€164.6 million



**TORNATOR HAS 188 forestry professionals**



**TORNATOR'S TOTAL FORESTLAND 740,000 ha**

515 M€

2002 2005 2010 2015 2020 2022

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- 20 years of sustainable forestry
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## 04 A FORERUNNER IN THE RESPONSIBLE USE OF FORESTS

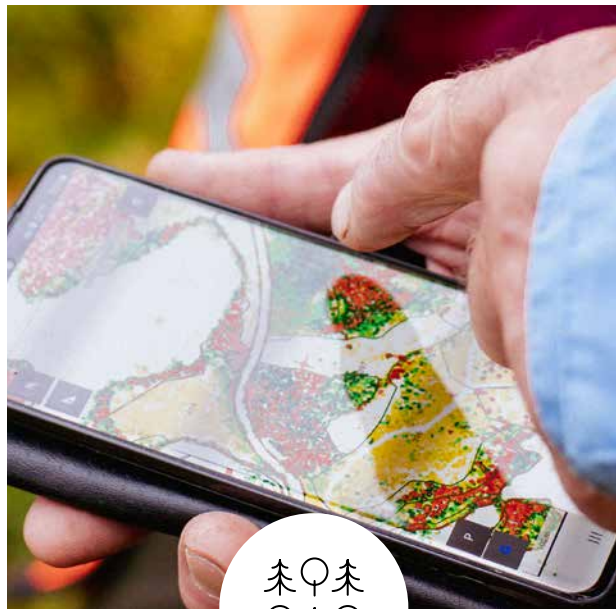
## 05 GOVERNANCE

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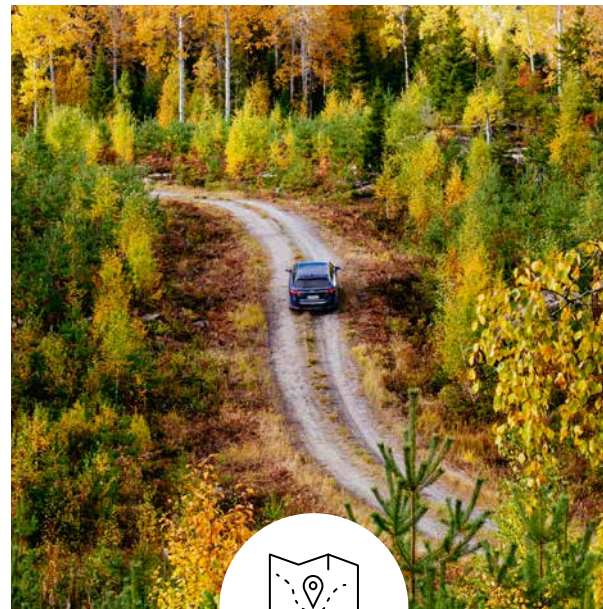
# A FAR-SIGHTED FOREST INDUSTRY PIONEER

Tornator's core activities are sustainable forestry, forestland purchasing and silvicultural and forest lease services. In addition to our key business areas, we sell rights of access to our land, develop wind power projects and sell high-quality waterfront plots and soil resources.



## 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 cooperation results in well-growing forests.

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# ANNUAL REVIEW

Despite the volatile global situation, the year 2022 was an excellent one for Tornator. The valuation of the company's forest assets also improved significantly over the past year.

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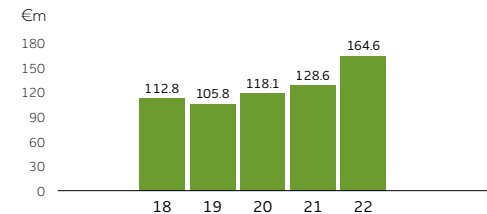
# A THRIVING TORNATOR CELEBRATES ITS 20th ANNIVERSARY

## KEY FIGURES

Without effects of fair value changes

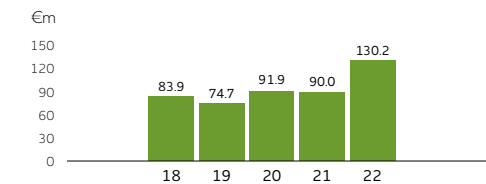
	2018	2019	2020	2021	2022
Net sales, € million	112.8	105.8	118.1	128.6	164.6
Operating profit, € million	83.9	74.7	91.9	90.0	130.2
Operating profit, % of net sales	74.4	70.6	77.8	70.0	79.1
Profit for the period, € million	49.7	42.7	56.8	61.1	94.8
Profit for the period, % of net sales	44.0	40.4	48.1	47.5	57.6
Average number of employees	182	183	186	189	188
Return on capital employed, %	6.6	5.4	6.0	5.0	5.5
Return on equity, %	7.3	5.6	6.5	5.6	5.9
Equity ratio, %	44.4	45.5	45.3	52.6	60.4

## NET SALES



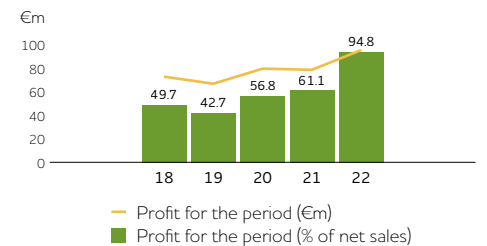
## OPERATING PROFIT

Without effects of fair value changes

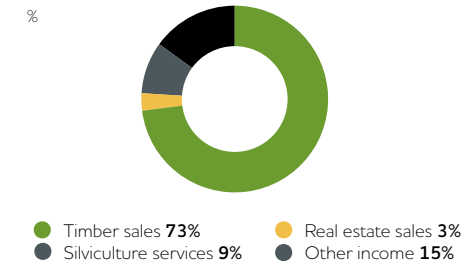


## PROFIT FOR THE PERIOD

Without effects of fair value changes

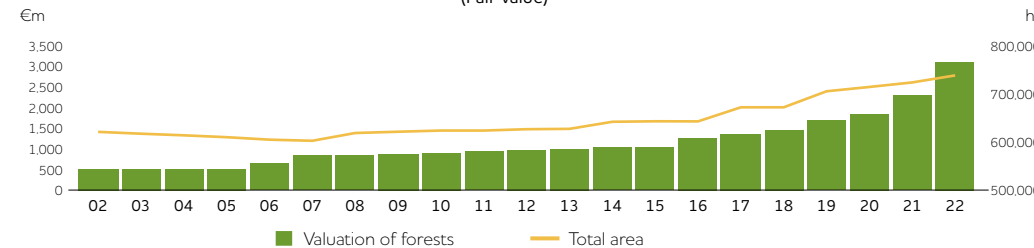


## CASH FLOW FROM OPERATIONS



## VALUATION OF FORESTS

(Fair value)



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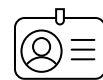
# HIGHLIGHTS OF 2022

During its 20th anniversary year, the company achieved many successes related to staff, climate and biodiversity initiatives, and administration.



**Tornator's staff gathered in Imatra, eastern Finland to celebrate the company's 20th anniversary**

[Read more on p. 9](#)



**Awarding of Tornator's "Hyvä tyyppi" work community stipends**

[Read more on p. 38](#)



**Collaboration on the protection of running waters with Stora Enso and WWF**

[Read more on p. 25](#)



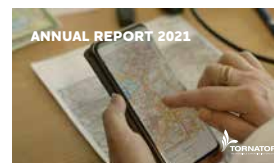
**A new valuation method introduced for Finnish forest assets**

[Read more on p. 14](#)



**The first local collective agreement made with the Forestry Experts' Association (METO)**

[Read more on p. 38](#)



**Tornator wins in the Biodiversity Series of the sustainability reporting competition**

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# STRONGER THAN EVER AT 20 YEARS

The past year was an exceptional one in many ways, and Tornator's resilience was once again put to the test. Now in its 20th year, Tornator is on a solid footing for the future, thanks to our strategy based on overall sustainability.

We entered the new strategic period with high expectations, and succeeded in advancing our strategic objectives of sustainability, partnership and growth throughout the organisation. As a result of the change in forest valuation, Tornator's balance sheet and equity improved further. The strategic partnership with Stora Enso produced the desired effect, and we were able to respond to the changed customer needs with carefully planned stands marked for harvesting. Thanks to increased timber sales and higher unit prices, we reached a new record turnover in all three of our countries of operation. Our efficient and customer-friendly purchasing process secured future growth opportunities by allowing us to acquire more than 16,000 hectares of forest land despite a very tough market situation. When it comes to social responsibility, Tornator again paid a record amount of corporate taxes in Finland.

Russia's attack on Ukraine was a shock to us all from both a business and a human perspective. Although the economic impact of the war did not have a major effect on Tornator, the humanitarian crisis caused by the war has affected many Tornator staff members. When the war broke out, we quickly provided aid for Ukrainians in need, both in cash and by supporting aid shipments

through our organisation in Romania. We will continue to provide this help to Ukrainians for as long as it is needed.

In 2022, Tornator celebrated its 20th anniversary. The long-awaited moment came in the summer, when our staff gathered in Imatra to celebrate the company's 20th birthday. The cheerful event was an important way to strengthen cohesion within the company after the long period of exceptional circumstances.

## Sustainability programs with concrete measures

Tornator's main tools for ecological sustainability are our ten-year climate and biodiversity programmes, which we continued to implement in 2022. The aim of the climate programme is to increase tree growth in our forests, thereby increasing carbon sequestration. We also aim to increase the substitution effects of our forests by increasing the potential for felling and wind power production on our lands. At the end of the year, we received a good piece of news, as the investment decision for the Niinimäki wind farm in Pieksämäki was announced. The project will bring jobs and vitality to the region and generate a significant amount of eco-friendly electricity. The wind turbines to be built on Tornator's land will support the objectives of our climate programme and

increase the company's cash flow through a development fee and annual land rental income.

In terms of biodiversity, our aim is to significantly expand the protection of valuable habitats and the restoration of mires. We will also be carrying out a significant number of forest and aquatic habitat improvement projects under the programme. In 2022, we launched several partnership projects to increase forest biodiversity, the most significant of which was a multi-year collaboration agreement with WWF and Stora Enso for the protection of running waters. The project aims to identify locally important running waters and restore them to their natural state. We also made the expansion of Lake Tiilikajärvi National Park possible by concluding an agreement on the necessary land swaps with the state.

In our programmes, we are committed to comprehensive reporting on progress towards our targets on an annual basis. The company's sustainability reporting received excellent external recognition as our biodiversity reporting was chosen as the best in the field in 2022.

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## Forests expected to provide solutions to many problems

The discord in public debate about the use of forests was even greater than previously. Many participants voiced strong opinions on the role of forests as a source of economic and social security. On the other hand, some participants wanted to remind others of the importance of forests for carbon sequestration, biodiversity and recreation. New forest-related regulations and legislative initiatives were announced at both EU and Finnish level. The most difficult thing for the different sides in the current debate seems to be to understand and acknowledge that there are more than just one type of forest.

History has shown that sustainable forest management has a significant positive impact on forest and carbon sequestration capacity. In Tornator's forests, properly timed and scaled felling, effective regeneration, use of genetically improved seeds and seedlings and fertilisation will ensure the continued health and growth of forests.

Substantial reduction in carbon dioxide emissions is the only realistic way to stop climate change. Wood is a renewable raw material that is an excellent, sustainable replacement for fossil-based fuels and materials, which result in greenhouse gas emission. The forest sector is the only carbon-negative industry in the world, so anyone working in sustainable forestry can be very proud of their work.

As a responsible actor, Tornator also welcomes the discussion on the importance of natural capital in assessing the sustainability of companies and the quality of reporting. Halting deforestation is an important global goal, and sustainable forestry offers the right means to achieve this objective. It is crucial for both the future of our climate and the welfare state that we are able to move on from the current climate of confrontation towards a more constructive debate based on an understanding on the multiple uses of forests. Finland's new National Forest Strategy 2035 – Growing Well-being from Forests and for Forests (NFS2035) provides a good starting point for developing the forest sector in a way that allows everyone in Finland to continue enjoying our forests in all their diversity and ensures that we can pass them on to future generations in an even better condition for growth than they are at present.

## Tornator rises to the challenges of modern working life

In Tornator's strategy, improving the well-being and intellectual capital of employees is considered an important objective alongside the economic and biological growth of forests. Competition for employees is becoming tougher, highlighting the importance of a positive employer image. In 2022, we continued to invest in the well-being and skills of our employees in many ways. We also managed to recruit a number of new employees.

Despite the excellent results of our job satisfaction surveys, increasing workloads and digital information overload have taken their toll on Tornator's employees in recent years. To deal with these problems, Tornator implemented a highly participatory project aimed at changing the company's operating practices, which reorganised activities to better balance the employees' workloads. The project also ensured optimal management of Tornator's large forest assets by improving process efficiency and dismantling information silos.

Another success during the year under review was the collective agreement with the Forestry Experts' Association (METO), which covers all Tornator Office personnel. The agreement also highlights Tornator's pioneering approach to the equal treatment of workers.

## Assessing scenarios increased resilience in the face of uncertainty

At the beginning of 2022, Tornator begun assessing different scenarios to better understand the strengths of our new strategy in the face of various longer-term future developments. The project involved a wide range of Tornator management and significantly increased our tolerance of uncertainty and our skills in envisioning and coping with different scenarios. At the moment, the million dollar question is probably which significant development will alter the operating environment next after the coronavirus pandemic and the war in Ukraine. Although we cannot predict the future with certainty, scenario analysis has already proven its usefulness, and we will continue to make use of it at regular intervals.

When looking at the big picture and many different indicators, our operations are currently running very well. The company's previous growth has continued, and the results have been excellent. However, we know that growth also comes with

risks. Currently, the overall economic outlook is continuing to weaken, adding uncertainty to forecasts. Despite the current situation, the factors that have enabled our success will remain positive in the future as well. Economic, environmental and social sustainability are at the core of our strategy. This approach provides a firm foundation for growth. In addition to this, the outlook for long-term demand for timber is good, supported by global megatrends.

## The societal importance of our forests is growing

A lot has happened in Tornator's twenty-year history. Our operating environment has changed greatly, and we have been faced with new surprises each year. Over the years, many different external crises and shocks have tested our resilience. Despite this, the company has grown, internationalised and expanded its operations. By many measures, we have met and even exceeded the targets set for us by steadily delivering a good, sustainable return to society at large. Since the beginning, one thing has remained unchanged, namely our desire to pass forests on to future generations in better condition than they are at present.

Tornator has found its place in the forest sector, and we remain unique in Europe in terms of our ownership base and business model. The societal significance of Tornator's forests has probably never been as great as it is today. The need for national security of supply caused by the war in Ukraine and the risks posed by climate change ensure that our employees will be kept busy long into the future.

Finally, I would like to take this opportunity to express my special thanks to the owners of Tornator, who have continued to believe in the company and its staff since the beginning. We will continue to implement our 100-year business plan with pride and motivation for as long as our mandate lasts. I would also like to thank all Tornator staff, contractors, customers and other stakeholders for all they have done and continue to do for the company. I am confident we will experience many meaningful things together as we continue to work together to fulfil Tornator's purpose: Passion for the forest – Tornator grows sustainable solutions over generations.

Henrik Nieminen  
CEO

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# THE CHANGED BALTIC SEA TIMBER MARKET

The complete drop-off in imported timber from Russia and increased global demand for wood products pushed up timber prices in all the countries Tornator operates in. Despite the volatile geopolitical situation, the outlook for sustainably produced renewable raw materials remains good.

Russia's war of aggression against Ukraine in February 2022 shook up the timber market throughout the Baltic region. The fact that timber imports from Russia came to a halt became evident in a dramatic increase in demand for timber and in prices. The higher prices combined with increased volumes pushed Tornator's turnover to a record level.

Due to the spike in nitrogen fertiliser prices caused by the war in Ukraine, Tornator had to temporarily reduce the amount of fertiliser used in its forests. However, the temporary increase in prices is not expected to have a lasting impact on our climate programme's aim of accelerating forest growth. The rise in energy prices increased the cost of fuel for our contractors, which led to changes in contract pricing.

The war has also reduced contractors' access to Ukrainian labour. The contractors were, however, able to find labour to replace the input of Ukrainian seasonal workers, so forest management measures were not significantly affected. Overall, the economic impact of the war on Tornator's operations has remained moderate.

## Demand for finished products remained higher than ever

As in the previous year, 2022 was a historically good year for demand for finished products in the forestry sector. The war in Ukraine fuelled global demand for wood products, which was already increased during the coronavirus pandemic, pushing both sawn timber and pulp prices to record highs. The buoyant business climate in the forestry industry was also reflected in the high market prices for timber.

Demand for leisure building plots was lower than during the coronavirus pandemic. Demand for forest estates by forest funds and other forestland investors remained high, whereas supply lagged significantly behind.

In Estonia and Romania, the timber market was similar to Finland, except that the prices reached even higher levels. In Estonia, timber market prices increased significantly from the beginning of 2022, with very high forestland prices. In Romania, demand for and the price level of timber increased year on year, but the forest estate markets were subdued.

## Upcoming EU legislation on forest use

At EU level, debate on the acceptability of forest use and regulations remained intense. The EU published a number of proposals during 2022 that affect forest use, including the Biodiversity Strategy for 2030, the New EU Forest Strategy for 2030, the EU Timber Regulation, a Nature Restoration Regulation and the revised version of the Regulation on land use, land use change and forestry (LULUCF), but these proposals are still subject to EU tripartite discussions before they can be applied in national legislation. In Finland, the forestry council of the Ministry of Agriculture and Forestry approved a new national forestry strategy, National Forest Strategy 2035 – Growing Well-being from Forests and for Forests (NFS2035).

Tornator continuously monitors the debate at EU and national level and analyses its potential operational impact. The company is an advocate of sustainable forestry, emphasising the importance of professional forest management in combating climate change. Tornator's ongoing climate and biodiversity programmes are a good example of company's pioneering role in safeguarding the ecological sustainability of forests.

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## Green transition boosts demand for renewable raw materials

The volatile geopolitical situation has made predicting the future harder than ever. A potential global recession would put an end to the rise in wood prices, although the wood market is expected to remain competitive.

Despite the threats, however, the outlook for renewable raw material demand remains fairly positive. The green transition requires that fossil raw materials be replaced with renewable ones. Wood-based products have an important role to play in this process. In the event of a recession, the lack of imported timber from Russia will also help to keep timber prices afloat.

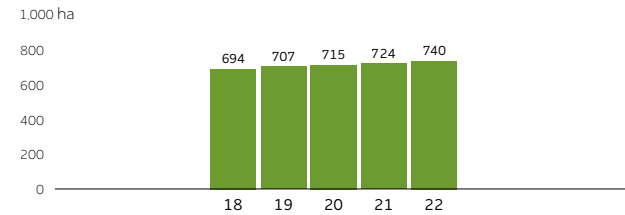
## SAFEGUARDING THE SECURITY OF SUPPLY

Russia's war against Ukraine highlighted Finland's need for a national security of supply. Since the beginning of the war, states, companies and individuals alike have experienced a significant shift in their thinking on self-sufficiency, which has become a major societal trend.

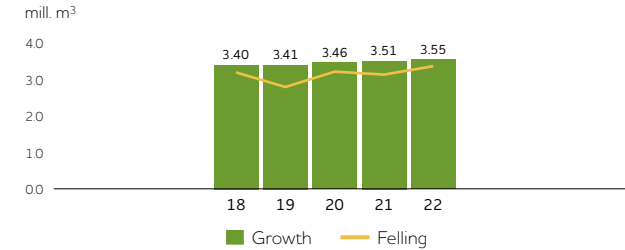
The war in Ukraine has also highlighted the importance of security of supply in the forest sector, especially considering the national importance of the industry. Before the war, the role of Russian timber import was significant, accounting for about one-tenth of wood use in the forest industry.

Demand for Finnish-grown wood is now high, and as the largest private forest owner in the country, Tornator's forests are crucial for ensuring the national security of supply.

### DEVELOPMENT OF TORNATOR'S FORESTLANDS



### GROWTH AND FELLING IN TORNATOR GROUP'S FORESTS

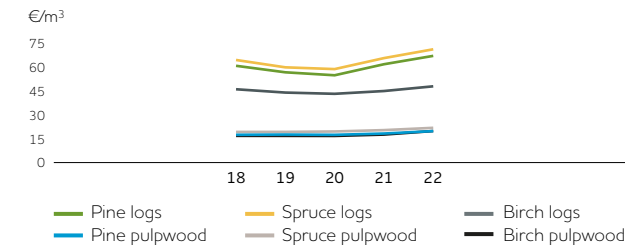


### SAWNWOOD EXPORTS



\* PTT forecast  
Source: Statistics by Natural Resources Institute Finland and Customs

### LOG AND PULPWOOD STUMPAGE PRICES IN FINLAND (Four-week sliding average)



### PULP EXPORTS



\* PTT forecast  
Source: Statistics by Natural Resources Institute Finland and Customs

### PAPERBOARD EXPORTS



\* PTT forecast  
Source: Statistics by Natural Resources Institute Finland and Customs

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## GLOBAL MEGATRENDS WITH IMPACTS ON TORNATOR

### CLIMATE CHANGE AND LOSS OF BIODIVERSITY

- Forests becoming increasingly important carbon sinks and carbon stocks. A sustainable carbon cycle plays a key role.
- 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.

#### Our response:

- 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

- Material needs and consumer demand are increasing, and the use of fossil-based raw materials must be reduced.
- Bioeconomy and circular economy are becoming increasingly important, and the demand for renewable raw materials is growing.
- Due to urbanisation, people are becoming more and more estranged from forest management.
- Finding skilled labour in sparsely populated areas will become more difficult.
- Need for recreational use and other forest-related services will increase.
- Global social unrest is rising

#### Our response:

- 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

- 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.

#### Our response:

- 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.

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# CHANGE OF FOREST VALUATION METHOD: A KEY PROJECT IN FINANCE AND ACCOUNTING

Financial security enabled focus on the implementation of the new valuation method and collaboration with a new auditing partner.

## KEY ACHIEVEMENTS OF 2022

- Introduction of a market-based valuation method for Finnish forest assets
- Smooth partnership with a new auditor
- Securing funding for new forest acquisitions

## TARGETS FOR 2023

- Renewing the green bond framework and securing financing for growth investments
- Continuing taxonomy analysis and preparing for new sustainability reporting requirements

Tornator's financial year 2022 was dominated by the change of the valuation method for Finnish forests to a market transaction-based valuation method. Market transaction data from the forestland market is reliable and provides a better and more transparent picture of the fair value of forests than the previously used method, based on the present value of estimated cash flows over the next 70 years. Under the new valuation method, the fair value of forests is determined on the basis of the prices paid per cubic metre of wood in completed forestland transactions and the standing stock of Tornator's own forests. The analysis and calculations have been carried out at the regional level, as regional differences in forest values are significant. The market transaction data used for the valuation has been collected from different sources over a three-year period, and the reliability and consistency of the data has been ensured by removing outlying values. In the financial statements, the value of forests determined based on the market is divided into the value of the growing stock (biological assets) and the value of the land. In the same

context, the valuation method for land was changed from the cost-based method to the revaluation method, i.e. the land is also valued at fair value. The change in the valuation method had a significant positive impact on the value of forest assets. The impacts are described in greater detail in the summary of the consolidated financial statements in the annual report.

## A quiet year on the financial front

Financial peace of mind for 2022 was ensured by Tornator's 2021 refinancing round. A significant number of new forests were purchased, financed via the commercial paper market, which has functioned well for Tornator. In total, commercial papers were issued several times during 2022, and at the end of the financial year the total nominal value of the commercial papers on the balance sheet was EUR 70 million. With a EUR 300 million commercial paper programme in place and a EUR 100 million committed credit facility, the company is in a stable financial position going into 2023.

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## FINANCE

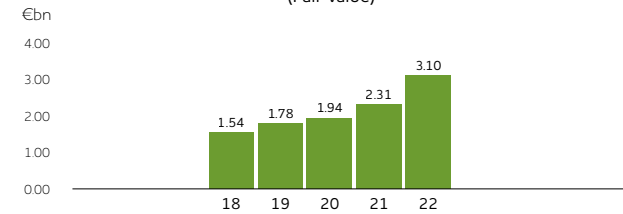
In 2022, Tornator carried out two derivative transactions. First, the interest rate swaps maturing in 2031 were shortened to mature in 2028, a low-impact arrangement that did not change the level of the fixed interest rate paid by Tornator. In the second phase, Tornator took advantage of the exceptional situation caused by market interest rates to reduce the fixed interest rate for interest rate swaps starting in 2028 from 0.9 per cent to 0.7 per cent by changing the reference rate for variable interest rates from 1-month Euribor to 6-month Euribor. This change had no direct impact on cash flows or financing costs, but from 2028 onwards the positive impact on the fixed interest rate paid by Tornator will be around EUR 350,000 per year.

Financially, Tornator had a record year, with a new record in turnover (EUR 165 million) and in operating profits (EUR 130 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 almost EUR 800 million to EUR 3.1 billion, and the balance sheet total rose to over EUR 3.2 billion.

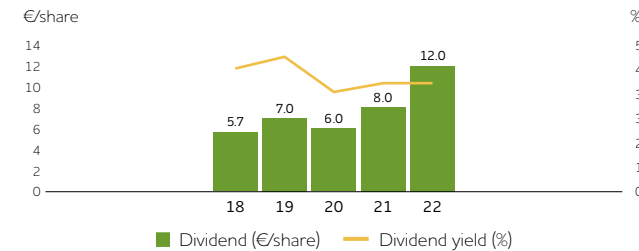
### Updating the green finance framework

In terms of finance, one of the key objectives for the 2023 financial year is updating the green bond framework and renewing the second opinion requested for it. No significant changes to the content of the framework or to the purposes for which green funds can be used are expected. Tornator's future financial reporting will continue to focus on green values, sustainability and positive climate impacts.

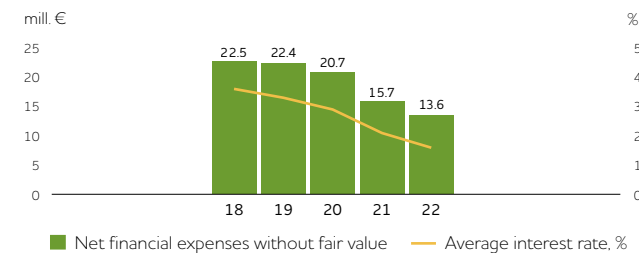
**VALUATION OF FORESTS**  
(Fair value)



**DIVIDEND AND DIVIDEND YIELD**



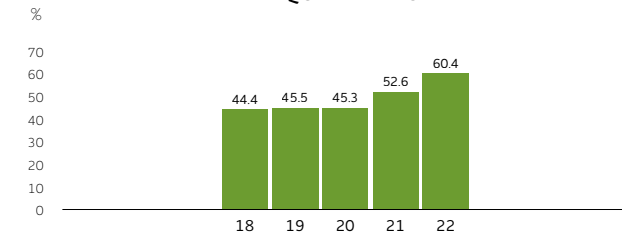
**NET FINANCIAL EXPENSES**



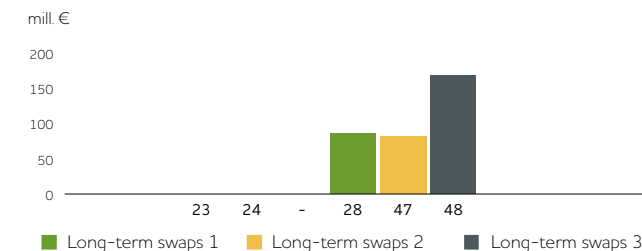
**ROCE AND ROE**  
Without effects of fair value changes



**EQUITY RATIO**



**EXPIRY OF INTEREST RATE HEDGES, NOMINAL VALUES**



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### Securing operations with a sound financial strategy

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 ensure business continuity. The financial strategy is based on 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 responsible company.

### 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. At the end of 2022, Tornator's hedge ratio (fixed rate component) was 63 per cent, which ensures that the increase in Tornator's interest costs due to rising market interest rates will remain moderate.

### Risks related to the availability of financing

These risks are minimised through credit agreements with different maturities, a broad base of financiers and committed credit facilities, and by maintaining the company's reputation as a reliable debtor and ensuring the preservation of high collateral value of forest assets.

In connection with the refinancing for 2020 and 2021, 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 2022, Tornator fulfilled this covenant by a good margin.

### A new auditing partner

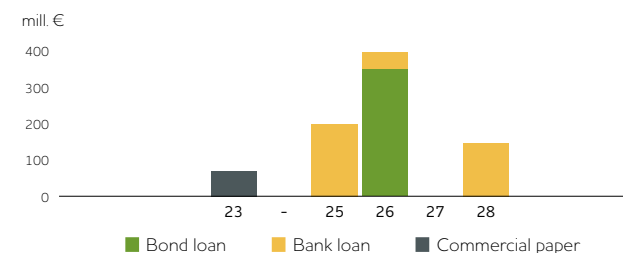
In 2022, Tornator changed auditors. After more than ten years of collaboration with Deloitte, PricewaterhouseCoopers is now the Group's new auditing partner. The introduction of the new forest valuation method was a significant step in terms of auditing, too. Thankfully, Tornator and PricewaterhouseCoopers had already kicked off the collaboration earlier in the spring, ensuring that the large-scale change could be successfully implemented even during the first year of the new partnership.



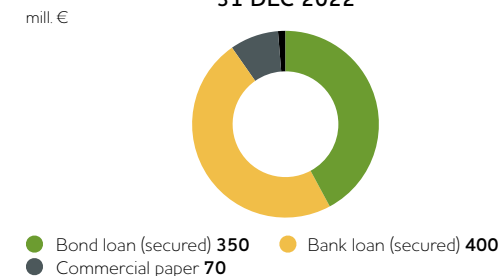
"Tornator's future financial reporting will continue to focus on green values, sustainability and positive climate impacts."

**Antti Siirtola**  
CFO

MATURITY OF DEBT



STRUCTURE OF DEBT, NOMINAL VALUES AT 31 DEC 2022



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A photograph of two men in a forest. The man on the left is wearing a red helmet, orange safety vest, and black pants, holding a chainsaw. The man on the right is wearing a white helmet, orange safety vest, and blue jacket, gesturing with his hand. They are standing in a field of tall grass and ferns.

# TORNATOR'S FUTURE DIRECTION

Tornator's strategy is centred around three concepts: sustainability, partnership, and growth. The company's growth and sustainability are based on consideration of various economic, environmental, and social dimensions. Long-term partnerships are key to Tornator's business, which in turn is grounded in sustainable forestry.

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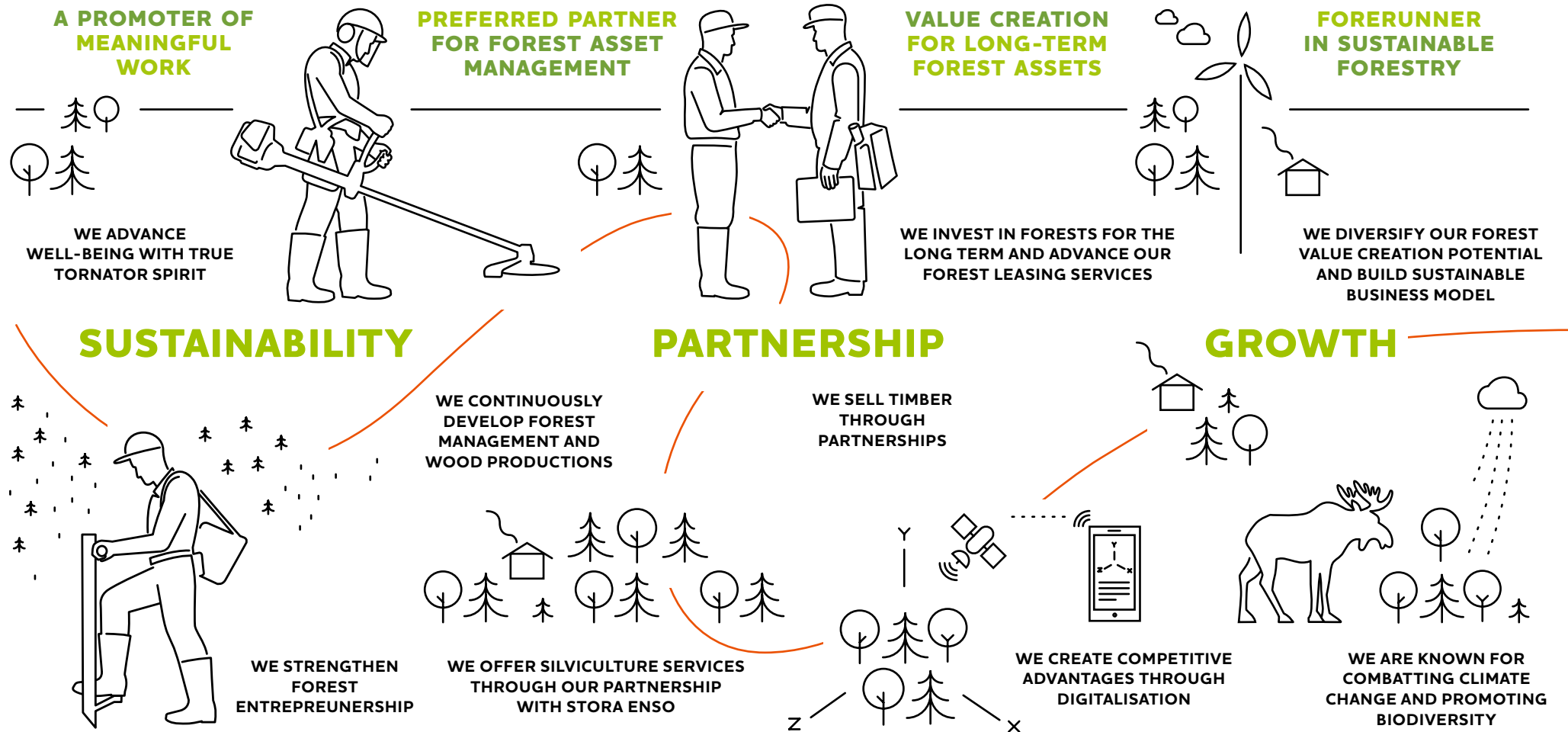


# A PASSION FOR THE FOREST – SUSTAINABLE SOLUTIONS ACROSS GENERATIONS

**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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# THE THREE DIMENSIONS OF GROWTH

Tornator aims to achieve steady and profitable growth while still remaining attentive to its overall responsibilities. We are seeking not only growth in economic terms, but also through the biological growth of the forests and the growth of the intellectual capital of Tornator's employees.

## KEY ACHIEVEMENTS OF 2022

- Investments of EUR 75 million in over 16,000 hectares of forestland purchases
- Lean training for continuous improvement and further improving scenario-related capabilities
- Progress of the Niinimäki wind farm to the investment phase
- Implementation of the operating practice development project

## TARGETS FOR 2023

- Further increase in forestland area
- Development of service operations
- More varied use of the potential of forests

One cornerstone of Tornator's strategy is long-term acquisition of forestland. In 2022, we achieved great successes in this regard. Tornator invested EUR 75 million in forest acquisitions, purchasing a total of 16,000 hectares of new forestland in Finland. The growing area of forest holdings will ensure the company can continue its financial growth in the future.

Tornator is also seeking growth by accelerating its service business. Through its Stora Enso partnership, the company provides forest management services to forest owners at a nationwide scale. Tornator's service offering also includes a forest rental service, which offers forest owners convenience and a regular monthly income. In Romania, in addition to its own forests, Tornator manages around 20,000 hectares of forest property belonging to other owners.

In line with its growth strategy, Tornator will continue seeking to diversify the range of potential uses of the

forests it owns. Through its wind power business, Tornator will also be receiving income from the sales of development projects and from the lease of the wind turbines built on the land it owns. In 2022, Tornator signed several new leases with wind power development companies and promoted project development on its own land. At the end of the year, an investment decision was announced for a wind farm to be built in the Niinimäki locality in Pieksämäki. The project will involve the construction of 14 wind turbines on land owned by Tornator.

## Harnessing digitalisation for growth

Tornator is investing heavily in opportunities to utilise digitalisation in the management of its forest assets. The company's aim is to use artificial intelligence to help meet the needs of forestry and obtain increasingly accurate information on its forest resources. Forest resource information modelled in digital format allows accurate, correctly timed forest management measures, improving both profitability and forest growth.

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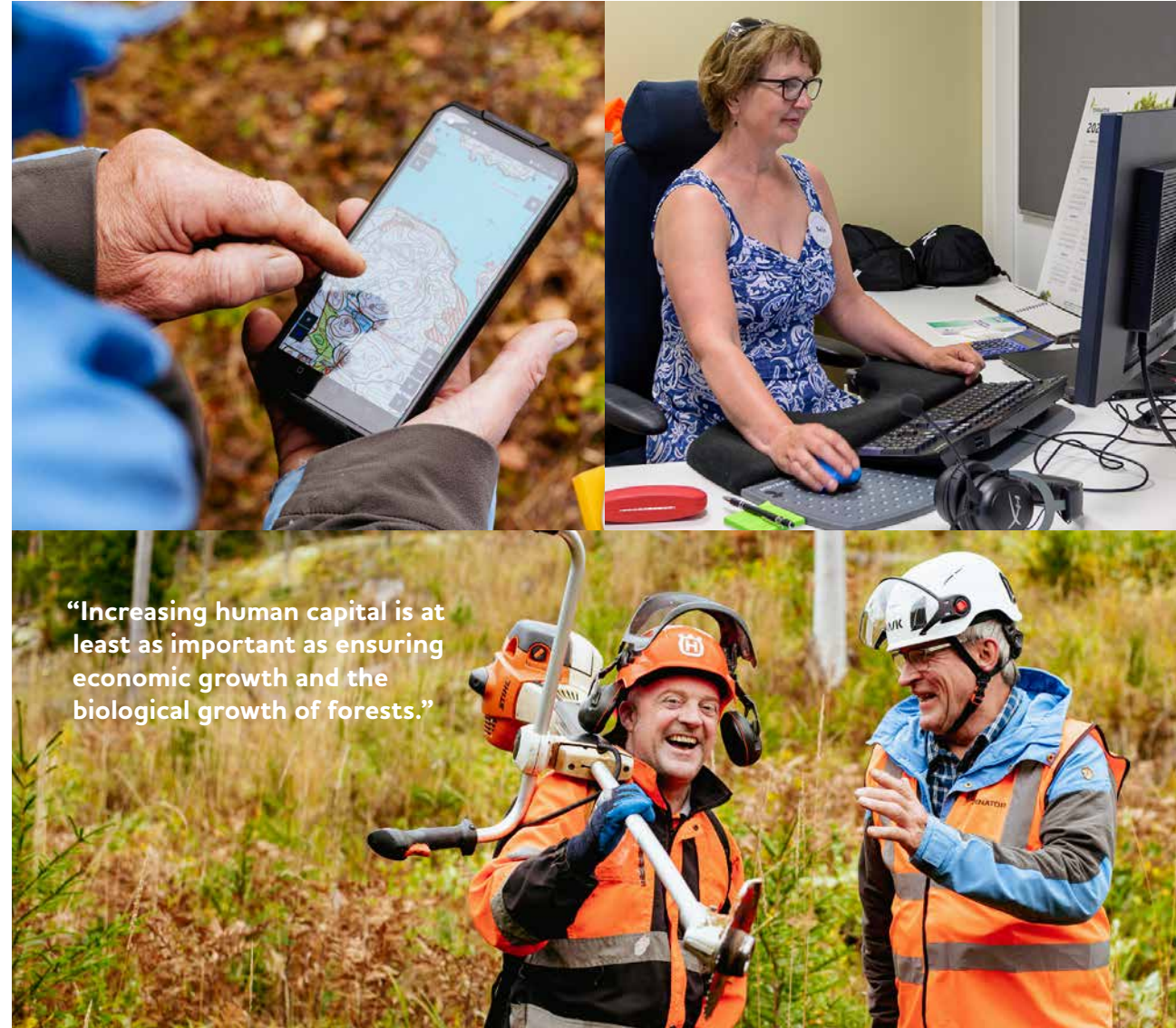
Fertilisation and the use of genetically improved seedlings and seeds are among the main measures to promote forest growth. In 2022, Tornator had to make temporary changes to its fertilisation programme due to a sharp rise in prices. In addition to this, nitrogen-based crop fertilisers were replaced by ash fertilisers, which promote forest health.

### Promoting staff well-being

Increasing human capital is at least as important as ensuring economic growth and the biological growth of forests. Over its 20 years of operation, Tornator has built up a large pool of excellence, and ensuring the well-being and development of our staff remains fundamental to our success.

In 2022, Tornator focused in particular on further improving staff well-being and skills through Lean training, which started last year. The aim of the training was to find ways to balance the employees' workload and enhance work processes through continuous improvement. During the year, we also carried out a major change in operating practices, one goal of which was to reorganise how things are done in order to improve well-being at work. Tornator staff were strongly encouraged to participate and offer their input on this project.

Tornator also launched an initiative to improve its scenario-planning capabilities, involving many members of the company's management. This project significantly improved our capacity to act in the face of uncertainty by giving us a clearer idea of how our new strategy would fare under various types of longer-term developments.




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## THE FUTURE LOOKS BRIGHT FOR THIS FORESTRY PIONEER

Over the past 20 years, silviculture has changed surprisingly little in terms of how the work is done. Silviculture planning, on the other hand, has taken a dramatic leap forward thanks to the technological revolution. As Tornator's Quality and Development Specialist Tapio Suutarla and Deputy CEO Ari Karhapää note, digitalisation enables increasingly accurate and detailed data management and decision-making.

### Long-term development reaps rewards

Digitalisation has made silviculture planning more proactive and efficient. "Colour photocopiers once revolutionised the way we drew maps and plan forestry. With the technological revolution, we can now save hundreds of different layers of forest resources in digital maps," says Karhapää. "The increase in the amount and diversity of information has improved the possibilities for forecasting, and environmental values and biodiversity are also taken into account better. Orders can be sent directly to smartphones, and the measures taken can be recorded in real time, allowing us to manage work in a more efficient manner," Suutarla adds.

Tornator's decision to invest in in-house technological know-how over the years has turned out to be a wise one. "When the company was founded in 2002, we really had

to invest in our technological expertise, because all our IT systems had to be decoupled from Stora Enso's information systems. We had to take a pioneering role in the development of forest information systems. We can proudly say we have always dared to go our own way," says Suutarla. Karhapää agrees. "The change brought about by digitalisation has been particularly significant in white-collar work. Tornator has invested heavily in its technology expertise over the years, and it's great to see that our efforts have paid off."

### Precise forest management is both productive and sustainable

The public debate on silviculture has been vigorous, and in some respects polarised. Suutarla stresses that active participation in the debate is the only way to influence and increase understanding between different stakeholders. "Forest biodiversity, carbon sequestration and the economic interests of stakeholders are not mutually exclusive. In Finland, forest resources and their development are generally well understood. We have good growth models that can be used to predict the development of growing stock. We know the impact of different felling and management measures. In the company and throughout Finland, we have succeeded in preserving the vitality of our forests. We should be able

to communicate this more clearly within the industry," says Suutarla. "Through detailed planning, we can reliably determine forest management needs and conservation values. This way, conservation measures can always be targeted case-specifically to areas of conservation value. Finnish forestry has been very successful in this regard," Karhapää adds.

### Bright future

Both Karhapää and Suutarla see a bright future for the sector, with more solutions than problems on the horizon. "I can't think of any other type of business that is a carbon sink in itself and can replace non-renewable resources in the same way. If we manage to operate responsibly and proactively, our sector will have a bright future," says Karhapää. "I think we are on the right track. We will continue to monitor and prepare for changes in the operating environment. Global warming will also affect the growth and potential uses of forests. Forest resources should be kept mixed in terms of different growing stock, and sufficiently abundant. This will help to avoid forest fires, which have become common elsewhere. Increasing knowledge and understanding will help us remain proactive and sustainable in the future," Suutarla concludes.

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# SUCCESSFUL PARTNERSHIPS

Tornator's goal is to be the most sought-after partner in forest asset management. Collaboration with customers and other key stakeholders is based on trust and shared values.

## KEY ACHIEVEMENTS OF 2022

- Successful wood sales collaboration with Stora Enso
- Collaboration on the protection of running waters with Stora Enso and WWF
- Many mire restoration projects with various different parties

## TARGETS FOR 2023

- Strengthening partnerships, including improving occupational safety together with contractors
- Increasing collaboration with stakeholders to improve forest health and growth
- Partnership with Porvoo Borgå Jukola orienteering relay race

The company's partnership approach is based on the strategic collaboration between Tornator and its main customer Stora Enso, and it takes several forms. In addition to wood sales and forest management services, Tornator and Stora Enso collaborate on projects related to forest growth and well-being, biodiversity, climate change, and digitalisation, amongst others.

Demonstrating the seamless collaboration between the companies, 2022 turned out to be an excellent year for the timber sales. Collaboration in the planning and implementation of felling sites was successful, which was reflected in Tornator's high turnover.

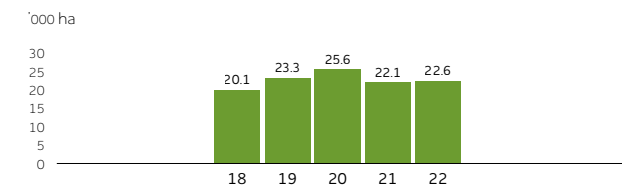
### An expanding network of partners

Tornator aims to develop a partnership-driven forest services business. The company also wishes to actively develop the role of entrepreneurs in forest services. The forest services business, which has expanded to cover the whole of Finland, has grown Tornator's partnership network and deepened collaboration with other companies.

Tornator wants to help its contractors promote occupational safety by providing training and equipment, among other things. Investments in digitalisation and system development have also increased the number of Tornator's IT partners. Tornator seeks to work with IT companies that share the company's values and can help it to effectively advance digital forest management.

In 2022, Tornator also entered into a partnership with its main client and WWF Finland to restore running waters. The partnership is a part of the company's biodiversity programme. The project started in August 2022 and will run for three years.

### TOTAL AREA OF TORNATOR'S SILVICULTURAL WORK



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## SUSTAINABLE TIMBER SALES REQUIRES EQUAL PARTNERSHIPS

Tornator and Stora Enso's timber sales agreement, renewed in 2021, has further deepened the partnership between the companies. The agreement includes the sale of timber between the companies, and Tornator will also carry out all silvicultural services sold by Stora Enso to private forest owners. "I think the current model promotes even closer collaboration between our companies. As growing forest assets under the agreement will also increase the volume of timber sales, both companies have a strong interest in promoting the growth of Tornator's forest assets," says Janne Partanen, Stora Enso's Senior Vice President and Head of Wood Supply Finland.

### A well-managed forest is a productive forest

In practice, the two companies follow a common annual plan, on the basis of which the forest stands are processed. "Stora Enso's annual wood procurement planning is based on the fact that the amount of Tornator's stands marked for cutting form the basis for their procurement volumes. The rest of the procured volumes come after that. Pricing is based on the

stem price, which means that, for example, there is no need to negotiate separately on matters such as cutting parameters. Cutting will therefore not affect Tornator's results, and Stora Enso can process the logs in the way that suits us best," Partanen says.

Partanen, who has worked for Stora Enso for 20 years, says that during the decades that the companies have worked with each other, the characterising developments in their relationship have been the growth of Tornator's forest assets and the development of deep mutual trust between the parties. "The growth of Tornator's forests has increased significantly throughout the company's 20-year history. Tornator manages its forest assets extremely well, and therefore produces a good supply of wood to meet our needs. I have no doubt at all that the deep trust between our companies is based on good interpersonal relations. When there is no conflict of interests and a common direction, the partnership is on an equal footing," Partanen concludes.

### Solutions for efficient and sustainable forestry

So, what does the future of the timber trade look like?

"Digitalisation and accurate and precise forest resource information will bring efficiency gains to the timber trade. Amongst other benefits, this will make it easier to streamline and automate the planning of stands marked for cutting.

This means that in the coming years, Tornator will be able to provide Stora Enso with increasingly accurate information about its forest resources. Stora Enso, in turn, will be able to use this information in increasingly accurate and diverse ways. Digitalisation can also be used to help identify valuable natural sites. This serves to promote biodiversity, which is important to both our companies. By developing future solutions together, we can also market them to a wider range of customers. I see great potential in this type of collaboration," Partanen says.

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# AIMING FOR OVERALL SUSTAINABILITY

Tornator approaches sustainability by focusing on three different perspectives: economic, social, and environmental. The company's aim is to increase standards in these regards in the industry as a whole, particularly in terms of measuring and monitoring environmental sustainability.

## KEY ACHIEVEMENTS OF 2022

- EUR 26 million paid in corporate taxes in 2021
- Launch of the forest stream restoration project
- Winning the biodiversity series of the sustainability reporting competition

## TARGETS FOR 2023

- Improving the measurement and reporting of climate and biodiversity programmes
- Clearer and more visible communication about Tornator's climate and biodiversity initiatives
- Preparing for upcoming changes in sustainability reporting

Tornator's financial sustainability ultimately depends on the company's ability to steadily pay dividends and reliably meet its debt obligations. We will continue to improve the quality and efficiency of our operations in many ways, such as joint projects that promote forest services, forest growth, and digitalisation of forest assets.

Tornator's operations are also sustainable with regard to people and society at large. The company pays a large amount of corporation tax and is a major employer in rural areas. Tornator ensures the commitment of its employees by providing meaningful work, promoting occupational well-being and ensuring that everyone can develop their skills.

## Developing ecological sustainability metrics

The ecological sustainability of forests over generations is an important goal for Tornator. In 2021, Tornator created a roadmap for the sustainability of its forests by publishing ten-year biodiversity and climate programmes. The company set ambitious, measurable targets for both of

the programmes. The implementation is monitored on an ongoing basis.

Tornator will continuously improve the measures and monitoring of the ecological sustainability of its operations. The results of Tornator's climate and biodiversity efforts will also be communicated to our various stakeholders in a more clear and easily understandable manner. Tornator has already been recognised for its diversity reporting by winning the 2022 biodiversity series of the sustainability reporting competition. The company received particular praise for its long-term plans for diversity, its emphasis on value chain transparency and the linking of targets to management performance bonuses.

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## WORKING TOGETHER TO PROTECT FOREST STREAMS: TORNATOR, STORA ENSO AND WWF FINLAND LAUNCH A COLLABORATIVE EFFORT FOR THE PROTECTION OF RUNNING WATERS

Maintaining forest biodiversity is a part of Tornator's day-to-day operations. An excellent example of Tornator's partnerships that promote biodiversity is the Metsäpurojen puolesta project for the protection of forest streams, in which Tornator, Stora Enso and WWF Finland will restore locally important running waters to their natural state. The project started in August 2022 and will run for three years.

Running waters are important habitats for Finland's endangered migratory fish species, such as trout, salmon and migratory whitefish. In addition to fish, aquatic insects, river crayfish, and organisms that live in water, many forest species also benefit from thriving running waters. As the streams requiring restoration are usually located in forests, as Finland's largest private forest owner Tornator is excellently

placed to contribute to biodiversity conservation through this type of collaboration.

"Restoration of running waters in areas owned by Tornator will make our biodiversity programme more effective, along with promoting our other objectives such as mire restoration and waterway protection measures," says Tornator Environmental Manager Heikki Myöhänen.

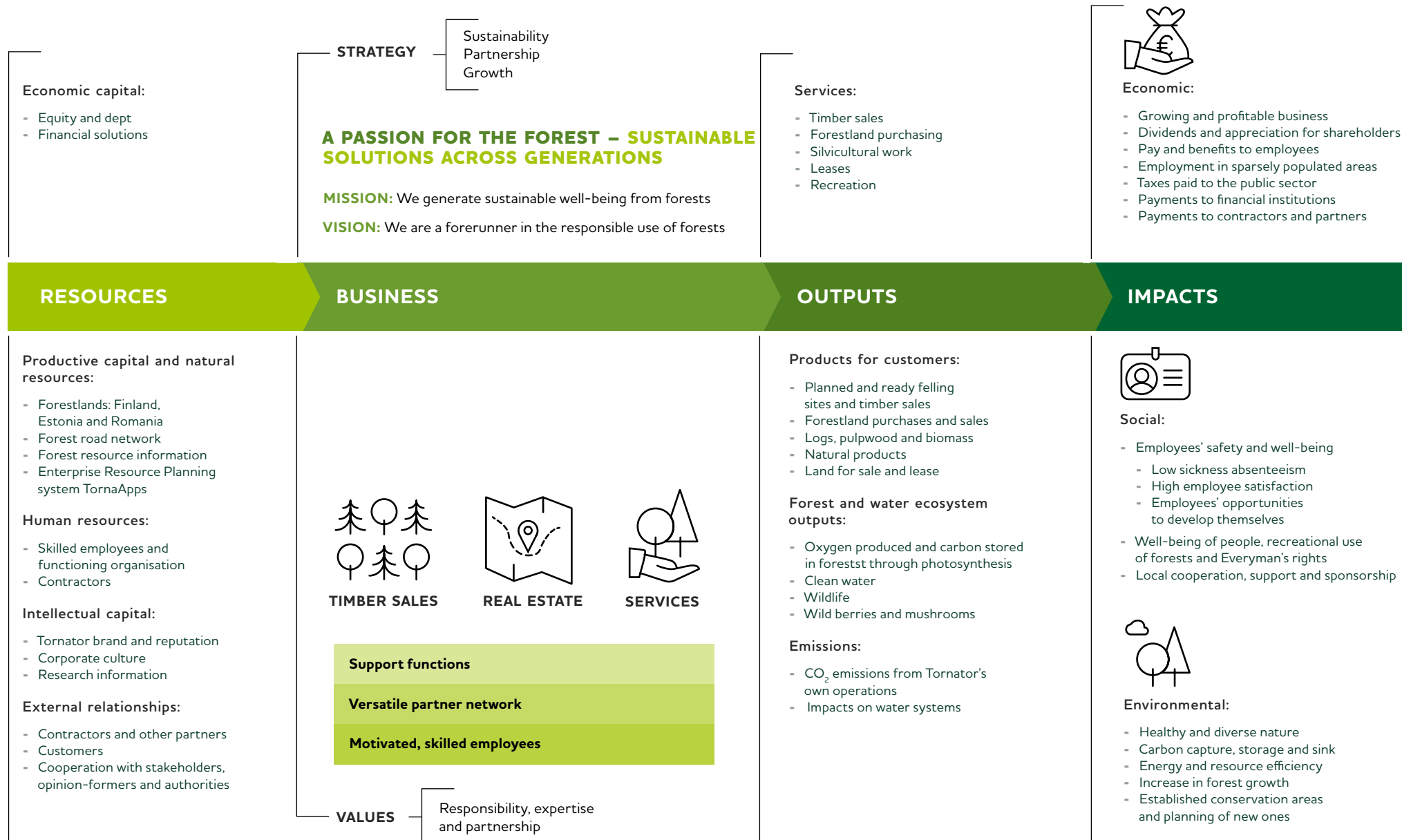
"Small water bodies in forests are valuable for biodiversity, providing homes for species that may not be able to thrive elsewhere. Finland is often described as 'the land of a thousand lakes and rivers.' Managing these thousands of bodies of waters requires collaboration between many different parties. Our collaboration with Stora Enso and Tornator is an excellent example of this," adds WWF Secretary General Liisa Rohweder.

"The partnership on the protection of running waters is a part of Tornator's biodiversity programme and an important effort to protect the natural environment. It is also an excellent form of volunteering for our staff. Stora Enso offers all its employees an opportunity to use eight hours of their annual working time for volunteering," says Pekka Kallio-Mannila, Head of Sustainability, Wood Supply Finland at Stora Enso.

The goal of Tornator's biodiversity programme is to safeguard and increase the biodiversity of Tornator's forests by introducing new ways to improve biodiversity, enhancing active nature management measures, protecting ecologically valuable areas, continuing stakeholder collaboration, and monitoring the impact that the measures taken have on biodiversity.

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# VALUE CREATION



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# CLIMATE RISKS AND OPPORTUNITIES FOR TORNATOR

Sustainable forestry plays a key role in mitigating climate change. Our mission is to ensure the carbon sequestration capacity and ecosystem services of the company's forests in changing conditions by keeping them diverse, healthy, and in a good growing condition. Tornator remains committed to sustainable forestry, increasing biodiversity, and certification of forests.

In 2021, Tornator launched its own climate programme for the 2021–2030 period. The programme contains goals for increasing the carbon sequestration of forests and the substitution effects of forest use. The growth and carbon sequestration capacity of forests is ensured through the correct allocation of forest regeneration methods, fertilisation, and the use of genetically improved seeds and seedlings. Tornator is working to identify potential wind farm sites in an effort to enable farms to be built on the company's land.

Tornator's Board of Directors has approved the objectives and measures included in the climate programme, and will be provided with annual progress reports. The Management Group will monitor and coordinate the implementation of the programme in the company's business processes. Climate-related matters are also discussed in the annual Green Finance Investor letter. The main responsibility for all reporting related to the Task Force on Climate-related Financial Disclosures (TCFD) lies with the company's Head of HR, Communications and Responsibility.

## Year 2022 of the Climate Programme

In 2022, only some of the measures in the Climate Programme could be implemented. Due to the poor availability and high price of fertilisers, Tornator applied fertiliser to only about 2,500 hectares of its forests (the target was 8,000 hectares). In contrast, about 3,500 hectares of forest were remedially fertilised with boron. Planting was carried out with genetically improved seedlings in line with the company's objectives. Genetically improved

seedlings' growth rates are approximately 20 per cent higher than those of regular seedlings. The forests remained relatively abundant in growing stock and healthy. Tornator was able to acquire additional land in line with its goals. Overall, the carbon sequestration capacity of the growing stock was maintained at a good level of more than 4 million tonnes of CO<sub>2</sub> per year, and one skipped year of fertilisation is not expected to have a significant impact on the overall programme. In terms of substitution effects, we are well on track. The substitution effects in line with the amount of felled timber were cumulatively about 0.08 million tonnes of CO<sub>2</sub> per year, and the figure for enabling wind power generation was approximately 0.07 million tonnes of CO<sub>2</sub> per year.

## Identifying, assessing, and managing climate-related risks

Identifying climate-related risks and opportunities is made possible by existing knowledge, but new research is also required. Information on the risks and opportunities related

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The table below describes the climate-related risks and opportunities that Tornator has identified in the short, medium, and long term.

to climate change is obtained through research, by collecting the observations of the company's field organisation, and by analysing the changes in the operating environment. Tornator is involved in several climate-related research projects, such as the multidisciplinary Hiilestä kiinni – Catch the carbon research and innovation programme funded by the Ministry of Agriculture and Forestry. We assess the expectations and views of our stakeholders through materiality studies.

The company systematically monitors the quality of forest management and other measurable indicators related to carbon sequestration. The carbon footprint of Tornator's forests is included in the forest resource calculations.

Tornator produced its first carbon footprint calculations and scenario analyses in 2018. The calculations have been refined since then, and further studies have been carried out on the possibilities for crediting carbon sequestration. Through these calculations, we have identified the major sources of greenhouse gas emissions in Tornator's operations. They have also allowed us to determine the carbon sequestration capacity of our forests. The company's operations do not produce significant greenhouse gas emissions: carbon sequestration in forests exceeds the emissions of our own operations over a thousandfold. Tornator has minimized its emissions by investing in the development of digital applications that improve the productivity and decrease the need for commuting. Offering remote working opportunities has not only decreased the need for commuting but also energy consumption at the offices. Tornator is a truly carbon-negative company.

#### PHYSICAL RISK

**SHORT** **LONG**

Various natural hazards and extreme weather events can cause natural damage to forest property, reducing its value and causing additional work. Long-term changes in the climate, such as warming, droughts, floods, or mild winters, as well as other needs related to land use, may make forestry in Finland more difficult.

#### OPPORTUNITY

Tornator employs proven forest management methods that help us adapt effectively to climate change. We are able to utilise our know-how and the forest management methods we have developed more widely and offer them to other forest owners.

#### TRANSITION RISK

**LONG**

The progress of climate change could lead to new, more stringent regulations, laws, and increased costs. Requirements concerning protected areas become stricter, and obligations related to forest certification increase.

#### OPPORTUNITY

Research, development, and innovation help create new wood-based products, ensuring continued demand for wood raw material.

#### TRANSITION RISK

**LONG**

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.

#### OPPORTUNITY

Opportunities for additional profit through renewable energy (wind power, solar power, and bioenergy). The use of renewable energy reduces the need for fossil fuels.

#### TRANSITION RISK

**MEDIUM**

Stakeholders' negative perceptions of the forest sector and reluctance to participate in combating climate change. Social acceptance of the forest sector declines.

#### OPPORTUNITY

Positive effects on forest growth, tree species selection, and carbon sequestration. Earning opportunities through voluntary global carbon emission trading.

#### TRANSITION RISK

**LONG**

New technologies and the transition to a low-carbon economy change business models and customer demand. Technological solutions such as carbon capture and storage (CCS) and carbon capture and utilisation (CCU) undermine the importance of biological solutions in combating climate change. Tornator's opportunities to profit from carbon sequestration lessen.

#### OPPORTUNITY

Innovating new low-carbon business models and services.

**Definition of time horizons:** ■ short term 0–5 years, ■ medium term 5–10 years, ■ long term 10–50 years.

Tornator's climate-related risk assessments take into account the following types of risk:

**TRANSITION RISKS:** Policy and regulation, technology, markets, reputation

**PHYSICAL RISKS:** Acute, long-term

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A close-up photograph of a person's hands using a red diameter tape to measure the circumference of a tree trunk. The tree bark is dark and textured with some lichen. The background is a soft-focus forest with yellow and green foliage.

# A FORERUNNER IN THE RESPONSIBLE USE OF FORESTS

Tornator operates sustainably in every way – with respect to the economy, the environment, and people. With decades of experience, we manage our forests in accordance with long-term sustainability programmes.

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# STAKEHOLDER EXPECTATIONS DRIVE RESPONSIBLE BUSINESS PRACTICES

Tornator aims to continue being an expert in sustainable forestry, an attractive employer, and a responsible partner. Ethical business is also at the core of our extensive stakeholder engagement work.

Tornator's focus areas related to these themes are based on a materiality analysis conducted in 2020, which identified the expectations of key stakeholders regarding corporate ethics. The analysis included stakeholder interviews and a survey. The key themes were selected based on stakeholder feedback and business impact.

Tornator's key themes of responsible business are:

- Sustainable use of forest resources
- Enhancing positive climate impacts
- Promoting biodiversity
- Forest certification
- Financial responsibility and profitability
- Openness and transparency of operations
- Local economic, employment, and environmental impacts
- Good governance throughout the chain
- Job satisfaction, health, and safety
- Developing the skills of staff and contractors

Issues relevant to responsible operations are reviewed in particular before the beginning of each new strategic period. The next analysis will be based on the EU's Corporate Sustainability Reporting Directive's requirement for dual impacts, i.e. the impacts of Tornator's activities on the economy, the environment, and people, and the impacts of Tornator's activities on society at large.

Tornator is committed to pursuing the UN Sustainable Development Goals (SDGs) that are most relevant to its operations.

## Close interaction with stakeholders

Tornator's stakeholder network consists of a large group of diverse parties that make use of forests in various ways, as well as other parties related to the aforementioned. Key among them are customers, shareholders and investors, contractors and other partners, employees, the authorities and decision-makers, and local communities. Tornator's efforts to ensure sustainability extend to all levels of its stakeholder network, ranging from EU-level decision-making to conversations with local communities.

We maintain close dialogue with stakeholders through various channels. The company continued the widespread use of digital tools that was established during the coronavirus pandemic even after the restriction measures were discontinued, but we have also been able to resume face-to-face stakeholder relations. Stakeholder groups' views on Tornator's operations are measured annually through a survey that forms a part of the FSC audit.

Tornator is a part of several organisations and advocacy groups promoting sustainable forestry. The key roles include board and committee memberships in the Finnish

Forest Industries Federation, and board memberships in the Finnish Forest Museum Lusto, Ilomantsi Museum Foundation, and FSC Finland – the Association for Responsible forestry. Tornator is also involved in the University of Eastern Finland's FORBIO project both as a member of the steering group and a part of the expert panel. From 2020, the company has also been a member of the Climate Leadership Coalition (CLC). In 2022, Tornator joined the World Bioeconomy Forum, which promotes the circular bioeconomy.

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












All memberships and roles in the different organisations are listed on the company's website at [www.tornator.fi/en/memberships-in-associations-and-working-groups](http://www.tornator.fi/en/memberships-in-associations-and-working-groups).

In 2023, Tornator will co-sponsor the Porvoo Borgå Jukola orienteering relay race. The theme of Finland's biggest sporting event in 2023 is carbon wisdom, which is also the basis for Tornator's own sustainability programmes.

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## TORNATOR'S SUSTAINABILITY PROGRAM

Theme	Topic	Target	Indicator	Outcome 2022 (2021)	Status of the target
 <b>An expert in sustainable forestry</b>   	<b>Sustainable use of forest resources</b>	Make cutting plans sustainably	Annual cut vs. growth	Cut approx. 3.37 mill. m <sup>3</sup> /yr (3.2). Growth approx. 3.55 mill. m <sup>3</sup> /yr (3.5)	●
	<b>Forest certification</b>	Comply with PEFC™ and FSC® certification criteria	No major non-compliances	No major non-compliances (0)	●
	<b>Promoting biodiversity</b>	Increase biodiversity through new practices, conservation, and restoration	Implementation of the biodiversity programme	See p. 36	●
	<b>Enhancing positive climate impacts</b>	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 5.4 m <sup>3</sup> /ha/yr (5.5)	●
 <b>An attractive employer</b>  	<b>Job satisfaction, health and safety</b>	Satisfied employees, healthy and safe work environment	Result of the new employee well-being survey, number of accidents at work	3.7/5 (3.8/5) 9 (7)	●
	<b>Developing the skills of staff and contractors</b>	Secure necessary expertise for the company	Days of training per person	6 days (7)	●
 <b>A responsible partner</b>   	<b>Financial responsibility and profitability</b>	Steady dividends and increasing forest value for shareholders	Return on equity at fair value	33.8% (34.6)	●
	<b>Local economic, employment, and environmental impacts</b>	High net value retained	Net value retained	€34.8 mill. (21.1)	●
	<b>Good governance throughout the chain</b>	Monitor supplier's sustainability systematically	Completed supplier assessments	216 (195)	●
	<b>Openness and transparency of operations</b>	Identify sustainability themes important to the company and stakeholders	Updating of the materiality analysis (core/comprehensive) at three year's intervals in cooperation with stakeholders	The materiality analysis was updated in Autumn 2020. A new materiality analysis will be carried out during 2023.	●

Trademark licence codes: Finland FSC-C123368, Estonia FSC-C132610, Romania FSC-C132426

● Achieved ● In progress ● Off target

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## STAKEHOLDER COOPERATION 2022

	Expectations towards Tornator	Communication channels	How we met expectations
<b>Wood buyers, forestland sellers and other customers</b>	<ul style="list-style-type: none"> <li>• Wood availability (flexibility)</li> <li>• Predictability</li> <li>• Long-term business</li> <li>• Reliability</li> <li>• Expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Sales and agreement negotiations</li> <li>• Information systems</li> </ul>	<ul style="list-style-type: none"> <li>• We offered to customers:               <ul style="list-style-type: none"> <li>- PEFC- and FSC-certified wood</li> <li>- High-quality felling sites and forest management and lease services</li> <li>- Planned holiday home plots</li> </ul> </li> </ul>
<b>Owners and providers of loan funding</b>	<ul style="list-style-type: none"> <li>• Reliable and steady long-term returns</li> <li>• Risk management</li> <li>• Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation with the Board and shareholders</li> <li>• Investor communications</li> </ul>	<ul style="list-style-type: none"> <li>• Close cooperation with the Board of Directors and shareholders</li> <li>• Excellent operational performance. The introduction of the new forest valuation method increased the value of the Finnish forests, and no negative risks were realised.</li> <li>• Investor meetings and green financing</li> </ul>
<b>Contractors and other partners</b>	<ul style="list-style-type: none"> <li>• Predictability of work</li> <li>• Steady availability of work</li> <li>• Method development projects in cooperation with contractors</li> <li>• Enabling wind power construction</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation and development discussions</li> <li>• Cooperation with employee groups</li> <li>• Close first-line management</li> </ul>	<ul style="list-style-type: none"> <li>• Tornator's total employment effect is about 1,500 person-years</li> <li>• Participation in various development projects and auditing</li> <li>• We made lease contracts that enable the building of dozens of wind turbines and agreed upon cooperation on the new Sonkajärvi wind power project</li> </ul>
<b>Service providers</b>	<ul style="list-style-type: none"> <li>• Compliance with agreements and sustainable behaviour as a customer</li> <li>• Provision of clear project plans in appropriate schedule</li> </ul>	<ul style="list-style-type: none"> <li>• Service and project meetings</li> <li>• Teams</li> <li>• Email</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of outcomes in terms of substance and finance</li> <li>• Setting up of steering groups for larger projects</li> <li>• Sustainable implementation of jointly agreed project schedules and tasks</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Well-being at work</li> <li>• Forest workers: sufficiency of work and a working season that is as long as possible</li> <li>• Salaried employees: stable employer, interesting tasks and good management</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation and development discussions</li> <li>• Cooperation with employee groups</li> <li>• Close first-line management</li> </ul>	<ul style="list-style-type: none"> <li>• Supervisors stayed in close contact with employees</li> <li>• Individual training opportunities</li> <li>• Lean change agent training programme</li> <li>• Work of the staff committee</li> <li>• Local agreement: drafting Tornator's collective bargaining agreement</li> </ul>
<b>Authorities and decision-makers</b>	<ul style="list-style-type: none"> <li>• Professional and collaborative practices</li> <li>• High-quality plans and studies</li> <li>• Open and fast communication on relevant topics</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Active discussion and formal negotiations</li> <li>• Environmental inventories for ongoing EIA procedures and establishment of conservation areas</li> <li>• Participation in the preparation of the National Forest Strategy 2035 – Growing Well-being from Forests and for Forests (NFS2035)</li> </ul>
<b>Schools, universities and research institutes</b>	<ul style="list-style-type: none"> <li>• Participation in development project and studies</li> <li>• Promotion of forest awareness among children and young people</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation projects</li> <li>• Meetings and visits</li> </ul>	<ul style="list-style-type: none"> <li>• Participating in projects such as LUMO, FORBIO, and SEKAVA</li> <li>• Visits to schools in the Forest of Opportunities campaign</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>• Consideration of the environment in forestry operations and various land-use projects</li> <li>• Regional employment effects</li> <li>• Listening to neighbours and other residents</li> <li>• Participation in local projects and provision of recreational opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Discussions and participatory meetings</li> <li>• Website, social media</li> <li>• Collection and handling of feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Regional sponsorship: forestry students, forest culture, physical activity for children and young people</li> <li>• All feedback was handled</li> <li>• Establishment of several conservation areas</li> <li>• Provision of forests for recreational use</li> <li>• Maintenance of forest roads</li> <li>• Number of hunting leases: approx. 1,000</li> </ul>
<b>Associations</b>	<ul style="list-style-type: none"> <li>• Responsible and sustainable operations</li> <li>• Consideration of biodiversity and effective forest certification</li> <li>• Provision of hunting opportunities and consideration of game animals</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings and messages</li> </ul>	<ul style="list-style-type: none"> <li>• PEFC- and FSC-certified wood</li> <li>• Meetings with associations and FSC International</li> <li>• Participating in the Paahde-LIFE and Freshabit LIFE IP projects</li> <li>• Project collaboration with WWF Finland</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Open, proactive and fast communication on relevant topics</li> </ul>	<ul style="list-style-type: none"> <li>• Press releases</li> <li>• Website, social media</li> <li>• Personal contacts</li> <li>• Webinar and events</li> </ul>	<ul style="list-style-type: none"> <li>• Press releases on website</li> <li>• Social media communications</li> <li>• Media events on mire restoration and stream rehabilitation</li> </ul>

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# SUSTAINABILITY MANAGEMENT

The environmental, social, and financial responsibility have been made an integral part of Tornator's business, translating into management practices and practical measures in our daily work. Code of conduct guides both the company's own operations and its business relationships.

We are committed to sustainable business both in our internal and external principles. In addition, Tornator's operations are guided by the legislations of the countries we operate in, our Code of Conduct, environmental principles, as well as external PEFC and FSC certification criteria. The company also requires that all its partners comply with the Code of Conduct.

Tornator is committed to respecting and promoting UN's universal human rights in all its activities. To safeguard human rights in the supply chain, we pay particular attention to auditing the performance of our contracting partners and help them to implement any corrective measures.

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 sustainable and otherwise ethical practices is the responsibility of the person in charge of each function. Follow-up on the implementation of ethical initiatives is carried out by the management team through internal auditing, external audits and a financial audit at least once a year. The results are also reported annually to the Board of Directors.

The objectives of the biodiversity programme, which is essential to ensuring Tornator's positive impact on different levels, are included in the criteria for the management team's long-term performance reward programme. They have been given a weighting of 30 per cent.

Tornator uses a whistleblowing system, maintained by a third party and based on an anonymous online form, for reporting unethical activities or violations. The company's CEO and the Corporate Responsibility Manager are informed of the reports and they will register all cases and, if necessary, initiate corrective measures without delay. The effectiveness of any corrective measures taken is monitored.

The online form can be found at <https://report.whistleb.com/en/Tornator>

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# VITAL FORESTS ACROSS GENERATIONS

Forests play an important role in mitigating climate change. Tornator promotes the health and carbon sequestration of its forests through active forest management.

## KEY ACHIEVEMENTS OF 2022

- Recruiting a person responsible for implementing the biodiversity programme
- Training on the renewing FSC and PEFC certificates
- Forest fertilisation of an area of 6,000 hectares
- 400 hectares of restored mires and 50 hectares of prescribed burning

## TARGETS FOR 2023

- Implementing the measures included in the biodiversity and climate programmes
- Restoration projects at 20 different nature management sites, with a total of 300 hectares of mire restoration
- Establishing continuous-cover forest management as part of forest management protocol
- Introduction of new FSC and PEFC certification criteria and related training

Tornator's mission is to generate sustainable well-being from forests. This means practising forestry in a way that ensures the forests remain vital and diverse for future generations.

Tornator's sustainable forest management is based on the company's environmental principles, the legislation of the countries it operates in, and the criteria of the Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council (FSC) forest certification schemes. Tornator has also committed to ambitious environmental targets in its ten-year climate and biodiversity programmes.

In addition to self-monitoring, the impacts and quality of Tornator's forest management are assessed by an external evaluator. The company will further improve its operations through continuous evaluation, applying best practices in the forest sector and participating in collaborative research with partners.

## Forests provide well-being

Forests play a major role in mitigating climate change. Forests owned by Tornator sequester around four million tonnes of CO<sub>2</sub> each year. Active forest management measures such as regeneration, cultivation and thinning improve the vitality and thus the carbon sequestration capacity of forests. Supporting biological growth of forests through fertilisation and the use of processed seedlings and seeds also increases carbon sequestration.

Forests provide well-being through a variety of ecosystem services, such as mushrooms, berries and freshwater. Tornator's forests are also widely used for hunting and recreation. A wide range of nature management activities, such as prescribed burning, mire restoration, and water restoration projects, serve to ensure the future availability of ecosystem services.

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## Felling for forest health and growth

Felling causes structural changes in forests. These changes can be locally detrimental to the habitat conditions of forest species and bodies of water. Tornator manages negative environmental impacts through, for example, comprehensive water protection measures. The company also safeguards biodiversity by protecting valuable habitats and increasing the structural features of forests that are important for biodiversity.

Tornator participates in the SEKAVA project on forest management regimes of mixed forest, and its purpose is to study the development of mixed forest cultivation options in comparison with the development of a single-species forest. In the project, long-term field experiments will be carried out in clear-cut regeneration areas on Tornator lands, where the effects of silviculture based on natural tree species will be monitored throughout the different stages of forest development. The use of natural tree species is a productive and biodiversity-friendly way to prepare for the risks of deforestation caused by climate change. Tornator's aim is to increase the mixed cultivation of its forests.

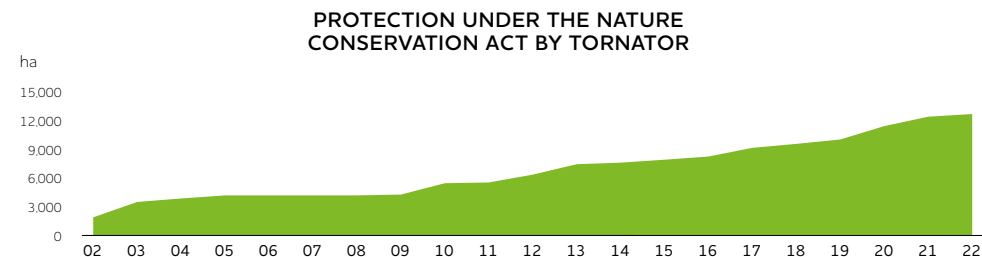
## Developing forest biodiversity – a joint effort

Collaboration is essential to improving biodiversity. In 2022, Tornator launched several collaboration projects to increase forest biodiversity. WWF, Stora Enso and Tornator launched a multi-year collaborative effort called Metsäpurojen puolesta to improve the condition of forest brooks. The project has already had some success in identifying important new sites for restoration. Through the various partnership projects, the company also aims to more effectively measure the impact of its forest biodiversity work.

“Tornator manages negative environmental impacts through, for example, comprehensive water protection measures.”



IN 2022, TORNATOR OWNED A TOTAL OF **12,753 hectares** OF NATURE CONSERVATION AREAS



## UPCOMING CHANGES TO FOREST CERTIFICATIONS

Tornator's forests are both PEFC- and FSC-certified. FSC-certified forests are still rare in Finland, and Tornator's forests account for as much as one-third of the FSC-certified area.

Especially in foreign trade, internationally recognised certificates are an important proof that the wood comes from sustainably managed forests. In addition, the FSC certification that Tornator has been granted, is especially demanding in terms of ecological criteria and stakeholder involvement, making it a reliable indicator of high standards of responsibility and sustainability.

The FSC's principles of forest management that comprise its forestry standard have been updated in Finland to comply with the FSC's international criteria in a process that has lasted more than half a decade. The new requirements are expected to enter into force by summer 2023. Tornator has been involved in the preparation of the criteria. The company has also participated in drafting the first national standard in Estonia, which is currently in preparation.

Tornator is ready to introduce the new, more stringent certification criteria. The first field training sessions under the new FSC standard were held during autumn 2022. The revised criteria for PEFC certification will also come into force in 2023, and related training was provided in 2022. The introduction of new FSC and PEFC certification criteria and related training will be a major undertaking for Tornator in 2023.

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Climate  
2021 – 2030

## CLIMATE-SMART FORESTRY MEASURES

The role of forests in mitigating climate change is more complex than just acting as carbon sinks. In addition to maintaining the carbon flow, forests provide renewable raw materials that can be used to substitute fossil fuels. Sustainable forest management promotes both well-being and positive climate effects.

Tornator's climate programme aims to increase carbon sequestration in forests owned and managed by the company by 20 per cent by 2030. Concrete measures to achieve the goal include fertilising forests, using genetically improved seeds and seedlings, and properly timed and allocated felling and forest management.

The second main objective of the programme is to increase the substitution effect of forests by 50 per cent. This means enabling the use of wood raw material as a substitute for fossil raw materials and enabling the construction of wind energy production. The goal can be achieved by, for example, making full use of the increased felling potential offered by forest growth and increasing wind power production on Tornator's lands.

In 2022, the programme fell short of its average target level, partly due to the increase in the price of nitrogen-based fertilisers. Some of the planned increases in growth were not realised. See page 27 for more on the results.

Read more about the annual report of the Climate Programme on our website at [www.tornator.fi/en/climate-program](http://www.tornator.fi/en/climate-program)

### ACHIEVEMENT BY 2022 / GOAL 2030

0.1 / 0.8 Mt CO<sub>2</sub>/per year

#### Increasing carbon dioxide sequestration in growing stock by 20%

- Use of genetically improved seeds and seedlings
- Fertilisation
- Acquisition of additional land
- Correct allocation of felling and forest management measures, and other measures to increase tree cover

0.15 / 0.8 Mt CO<sub>2</sub>/per year

#### Increasing substitution effects by 50%

- Increasing felling opportunities
- Enabling wind power generation

Biodiversity  
2021 – 2030

## NEW DIVERSITY ACTIONS WITH PARTNERS

The aim of the biodiversity programme is to improve the status of endangered species and habitat types in forests, improve ecosystem services, water protection and game management, and help curb climate change. The measures will focus on the protection of valuable areas and on enhancing active nature management in the forests owned and managed by Tornator.

Under the programme, Tornator is committed to protecting at least 5,000 hectares of valuable natural sites. In addition to protection, at least 200 projects to improve forest and aquatic habitats will be implemented and 3,000 hectares of mire restored within the framework of the programme.

The programme also includes protective thickets, essential for many game species, and protecting the availability of decayed wood that significantly increases forest biodiversity. As to peatlands, the goals of the programme include increasing continuous-cover silviculture, that is, forest cultivation without regeneration felling. A further measure to enhance biodiversity is the development of Tornator's forest management guidelines so as to increase the proportion of mixed forests.

In 2022, the company promoted the objectives of its biodiversity programme and launched several collaboration projects. During the year, Tornator also recruited an experienced active nature management expert to assume responsibility for the implementation of the biodiversity programme. Taking the planning and management of restoration work into the company's own hands serves to further ensure that the objectives of the programme are met.

Read more about the annual reporting related to our biodiversity programme on our website at [www.tornator.fi/en/biodiversity-program](http://www.tornator.fi/en/biodiversity-program)

### ACHIEVEMENT BY 2022 / GOAL 2030

3,210 / 5,000 ha

new private nature reserves and forestry areas sold to the state as protected areas

37 / 200

completed forest and aquatic habitat management sites

660 / 3,000 ha

restored mires

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# PASSION FOR THE FOREST

At Tornator, we concentrate all our energy on important issues with a rigorous Tornator spirit. Tornator's personnel are all highly valued forestry professionals, and helping them to continually develop is key to the company's ongoing success.

## KEY ACHIEVEMENTS OF 2022

- 20-year anniversary gathering
- Lean training and scenario work
- Tornator's collective bargaining agreement
- Establishing the preformance reward fund

## TARGETS FOR 2023

- Management training for the new organisation's needs
- Continuous development of expertise, well-being, occupational safety and engagement
- Highlighting the meaningfulness of work and strengthening mental resources

In specialist organisations, the meaningfulness of work is becoming an increasingly important factor in employee satisfaction and motivation. The slogan "Passion for the forest," coined by Tornator personnel, sums up the work we do every day to ensure that forests remain healthy for future generations.

Tornator's management wishes to ensure that the company has a well-performing workforce that is able to deliver excellent results. The company's management promotes this in two ways: by setting clear goals and by maintaining a culture of genuine, mutual discussion and feedback. At Tornator, everyone has a say in what the company does – and shares the responsibility for it.

Tornator has a total of 182 employees, of which 123 in Finland, 15 in Estonia and 44 in Romania. Of the staff, 147 are office workers and 35 are foresters. Due to the seasonal nature of the work, Tornator employs forest workers increasingly as contractors. The number of our

own foresters has been steadily declining with retirements. Contractors typically employ themselves in other jobs during the winter period, which contributes to increasing labour supply and employment rates.

## Highlights of the year: joint meetings and company-specific collective bargaining agreement

Tornator invests in its staff in several ways. In addition to high-quality occupational health care, staff have access to an electronic pass for sports, cultural and wellness services. In 2022, to celebrate the company's 20th anniversary, employees received an extra EUR 500 in wellness benefits in the form of an e-pass, which also includes access to specialist medical services. As a new well-being initiative suggested by staff, a bicycle benefit was also introduced.

After the most acute phase of the coronavirus pandemic, Tornator permanently switched to a hybrid working model, where each employee has the possibility to choose where

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to work, in the office or at home, for example. Staff have given positive feedback on the new working model, and most employees now work entirely remotely.

After the long period of remote working and restrictions on face-to-face interactions, the highlights of 2022 were Tornator's 20th anniversary celebration, where staff were able to meet in large numbers for the first time since the pandemic began. Unlike previous years, the joint opening of the working season was organised jointly for all employees, instead of having separate opening ceremonies for foresters and office personnel. Since the end of the restrictions that were imposed to contain the pandemic, we have increasingly encouraged our staff to interact with each other informally so as to strengthen Tornator's communal culture of working together.

Metsämiesten Säätiö Foundation awarded five Tornator employees with "Työyhteisön hyvä tyyppi" stipends. The aim of this is to highlight everyday heroes of the work community in the forest sector, as skilled and motivated people are the key success factors for the future of the forest sector and the developers of the sector's operating culture.

In 2022, Tornator signed its first company-specific collective bargaining agreement with the Forestry Experts' Association (METO), covering all staff positions in the company, from trainees to managers. This is the first agreement to include trainees in the collective agreement, which reflects to the company's desire to treat all its employees equally and equitably.

Reorganising work to increase intellectual resources

Every year, Tornator commissions a group-wide well-being survey. The results for 2022 show that the company's employees are mostly doing very well, highly satisfied with Tornator as an employer and willing to recommend the company to others. However, in recent years, the results of the survey have repeatedly highlighted the increasing



workload and the uneven distribution of workload among employees. The increase in workload due to business expansion and the digital information overload have added to the mental strain.

Solutions for distributing the workload more evenly were sought through continuous improvement and Lean training. The training, which started in the previous year, continued in 2022 by expanding on the basic knowledge on how to further develop processes, including eliminating bottlenecks and waste. The training provided an important channel not only for the development of the processes themselves, but also for learning together and developing the company as a whole.

Alongside the Lean training, Tornator also launched a project to reorganise its work in order to balance workloads,

AVERAGE HOURS OF TRAINING PER EMPLOYEE

	Finland	Estonia	Romania
All employees	38	26	16
Men	37	24	10
Women	39	30	28
Salaried employees	45	26	16
Group Management	49	0	0
Forest workers	22	0	0

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## AN ATTRACTIVE EMPLOYER

further improve management and supervision and the quality of forest resource information. The project, carried out in close collaboration with various process managers, identified tasks and activities for which more resources and expertise are needed. The reorganisation will take effect in the beginning of 2023.

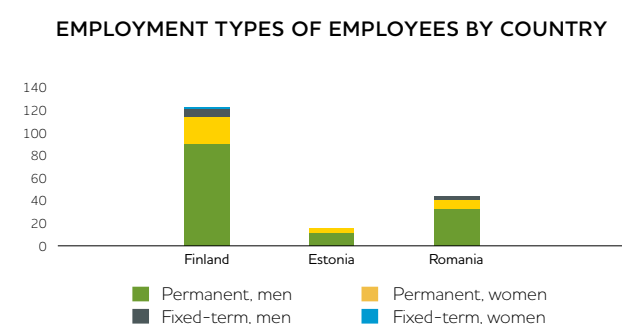
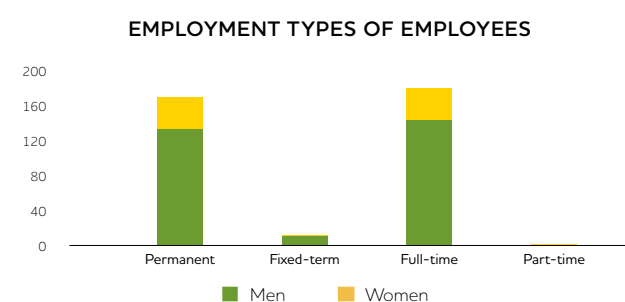
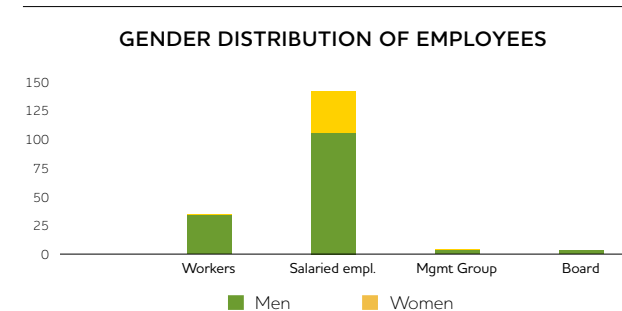
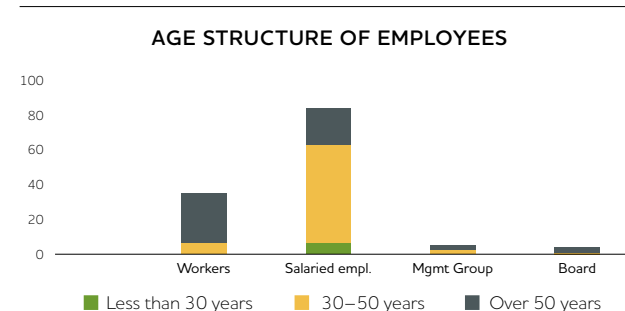
### Increased practical safety skills

Ensuring safe working conditions is important for Tornator, as the company does a lot of mobile and forest-based work. The increase in teleworking has reduced the risks associated with staff travel. In contrast, the work of foresters working in variable terrain still involves many occupational safety risks, which are managed through systematic risk assessment, analysis, guidance, training and monitoring.

In 2022, the practical safety skills of staff were improved by organising guided driving training in slippery conditions and a first-aid extinguishing course. In addition, joint work safety guidelines with Stora Enso were introduced at Tornator's forestry sites.

### OCCUPATIONAL ACCIDENTS AND SICKNESS ABSENTEEISM

	2022			2021		
	Finland	Estonia	Romania	Finland	Estonia	Romania
<b>Sickness absenteeism</b>						
Men, %	4.3	1	0.95	2.1	1.4	0.66
Women, %	1.2	0.3	1.07	0.7	0.1	0.99
<b>Accidents, own employees</b>						
Number of accidents resulting in lost days, men	6	0	0	4	0	2
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	165	0	34
Number of days lost due to accidents, women	24	0	0	1	0	0
Number of fatalities	0	0	0	0	0	0



### TOTAL NUMBER AND RATES OF NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

	Finland	Estonia	Romania
Number of employment contracts signed	22	2	11
of which, fixed-term	20	0	4
Number of employment contracts terminated	30	0	8
of which, retired	11	0	0
Employment contracts terminated by employer	0	0	0
Total employee turnover*, %	12.2	14	39
Average number of employees in 2022	135	14	38
Total number of employees at 31 Dec 2021.	123	15	44

\* 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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# AIMING FOR SUSTAINABILITY THROUGHOUT THE VALUE CHAIN

As the largest private forest owner in Finland, Tornator has a significant social handprint. Thanks to long-term partnerships, the company has the opportunity to develop sustainability throughout the forest sector.

## KEY ACHIEVEMENTS OF 2022

- Successful company partnerships to tackle resource problems resulting from the war in Ukraine
- Audits of contractors to strengthen the sustainable supply chain
- New framework agreement on timber trading in Estonia
- A neural network-based analytics project on remedial fertilisation with ForestVital

## TARGETS FOR 2023

- Further development of Tornator's partnership-driven forest services
- Development of occupational safety in the partnership network
- Promoting the skills and productivity of forest management professionals through digital channels

Tornator's business is based on both forest resources and human resources, that it needs for sustainable production of wood raw material, renewable energy, and services related to forest management and use. Ensuring the vitality and biodiversity of forests is the basis for sustainable forestry.

The company's customers include Stora Enso, companies and communities that buy forest management and rental services, and buyers of lakeside or seafront plots. Tornator also sells various rights to use its land to companies, such as electricity and wind power companies. The company acquires expert resources by recruiting new staff and contracting resources by establishing long-term partnerships, and offering growth paths. Tornator's growth strategy also includes offering contracting opportunities to new partners around Finland.

Tornator aims to establish long-term collaboration relationships with selected partners. These are carefully selected based on various qualitative criteria, and all partners

are required to comply with the applicable legislation and Tornator's Code of Conduct. Potential risks associated with partners are identified through supplier assessments, which focus on ethics, quality and the willingness to improve. It is important for Tornator that partners such as contractors meet their employer obligations and are able to react to any changes in the operating environment.

As the forest services business has expanded to cover the whole of Finland, the partnership with forest service entrepreneurs has also deepened. Collaboration for various purposes, such as further improving occupational safety, is also increasing.

## Stronger together – particularly in times of crisis

Tornator's goal is to be the most desirable partner in the management of forest assets and an active developer of forest service entrepreneurship. Through the expansion of the forest services business, the dialogue between

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Tornator and its entrepreneurial partners and the company's collaboration with its partners have both increased.

In 2022, the war in Ukraine changed the environment rapidly in an unpredictable way. The availability of labour resources presented a particularly significant challenge, while rapidly accelerating cost inflation and supply chain problems hampered the availability of materials and components. However, together with entrepreneurial partners, Tornator was able to overcome these obstacles, and by sourcing replacement resources and prioritising sites, the company was able to successfully implement its forest management programmes.

**Establishing a culture of safety throughout the supply chain**

Tornator is determined to ensure healthy and safe working conditions for everyone working in its forests. With a significant increase in the number of contracting agreements, Tornator wanted to find out how its clearing and planting work contractors are meeting their employer obligations and how well they are taking care of adequate training and safety at work. Based on the evaluations carried out through Tapio Services, compliance with the obligations is generally good. There was room for improvement in some areas, however, especially regarding safety instructions and training.

Tornator's aim is to increasingly spread its strong safety culture to its partner companies. Support will be provided through, for example, occupational safety training and digital introduction materials.



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### Well-being for society

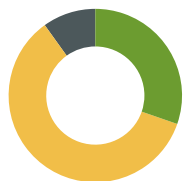
Tornator's operations promote the welfare of society as a whole. In addition to paying taxes, the company also provides employment to its staff. In 2022, the company paid a total of EUR 26 million in tax, and provided a total of approximately 1,500 person-years in employment. Wind power projects on land owned by Tornator also contribute to the vitality of the local communities.

Tornator's forests also promote well-being in non-material ways, such as by offering wide-ranging recreational opportunities. Tornator plays an important infrastructural development role wherever it operates, and its carefully managed forest road network provides local forest users with easier access to the natural environment.

Forestry operations can, however, also cause local negative effects in the form of phenomena such as landscape changes, for example. Tornator seeks to minimise the impacts through active dialogue with local and national stakeholders. We continuously monitor and assess any negative impacts of our operations. Stakeholders can also report any misconduct or shortcoming they have identified via the online whistleblowing channel.

#### TORNATOR'S TAX FOOTPRINT:

Annual taxes and other payments to government, average 2018–2022  
mill. €



● Corporation tax 10.7 ● VAT, net 21.1 ● Personnel-related payments 3.5

#### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

€'000		2018	2019	2020	2021	2022
<b>Direct economic value generated</b>						
Customers	Revenues	119,393	111,541	132,610	135,366	182,124
<b>Direct economic value generated, total</b>		<b>119,393</b>	<b>111,541</b>	<b>132,610</b>	<b>135,366</b>	<b>182,124</b>
<b>Economic value distributed</b>						
Contractors and other suppliers	Purchases of products and services	26,774	27,483	31,221	35,530	41,347
Shareholders	Dividends paid during the period	28,500	35,000	30,000	40,000	60,000
Financial institutions	Interest and financial expenses, net	22,546	22,360	20,668	15,684	13,638
Society	Taxes	3,605	9,978	14,778	13,487	22,037
Employees	Salaries and wages, remuneration and employer's contributions	8,447	9,064	9,162	9,571	10,301
<b>Economic value distributed, total</b>		<b>89,872</b>	<b>103,886</b>	<b>105,829</b>	<b>114,272</b>	<b>147,324</b>
<b>Economic value retained</b>		<b>29,521</b>	<b>7,655</b>	<b>26,781</b>	<b>21,093</b>	<b>34,800</b>
<b>Taxes by country</b>						
Finland		3,063	9,432	14,264	12,856	21,203
Estonia		272	305	307	305	304
Romania		270	241	208	327	531
<b>Total</b>		<b>3,605</b>	<b>9,978</b>	<b>14,778</b>	<b>13,487</b>	<b>22,037</b>

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# CORPORATE GOVERNANCE

## Ownership and corporate structure

In 2022, 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 Limited Liability Companies Act of Finland 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 OMX Helsinki Ltd, 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](http://www.finanssivalvonta.fi).

The Annual General Meeting is the highest decision-making body in Tornator, deciding on matters pursuant to the Limited Liability Companies Act of Finland. The Annual General Meeting 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 four to seven ordinary members, elected by the Annual General Meeting for one year at a time. The Annual General Meeting

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 2022, the board of directors held 12 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 2022, 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 2022,

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 implementing 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, forest management and the 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 business and support functions.

## Related party transactions

Tornator and Stora Enso have a significant, volume-based, long-term timber sales agreement. The companies have 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 Tornator's 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 chairperson and members 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 will receive a fixed monthly salary and an incentive bonus

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based on individual performance. The management group is also covered by a long-term monetary incentive scheme.

### Taxes

The payment of taxes and tax-equivalent 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 CEO bears the responsibility for tax-related matters. In each of its operating countries, Tornator pays the taxes and other tax-equivalent 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 with both the tax authorities and the advisors. Typically, tax risks are related to a single or new transaction, in which case Tornator will first discuss the matter with an advisor and, if necessary, with the tax authorities. In 2022, following discussions and on the recommendation of the tax authorities, one request for a preliminary ruling was made concerning Value Added Tax. A similar approach is taken in other difficult or significant tax cases.

### Auditor

The Annual General Meeting elects the auditor for one year at a time. Tornator's auditor changed in 2022, when PwC took over as Tornator's auditor. Authorized public accountant Panu Vänskä will be the auditor in charge.

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 timber 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 are still unknown. With new investments by the forest industry and as the importation of timber from Russia came to a halt, wood demand has increased in all countries in which Tornator operates. The company has also secured high demand for wood by certifying all of its forests.

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 the quantity and quality of wood raw material 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 Finnish forest growth model, developed by the Natural Resources Institute Finland (Luke), based on the latest research results. These models are used in the preparation of the long-term felling plan (longer than 30 years).

The change in the forest valuation method in Finland may lead to greater volatility in the change in forest value recognised in profit or loss. In the transaction-based method, fluctuations in the forestland market may be larger than in the previous model based on future cash flows.

Changes in current certification criteria may affect opportunities for forest use and cause a loss of income for Tornator, unless there is an agreement on full compensation. The Finnish Forest Stewardship Council (FSC) has now redefined its national criteria. Tornator was closely involved in this process and does not foresee that the changes will cause any significant loss of revenue.

Forestland purchasing entails risks, and the success of investment often becomes apparent only later. 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 this trend slowed down during 2021. The past year did not bring any change in demand. 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 well-known operators in the sector, by dispersing the projects throughout 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 introduction, 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 discussions on regulation at EU level that would restrict forestry. The

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role of forests in halting biodiversity loss, among other things, has been in the headlines. 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 participate in societal debate. Proactive risk management also involves participation in research in the field and the preparation of various carbon calculations. Tornator pursues open communication with an emphasis on the positive overall responsibility of the company's forestry activities and 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 the 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 machine 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. Because of the war, workers from Ukraine have not been available for forest management work. Future reconstruction could cause a shortage of forestry workers in Tornator's countries of operation, should forestry labour move from these countries to Ukraine.

## 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 entrepreneurs' resources, which poses challenges in terms of control of environmental damage and occupational safety, among other things. The expansion of the forest services business throughout Finland has increased the risks posed to Tornator through factors such as an increase in the number of contractors used. This control is being improved by means of training and the use of 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. This makes it 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 programme 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 31 DEC 2022

	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	820,625	16.41
OP Life Assurance Company Ltd	260,500	6.25
OP-Forest Owner Fund	250,000	5.00
Veritas Pension Insurance	208,000	2.50
OP-Eläkesäätiö pension insurance	125,000	2.08
Finnair Pension Foundation	54,375	1.09
Pohjola Insurance Ltd	52,000	1.04
Riffu Oy	37,500	0.75
Danilostock Oy	37,500	0.75
<b>Total</b>	<b>5,000,000</b>	<b>100</b>

### TORNATOR TIMBERLAND GROUP

<b>11</b> shareholders	
Tornator Oyj Finland <b>661,000 ha</b>	
SC Tornator SRL Romania <b>12,000 ha</b>	Tornator Eesti OÜ Estonia <b>65,000 ha</b>

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### 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  
Lastentautien tutkimussäätiö, member of the Board  
Kaleva Mutual Insurance Company, 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 Erkko Foundation, member of the Board



### Jorma Länsitalo

Born 1963, MSc (For)  
Member 2020–  
Stora Enso Oyj, SVP, Head of Forest Assets 2020–2022

#### Background:

Enso Oy/Stora Enso Oyj, several positions 1989–2022

#### Membership on other boards of directors:

Stora Enso Guangxi Forest JV, member of the Board



### Tuomas Virtala

Born 1974, MS (Econ)  
Member 2020–  
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–

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DEPUTY MEMBERS: Markus Aho, Varma; Ilja Ripatti, Ilmarinen; Erkkö Rynnänen, OP; Jari Suvanto, Stora Enso



From left to right, back row: Heikki Penttinen, Outi Nevalainen and Ari Karhapää; front row: Antti Siirtola and Henrik Nieminen.

### 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 Oy, Treasury Manager 1998–2000  
Enso Oy, 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  
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  
2014–2015  
Nokia Oy, 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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# FINANCIAL STATEMENTS

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# SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

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 forest assets, provisions, wind power earn-out receivables, and interest rate derivatives. The same applies to the figures for the previous year.

## Turnover and results

The group's turnover was €164.6 million (€128.6 million), a change of +28.1%. Timber deliveries increased, and the prices were good. Russia's invasion of Ukraine did not have any major negative impact on Tornator's business. A total of 89.8% of turnover, worth €147.8 million, consisted of timber sales income (€110.9 million, or 86.2%). The turnover for forestry services was €11.6 million (€11.0 million), close to the previous year. In addition, the proceeds from land and plot sales amounted to €5.2 million (€6.7 million). Other operating income, €11.7 million (€26.8 million), includes income 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 sales of soil-resources.

Operating profit at fair value amounted to €572.0 million (€439.2 million), and profit for the period was €541.9 million (€377.5 million). 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 €462.2 million (+€329.1 million), and a positive change in the fair value of financial instruments increased profit by €110.9 million (+€41.9 million) before taxes. Adjusted operating profit in Estonia and Romania increased. In addition to bio-based commodities, the change of the forest asset valuation method had a positive impact on the value of land, and the positive changes in the fair value of land (€210 million after deduction of deferred taxes) were recognised in the revaluation reserve in equity through other comprehensive income.

## Notable events during the period under review

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

In the core business, i.e. timber sales and deliveries, the results were better than planned. The timber market tightened further as Russian timber imports ceased due to EU sanctions. Timber deliveries to the main customer, Stora Enso, totalled some €127.0 million (€86.9 million), or around 86% (78%) of the group's timber delivery turnover. Timber sales to the main customer are based on a long-term market-based framework agreement, which was renewed in 2021.

In forestry services, work was carried out as planned, with the exception of fertilisation. The war in Ukraine led to a sharp rise in fertiliser prices and low availability.

An update of the fair value of Tornator's forest assets had significant positive effects. A new valuation method was introduced for Tornator's forest assets in Finland, whereby the value of forest assets is determined by using the prices calculated on the basis of regionally completed forestland transactions and Tornator's standing stock. Valued forest assets include standing stock (biological assets) and land. In Tornator's view, market transaction data from the forestland market is reliable and provides a better and more transparent view of the fair value of Finnish forests than the previous method, which was based on the present value of cash flows. The total value of the group's forest assets increased by approximately €787 million during the financial period, of which the parent company's share was approximately €760 million and the impact of net acquisitions approximately €73 million. The balance sheet value of biological assets also increased in Estonia and Romania, and the annual fair value update of biological assets for all countries improved the group's operating profit by €462 million (€329 million). The total impact of changes in the fair value of the land amounted to €252 million. A more detailed description of Tornator's forest valuation model is given in the notes to the financial statements.

The total value of the group's forests recorded in the financial statements, including growing stock and land, was approximately €3,101 million (€2,313 million). The figures include the effects of

falling as well as the purchases and sales of forestland. Tornator owns a total of approximately 740,000 hectares of forest in Finland, Estonia and Romania.

In the balance sheet, the fair values of the company's long-term interest rate hedges increased due to the rise in market interest rates. This created a positive entry of €110.9 million (+€41.9) in financial items in the income statement. Of the aforementioned 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 are estimated.

Tornator's equity ratio strengthened to 60.4% (52.6%), and liquidity remained strong throughout the year. The company 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 16,000 hectares of forest.

In Estonia and Romania, the company continued to manage its forests sustainably, and to further develop its sustainable business operations. All the group's forests are double-certified, by the Programme for the Endorsement of Forest Certification (PEFC) as well as the Forest Stewardship Council (FSC).

Tornator continued to implement its climate and biodiversity programmes in 2022. The content and objectives of the programmes are presented on our website.

In line with our sustainability program, Tornator engaged in mire restoration, prescribed burning and the establishment of conservation areas on approximately 1,200 hectares of our land. Tornator continued with major conservation projects within the framework of initiatives such as the Metso and Helmi habitat protection programmes.

The company celebrated its 20th anniversary with a staff event at the end of June.

Tornator's Annual General Meeting held on 8 March 2022 decided to pay a dividend, as proposed by the board of directors, totalling €60 million.

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## CONSOLIDATED INCOME STATEMENT, IFRS

€m	2018	2019	2020	2021	2022
<b>Net sales</b>	<b>112.8</b>	<b>105.8</b>	<b>118.1</b>	<b>128.6</b>	<b>164.6</b>
Other operating income	6.6	5.7	22.7	26.8	11.7
Change in fair value of biological assets and harvesting	32.6	189.9	121.1	329.1	462.2
Change in inventories of finished goods and work in progress	-1.0	-1.4	-2.4	-2.5	-2.5
Materials and services	-17.0	-17.2	-27.9	-24.2	-30.1
Personnel expenses	-8.4	-9.1	-9.2	-9.6	-10.3
Depreciation and amortisation	-3.1	-3.2	-3.1	-3.2	-15.0
Other operating expenses	-6.0	-6.0	-6.9	-5.7	-8.6
<b>Operating profit</b>	<b>116.5</b>	<b>264.6</b>	<b>212.4</b>	<b>439.2</b>	<b>572.0</b>
Financial income	0.2	0.2	0.2	0.3	0.5
Financial expenses	-22.7	-22.6	-20.9	-16.0	-14.1
Change in fair value of financial instruments	-1.6	-47.0	-33.3	41.9	110.9
<b>Financial items (net)</b>	<b>-24.2</b>	<b>-69.4</b>	<b>-54.0</b>	<b>26.3</b>	<b>97.3</b>
<b>Profit/loss before taxes</b>	<b>92.3</b>	<b>195.2</b>	<b>158.4</b>	<b>465.5</b>	<b>669.3</b>
Income taxes	-3.1	0.4	-9.1	-25.7	-42.9
Change in deferred taxes	-10.4	-30.8	-28.3	-62.3	-84.5
<b>Profit/loss for the period</b>	<b>78.9</b>	<b>164.8</b>	<b>121.1</b>	<b>377.5</b>	<b>541.9</b>

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## CONSOLIDATED BALANCE SHEET, IFRS

€m	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022
<b>ASSETS</b>					
<b>Non-current assets</b>					
Forest assets	1,539.5	1,776.3	1,939.5	2,313.5	3,101.0
Biological assets	1,451.0	1,682.6	1,841.2	2,210.2	2,737.3
Land areas	88.5	93.7	98.3	103.3	363.8
Fixed assets	15.2	15.7	16.3	16.2	16.0
Intangible assets	1.9	1.8	0.8	1.4	2.0
Right-of-use assets		2.3	2.3	2.2	1.9
Derivatives					42.4
Other investments	0.1	0.1	0.1	0.1	0.1
Non-current receivables			8.2	18.7	7.5
	<b>1,556.7</b>	<b>1,796.2</b>	<b>1,967.1</b>	<b>2,352.1</b>	<b>3,170.9</b>
<b>Current assets</b>					
Inventory	0.4	0.1	0.0	0.0	0.1
Trade receivables	12.8	12.8	14.5	18.3	36.3
Income tax receivables		8.8	0.0		
Other receivables	2.7	0.3	0.5	10.8	16.7
Derivatives	3.3				
Other financial assets	1.0	2.2	7.1	7.1	0.4
Cash and cash equivalents	14.0	18.7	56.7	16.8	19.2
	<b>34.3</b>	<b>42.8</b>	<b>78.9</b>	<b>53.1</b>	<b>72.8</b>
<b>Total assets</b>					
	<b>1,591.0</b>	<b>1,839.0</b>	<b>2,046.0</b>	<b>2,405.2</b>	<b>3,243.7</b>

€m	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to parent company shareholders</b>					
Share capital	50.0	50.0	50.0	50.0	50.0
Other equity	652.5	781.3	871.7	1,208.5	1,901.8
<b>Total equity</b>	<b>702.5</b>	<b>831.3</b>	<b>921.7</b>	<b>1,258.5</b>	<b>1,951.8</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	161.2	192.0	220.3	282.6	419.8
Financial liabilities	258.1	1.0	673.5	748.6	749.1
Derivatives	93.0	141.1	174.4	70.3	1.6
Leasing liability		2.0	2.0	2.0	1.6
Pension obligations	0.2	0.2	0.1	0.2	0.2
	<b>512.6</b>	<b>336.6</b>	<b>1,070.3</b>	<b>1,103.8</b>	<b>1,172.3</b>
<b>Current liabilities</b>					
Financial liabilities	352.9	647.2	15.0	0.0	69.0
Trade and other payables	21.4	23.8	25.9	22.9	23.6
Income tax liabilities	0.6	0.1	4.0	11.2	15.2
Derivatives	1.1	0.0			
Leasing liability		0.3	0.3	0.3	0.4
Provisions			8.8	8.5	11.3
	<b>376.0</b>	<b>671.5</b>	<b>54.0</b>	<b>42.9</b>	<b>119.5</b>
<b>Total liabilities</b>					
	<b>88.5</b>	<b>1,007.7</b>	<b>1,124.3</b>	<b>1,146.7</b>	<b>1,291.8</b>
<b>Total equity and liabilities</b>					
	<b>1,591.0</b>	<b>1,839.0</b>	<b>2,046.0</b>	<b>2,405.2</b>	<b>3,243.7</b>

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## STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY

1,000 euro	Share capital	Share premium	Translation difference	Revaluation reserve	Retained earnings	Total equity
<b>Equity on 1 Jan 2021</b>	<b>50,000.0</b>	<b>29,995.2</b>	<b>-10,227.1</b>		<b>851,969.0</b>	<b>921,737.1</b>
<b>Comprehensive income</b>						
Profit/loss for the financial period					377,477.1	377,477.1
<b>Other items of comprehensive income (after taxes)</b>						
Items derived from the re-definition of net defined benefit costs (or asset items)					-100.0	-100.0
Translation difference			-622.1			
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>-622.1</b>		<b>377,377.1</b>	<b>376,755.0</b>
<b>Transactions with shareholders</b>						
Dividends paid					-40,000.0	-40,000.0
<b>Total transactions with shareholders</b>					<b>-40,000.0</b>	<b>-40,000.0</b>
<b>Equity on 31 Dec 2021</b>	<b>50,000.0</b>	<b>29,995.2</b>	<b>-10,849.1</b>		<b>1,189,346.0</b>	<b>1,258,492.1</b>
<b>Equity on 1 Jan 2022</b>	<b>50,000.0</b>	<b>29,995.2</b>	<b>-10,849.1</b>		<b>1,189,346.1</b>	<b>1,258,492.1</b>
<b>Comprehensive income</b>						
Profit/loss for the financial period					541,927.1	541,927.1
<b>Other items of comprehensive income (after taxes)</b>						
Revaluation of land areas				211,424.2		211,424.2
Items derived from the re-definition of net defined benefit costs (or asset items)					31.2	31.2
Translation difference			-27.7			-27.7
<b>Comprehensive income for the period</b>			<b>-27.7</b>	<b>211,424.2</b>	<b>541,958.3</b>	<b>753,354.8</b>
<b>Transactions with shareholders</b>						
Dividends paid					-60,000.0	-60,000.0
<b>Total transactions with shareholders</b>					<b>-60,000.0</b>	<b>-60,000.0</b>
<b>Equity on 31 Dec 2022</b>	<b>50,000.0</b>	<b>29,995.2</b>	<b>-10,876.8</b>	<b>211,424.2</b>	<b>1,671,304.4</b>	<b>1,951,846.9</b>

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## CONSOLIDATED CASH FLOW STATEMENT

€m	2018	2019	2020	2021	2022
<b>Cash flow from operating activities</b>					
Cash receipts from transactions in forestry	102.7	107.7	110.5	116.6	140.1
Cash receipts from transactions in land sales	3.5	2.7	6.9	6.7	5.2
Cash receipts from other operating income	6.8	5.7	15.5	5.8	24.3
Cash paid to suppliers and employees	-30.6	-31.8	-34.5	-38.8	-49.4
<b>Cash flow from operating activities before financial items and taxes</b>	<b>82.3</b>	<b>84.4</b>	<b>98.4</b>	<b>90.2</b>	<b>120.2</b>
Interest paid and other financial expenses	-21.9	-22.7	-23.6	-77.8	-14.4
Interest received	0.2	0.2	0.2	0.3	0.4
Income taxes paid	7.5	-9.0	4.1	-20.9	-41.3
<b>Net cash flow from operating activities</b>	<b>68.1</b>	<b>52.9</b>	<b>79.2</b>	<b>-8.2</b>	<b>65.0</b>
<b>Cash flow from investing activities</b>					
Investments in biological assets	-47.9	-43.6	-40.2	-42.6	-67.1
Investments in tangible assets, forestland	-5.9	-5.4	-5.0	-5.3	-8.3
Investments in other tangible and intangible assets	-2.1	-3.2	-3.2	-3.4	-3.5
Investments in other financial assets		-1.1	-4.9		
Proceeds from sale of other financial assets	0.9	0.0	0.0	0.1	6.7
<b>Net cash flow from investing activities</b>	<b>-55.0</b>	<b>-53.3</b>	<b>-53.3</b>	<b>-51.3</b>	<b>-72.2</b>

€m	2018	2019	2020	2021	2022
<b>Cash flow from financing activities</b>					
Withdrawal of long-term loans	25.0	0.0	700.0	150.0	
Repayment of long-term loans	-4.6	-0.1	-25.1	-75.1	0.0
Withdrawal of short-term loans	0.0	295.0			
Repayment of short-term loans	-5.0	-254.5	-632.5	-15.0	70.0
Repayment of leasing liabilities		-0.3	-0.3	-0.3	-0.3
Dividends paid	-28.5	-35.0	-30.0	-40.0	-60.0
<b>Net cash flow from financing activities</b>	<b>-13.1</b>	<b>5.1</b>	<b>12.1</b>	<b>19.6</b>	<b>9.7</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>0.1</b>	<b>4.7</b>	<b>38.0</b>	<b>-39.9</b>	<b>2.4</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>13.9</b>	<b>14.0</b>	<b>18.7</b>	<b>56.7</b>	<b>16.8</b>
<b>Cash and cash equivalents at the end of period</b>	<b>14.0</b>	<b>18.7</b>	<b>56.7</b>	<b>16.8</b>	<b>19.2</b>

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## SUMMARY OF FINANCIAL STATEMENTS

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

	2018	2019	2020	2021	2022
Net sales, € million	112.8	105.8	118.1	128.6	164.6
Operating profit, € million	116.5	264.6	212.4	439.2	572.0
Operating profit without change in fair value of biological assets, € million	83.9	74.7	91.9	90.0	130.2
Operating profit without change in fair value of biological assets, % of net sales	74.4	70.6	77.8	70.0	79.1
Profit/loss for the period, € million	78.9	164.8	121.1	377.5	541.9
Profit/loss for the period without fair value changes, € million	49.7	42.7	56.8	61.1	94.8
Profit/loss for the period without fair value changes, % of net sales	44.0	40.4	48.1	47.5	57.6
Shareholders' equity, € million	702.5	831.3	921.7	1,258.5	1,951.8
Interest-bearing net liabilities, € million	596.0	627.4	624.7	724.8	798.5
Balance sheet total, € million	1,591.0	1,839.0	2,046.0	2,405.2	3,243.7
Return on capital employed without change in fair value of biological assets, %	6.6%	5.4%	6.0%	5.0%	5.5%
Return on equity without fair value changes, %	7.3%	5.6%	6.5%	5.6%	5.9%
Equity ratio, %	44.4%	45.5%	45.3%	52.6%	60.4%
Dividends paid, €/share	5.7	7.0	6.0	8.0	12.0
Dividend yield, %	4.2%	4.6%	3.4%	3.7%	3.7%
Average number of personnel	182	183	186	189	188
Personnel expenses, % of net sales	7.5%	8.6%	7.8%	7.4%	6.3%
Investments in forestland, € million	53.8	48.9	45.1	47.9	75.4
Investments in other fixed assets, € million	2.1	3.2	3.2	3.4	3.5
Annual cut, million cubic metres	3.2	2.8	3.2	3.1	3.4
Fair value of forests, € million	1,539.5	1,776.3	1,939.5	2,313.5	3,101.0
Gross proceeds from land sales, € million	3.5	2.7	6.9	6.7	5.2

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## Financial ratios

	31 Dec 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	Max./Min.
Equity ratio, %	44.4	45.5	45.3	52.6	60.4	
Average interest rate, %	3.6	3.3	2.9	2.1	1.6	
Hedge ratio, %	67	52	100	69	63	
Average loan maturity, years	1.2	0.7	4.7	4.7	3.4	
Average fixing time, years	0.6	0.5	3.1	2.45	1.86	
Loan-to-Value (LTV), %	40.4	36.6	48.2	43.8	43.0	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	2018	2019	2020	2021	2022
Long-term bonds	0.0	0.0	350.0	350.0	350.0
Long-term bank loans	192.5	0.0	325.0	400.0	400.0
Long-term debenture loan	65.0	0.0			
Short-term bonds	250.0				
Short-term debenture loan		65.0			
Current portion of long-term loans	4.5	0.0			
Short-term bank loans and commercial papers	95.0	582.5	15.0		70.0
<b>Total debt</b>	<b>607.0</b>	<b>647.5</b>	<b>690.0</b>	<b>750.0</b>	<b>820.0</b>
Net financial items	-24.2	-69.4	-54.0	26.3	97.3
Net financial expenses without fair value changes	22.5	22.4	20.7	15.7	13.6
Net financial expenses without fair value changes, % of net sales	20.0%	21.1%	17.5%	12.2%	8.3%
Average interest rate, %	3.6%	3.3%	2.9%	2.1%	1.6%

## Sensitivity of interest rate risk

One percentage point parallel change in market interests rates affects Tornator's income statement and equity as follows

€m	+1%	-1%
Income Statement		
Net interest expense from interest-bearing debt and derivatives	-3,007	3,007
Change in fair value of derivatives	31,755	-41,305
Equity, net of tax	23,000	-30,638

## Calculation of key figures

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

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## REPORTING PRINCIPLES

This report is based on the Global Reporting Initiative's GRI Standards for sustainability reporting, the Universal Standards option. The reporting period is the calendar year, 1 January – 31 December 2022, and the report is published annually.

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 8 March 2022.

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

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## GRI CONTENT INDEX

GRI standard	Content	Location	Comments
<b>GRI 2: GENERAL DISCLOSURES (2021)</b>			
<b>Organisational profile</b>			
2-1	Organisational details	Tornator in the year 2022 pp. 4–5; Corporate governance p. 44; Reporting principles p. 58	
2-2	Entities included in the organisation's sustainability reporting	Reporting principles p. 58	
2-3	Reporting period, frequency and contact point	Reporting principles p. 58	
2-4	Restatements of information	GRI content index	
2-5	External assurance	Reporting principles p. 58	
<b>Activities and workers</b>			
2-6	Activities, value chain and other business relationships	Tornator in the year 2022 pp. 4–5; A responsible partner p. 40; Sustainability program and stakeholders pp. 30–31	Partially reported.
2-7	Employees	An attractive employer pp. 37–39	Partially reported. Tornator does not use zero-hours contracts.
2-8	Workers who are not employees	An attractive employer p. 37	Tornator does not provide temporary work services nor use agency-hired labour.
<b>Governance</b>			
2-9	Governance structure and composition	Corporate governance p. 44; Board of Directors p. 47; Management Group p. 48	Partially reported.
2-10	External initiatives	Corporate governance p. 44	Partially reported.
2-11	Chair of the highest governance body	Board of Directors p. 47	
2-12	Role of the highest governance body in overseeing the management of impacts	TFCD pp. 27–28; Sustainability management p. 33	Partially reported.
2-13	Delegation of responsibility for managing impacts	TFCD pp. 27–28; Sustainability management p. 33	
2-14	Role of the highest governance body in sustainability reporting	Sustainability management p. 33	
2-16	Communication of critical concerns	Sustainability management p. 33	Partially reported.

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GRI standard	Content	Location	Comments
2-19	Remuneration policies	Sustainability management p. 33; Corporate governance p. 44	Partially reported.
2-20	Process to determine remuneration	Corporate governance p. 44	Partially reported.
<b>Strategy, policies and practices</b>			
2-22	Statement on sustainable development strategy	CEO's review pp. 9–10	
2-23	Policy commitments	Sustainability management p. 33; Corporate governance p. 44–46	Tornator's Code of Conduct can be found on the company's website at <a href="http://www.tornator.fi/wp-content/uploads/2021/11/Tornator_CoC_EN_final_021120.pdf">www.tornator.fi/wp-content/uploads/2021/11/Tornator_CoC_EN_final_021120.pdf</a>
2-24	Embedding policy commitments	Sustainability management p. 33; An expert in sustainable forestry pp. 34–35; An attractive employer pp. 37–39; A responsible partner pp. 40–42	
2-25	Processes to remediate negative impacts	Sustainability management p. 33; A responsible partner p. 42	Partially reported. Tornator uses a feedback system to record stakeholder feedback and monitor the implementation of the corrective actions.
2-26	Mechanisms for seeking advice and raising concerns	Sustainability management p. 33	
2-27	Compliance with laws and regulations	GRI content index	No violations.
2-28	Membership associations	Sustainability program and stakeholders p. 30	
<b>Stakeholder engagement</b>			
2-29	Approach to stakeholder engagement	Sustainability program and stakeholders p. 30; Stakeholder cooperation in 2022 p. 32	
2-30	Collective bargaining agreements	An attractive employer pp. 37–38; GRI content index	In Finland, 100% of Tornator's employees are covered by universally applicable collective bargaining agreements. In Estonia and Romania, terms of employment are agreed upon in employment contracts.
<b>GRI 3: MATERIAL TOPICS (2021)</b>			
3-1	Process to determine material topics	Sustainability program and stakeholders p. 30	
3-2	List of material topics	Sustainability program and stakeholders p. 30	
3-3	Management of material topics	Sustainability management p. 33; An expert in sustainable forestry pp. 34–35; An attractive employer pp. 37–39; A responsible partner pp. 40–42	

GRI standard	Content	Location	Comments
<b>ECONOMIC STANDARDS</b>			
<b>GRI 201: ECONOMIC RESULTS (2016)</b>			
201-1	Direct economic value generated and distributed	Direct economic value generated and distributed p. 42	
201-2	Financial implications and other risks and opportunities due to climate change	Tornator's climate risks and opportunities pp. 27–28	Partially reported.
<b>GRI 205: ANTI-CORRUPTION (2016)</b>			
205-2	Communication and training about anti-corruption policies and procedures	GRI content index	Obligatory for all Tornator employees as part of Tornator's Code of Conduct training. 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 content index	No incidents.
<b>GRI 206: ANTI-COMPETITIVE BEHAVIOR (2016)</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	GRI content index	No incidents.
<b>GRI 207: TAXES (2019)</b>			
207-1	Approach to tax	Corporate governance pp. 44–45	Tornator does not have a separate tax strategy.
207-2	Tax governance, control, and risk management	Corporate governance pp. 44–45	
207-3	Stakeholder engagement and management of concerns related to tax	Corporate governance pp. 44–45	Tax risks are managed through collaboration and open discussion with the tax authorities and counsellors. Typically tax risks pertain to individual or new business transactions, in which case Tornator will first discuss with a counsellor, and if necessary, with the tax authorities. In 2022, based on the tax authorities' recommendation, Tornator made one application for a preliminary ruling, regarding the processing of Value Added Tax. Similar measures are taken in all difficult or significant cases.
207-4	Country-by-country reporting	Corporate governance p. 44	

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GRI standard	Content	Location	Comments
<b>ENVIRONMENTAL STANDARDS</b>			
<b>GRI 303: WATER AND EFFLUENTS (2018)</b>			
Tornator's specific indicator	Impacts on water courses resulting from Tornator's forest management, and control of those impacts	An expert in sustainable forestry p. 35; Climate and biodiversity programs p. 36; GRI content index	Water courses are affected as a result of ditch cleaning and supplementary ditching, soil preparation, and fertilisation. Impacts are controlled by various water protection measures, such as buffer zones, sedimentation basins, and through overland flow. In addition, mire restorations (408 hectares) and restoration work on aquatic habitats (9 projects) had a positive impact on the condition of waters.
<b>GRI 304: BIODIVERSITY (2016)</b>			
304-2	Significant impacts of activities, products and services on biodiversity	An expert in sustainable forestry pp. 34–35; Climate and biodiversity programs p. 36	
304-3	Habitats protected or restored	An expert in sustainable forestry pp. 34–35; Climate and Biodiversity Programs p. 36	Total number of conservation areas reported. The goals and monitoring of the Biodiversity Program can be found on Tornator's webpage at <a href="http://www.tornator.fi/en/biodiversity-program">www.tornator.fi/en/biodiversity-program</a>
304-4	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organisation, by level of extinction risk	GRI content index	According to Tornator's geographic information system, there are 1,367 known occurrences of IUCN Red List species in its forests in Finland. No listing by level of extinction risk is available.
<b>GRI 305: EMISSIONS (2016)</b>			
Tornator's specific indicator	Tornator's CO <sub>2</sub> emissions	GRI content index	The CO <sub>2</sub> 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 of carbon dioxide per year.
<b>SOCIAL STANDARDS</b>			
<b>GRI 401: EMPLOYMENT (2016)</b>			
401-1	New employee hires and employee turnover	An attractive employer pp. 37–39	There were two new permanent employees, one man and one woman. Both belong to the age group 30–50 years.
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY (2018)</b>			
403-1	Occupational health and safety management system	GRI content index	Every employee is entitled to occupational health care. Contractors organise occupational health care independently, and the matter is checked by the contracting partners before the contract is signed.
403-2	Hazard identification, risk assessment and incident investigation	GRI content index	The Occupational Health and Safety Manager and the Occupational Health and Safety Committee are in charge of development within their remit. The company has an electronic reporting channel for reporting observed occupational safety risks.
403-3	Occupational health services	GRI content index	The current situation is processed, plan of corrective measures are made, and the annual occupational health care plan of action is drawn up in an annual meeting with the occupational health service.

GRI standard	Content	Location	Comments
403-4	Worker participation, consultation and communication on occupational health and safety	GRI content index	Tornator has an Occupational Health and Safety Committee where the various personnel groups are represented and through which employees are involved in developing occupational health and safety. The committee met three times in 2022.
403-5	Worker training on occupational health and safety	An attractive employer p. 39; A responsible partner pp. 40–41; GRI content index	Occupational safety card training is organised every five years for those working in the field, and the latest training was held in 2022. First aid training and refresher courses are organised for personnel at least every three or five years, depending on their job description. In 2021, all office employees had access to online courses on occupational health and lectures on work ergonomics. In addition, supplementary training is offered to the members of the Occupational Health and Safety Committee on a regular basis.
403-6	Promotion of worker health	An attractive employer pp. 37–39	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	A responsible partner pp. 40–41; GRI content index	The existence of occupational health contracts is 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. 39	A total of 9 accidents and 0 fatalities were recorded in 2022. The most common causes resulting in injuries were slipping or falling. There were 2 injuries among contractors in 2022. The information is compiled using a questionnaire sent to contractors. The injury rate was 25.5 injuries per million hours worked.
<b>GRI 404: TRAINING AND EDUCATION (2016)</b>			
404-1	Average hours of training per year per employee	An attractive employer p. 38	
404-2	Programs for upgrading employee skills and transition assistance programs	Strategic priorities p. 20; An expert in sustainable forestry p. 35; An attractive employer p. 38	Lean-muutosagentti training programme was carried out in 2022. Tornator has no programmes regarding termination of employment.
404-3	Percentage of employees receiving regular performance and career development reviews	GRI content index	The participation rate is 100% in all countries where the Tornator Group operates.
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES (2016)</b>			
405-1	Diversity of governance bodies and employees	An attractive employer p. 39; Board of Directors p. 47; Management Group p. 48	
<b>GRI 406: NON-DISCRIMINATION (2016)</b>			
406-1	Incidents of discrimination and corrective actions taken	GRI content index	One discrimination incident report or allegation was under investigation, but it did not progress, as the necessary additional information was not received.

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**Photographs:**  
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